

DAXOR CORP  
Form 10-Q  
May 12, 2009

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

**Quarterly Report Under Section 13 or 15(d)  
of the  
Securities Act of 1934**

**FOR QUARTER ENDED March 31, 2009  
Commission File Number 0-12248**

**DAXOR CORPORATION**

(Exact Name as Specified in its Charter)

**New York**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**13-2682108**  
(I.R.S. Employer  
Identification No.)

**350 Fifth Ave  
Suite 7120  
New York, New York 10118**  
(Address of Principal Executive Offices & Zip Code)

Registrant's Telephone Number:  
(Including Area Code)

**(212) 244-0555**

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12-b-2 of the Exchange Act:

Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Edgar Filing: DAXOR CORP - Form 10-Q

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS

---

4,276,518 OUTSTANDING AT April 30, 2009

COMMON STOCK  
PAR VALUE: \$.01 per share

---

Edgar Filing: DAXOR CORP - Form 10-Q

DAXOR CORPORATION AND SUBSIDIARY

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Index to Financial Statements

Condensed Consolidated Balance Sheets at March 31, 2009  
(Unaudited) and December 31, 2008 - (Audited) 1

Condensed Consolidated Statements of Operations for the three months ended March 31, 2009 and 2008  
(Unaudited) 2

Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2009 and 2008  
(Unaudited) 3

Notes to Condensed Consolidated Financial Statements (Unaudited) 4-13

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 14-18

Item 3. Quantitative and Qualitative Disclosures about Market Risk 18-19

Item 4T. Controls and Procedures 20

PART II. OTHER INFORMATION

Item 1. Legal Proceedings 20

Item 1A. Risk Factors 20

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 20

Item 3. Defaults Upon Senior Securities 20

Item 4. Submission of Matters to a Vote of Security Holders 20

Item 5. Other Information 20

Item 6. Exhibits 21

Edgar Filing: DAXOR CORP - Form 10-Q

DAXOR CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEETS

	UNAUDITED March 31, 2009	AUDITED December 31, 2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 37,612	\$ 2,545,040
Receivable from broker (held in money market accounts)	140,063	2,829,979
Available-for-sale securities, at fair value	58,032,356	68,339,143
Securities sold, not received, at fair value	74,881	
Accounts receivable, net of allowance for doubtful accounts of \$88,645 in 2009 and \$88,645 in 2008	214,122	205,568
Inventory	451,459	426,826
Prepaid expenses and other current assets	153,397	131,912
<b>Total Current Assets</b>	<b>59,103,890</b>	<b>74,478,468</b>
Property and equipment, net	3,222,707	2,308,555
Other assets	37,158	37,158
<b>Total Assets</b>	<b>\$ 62,363,755</b>	<b>\$ 76,824,181</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 544,149	\$ 604,420
Loans payable	18,321,817	13,052,162
Income taxes payable	2,261,458	2,643,958
Mortgage payable, current portion	41,055	40,306
Put and call options, at fair value	8,075,442	8,424,359
Securities borrowed, at fair value	117,858	107,871
Deferred revenue	23,846	33,349
Deferred income taxes	572,637	8,066,823
<b>Total Current Liabilities</b>	<b>29,958,262</b>	<b>32,973,248</b>
<b>LONG TERM LIABILITIES</b>		
Mortgage payable, less current portion	379,641	390,292
<b>Total Liabilities</b>	<b>30,337,903</b>	<b>33,363,540</b>
<b>STOCKHOLDERS EQUITY</b>		
Common stock, \$.01 par value, Authorized - 10,000,000 shares Issued 5,316,550 shares Outstanding 4,285,518 and 4,289,118 shares at March 31, 2009 and December 31, 2008, respectively	53,165	53,165
Additional paid in capital	10,669,219	10,660,547
Accumulated other comprehensive income	1,613,634	11,459,203
Retained earnings	30,614,853	32,158,138
Treasury stock, at cost, 1,031,032 and 1,027,432 shares at March 31, 2009 and December 31, 2008, respectively	(10,925,019)	(10,870,412)
<b>Total Stockholders Equity</b>	<b>32,025,852</b>	<b>43,460,641</b>

Edgar Filing: DAXOR CORP - Form 10-Q

Total Liabilities and Stockholders' Equity	\$	62,363,755	\$	76,824,181
--	----	------------	----	------------

See accompanying notes to unaudited condensed consolidated financial statements.

1

---

Edgar Filing: DAXOR CORP - Form 10-Q

DAXOR CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS [UNAUDITED]  
FOR THE THREE MONTHS ENDED

	March 31, 2009	March 31, 2008
<b>REVENUES:</b>		
Operating Revenues equipment sales and related services	\$ 344,963	\$ 323,780
Operating Revenues cryobanking and related services	89,074	97,133
<b>Total Revenues</b>	<b>434,037</b>	<b>420,913</b>
<b>Cost of Sales:</b>		
Cost of equipment sales and related services	140,039	138,614
Cost of cryobanking and related services	12,429	13,400
<b>Total Cost of Sales</b>	<b>152,468</b>	<b>152,014</b>
<b>Gross Profit</b>	<b>281,569</b>	<b>268,899</b>
<b>OPERATING EXPENSES:</b>		
<b>Research and development expenses:</b>		
Research and development-equipment sales and related services	547,593	559,309
Research and development-cryobanking and related services	47,349	48,242
<b>Total Research and Development Expenses</b>	<b>594,972</b>	<b>607,551</b>
<b>Selling, General &amp; Administrative Expenses:</b>		
Selling, general, and administrative- equipment sales and related services	631,369	770,595
Selling, general, and administrative- cryobanking and related services	169,724	159,554
<b>Total Selling, General &amp; Administrative Expenses</b>	<b>801,093</b>	<b>930,149</b>
<b>Total Operating Expenses</b>	<b>1,396,065</b>	<b>1,537,700</b>
<b>Loss from Operations</b>	<b>(1,114,496)</b>	<b>(1,268,801)</b>
<b>Other Income (Expenses):</b>		
Dividend income-investment portfolio	987,097	630,782
Realized gains on sale of securities, net	5,070,441	5,830,999
Mark to market of short positions	(6,264,931)	2,176,041
Other revenues	2,963	2,916

Edgar Filing: DAXOR CORP - Form 10-Q

Interest expense, net of interest income of \$6,526 and \$11,185	(67,699)	(29,515)
Administrative expense relating to portfolio investments	(31,886)	(21,414)
Total Other (Expenses) Income	(304,015)	8,589,809
(Loss) Income before Income Taxes	(1,418,511)	7,321,008
Income Tax Expense	124,774	
Net (Loss) Income	\$ (1,543,285)	\$ 7,321,008
Comprehensive (Loss) Income:		
Net (Loss) Income	\$ (1,543,285)	\$ 7,321,008
Unrealized Loss on Securities Held for Sale, Net of Deferred Income Taxes	(9,845,569)	(7,192,072)
Comprehensive (Loss) Income	\$ (11,388,854)	\$ 128,936
Weighted average number of shares outstanding basic and diluted	4,285,685	4,421,518
Net (loss) income per common equivalent share - basic and diluted	\$ (0.36)	\$ 1.66

Edgar Filing: DAXOR CORP - Form 10-Q

DAXOR CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS [UNAUDITED]  
FOR THE THREE MONTHS ENDED

	March 31, 2009	Mach 31, 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss) income	\$ (1,543,285)	\$ 7,321,008
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation	73,573	68,659
Non-cash compensation expense associated with employee stock compensation plans	8,672	17,855
Deferred income taxes	(2,192,726)	
Realized gains on sale of investments	(5,070,441)	(5,830,999)
Mark to market on short positions	6,264,931	(2,176,041)
Change in operating assets and liabilities:		
Increase in accounts receivable	(8,554)	(15,366)
(Increase) decrease in prepaid expenses & other current assets	(21,485)	26,898
Increase in inventory	(24,633)	(154,376)
Decrease in accounts payable and accrued liabilities	(60,271)	(186,540)
Decrease in income taxes payable	(382,500)	(1,295,668)
Decrease in deferred revenue	(9,503)	(2,986)
Net cash used in operating activities	(2,966,222)	(2,227,556)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(987,725)	(132,002)
(Increase) Decrease in securities sold, not received at fair market value	(74,881)	9,744,697
Increase (Decrease) in securities borrowed, at fair market value	9,987	(16,116,891)
Purchases of put and call options	(2,619,217)	(28,607)
Sales of put and call options	6,751,777	8,434,122
Acquisition of available for sale securities	(21,746,211)	(14,983,059)
Proceeds from sale of available for sale securities	11,230,002	10,551,237
Net cash used in investing activities	(7,436,268)	(2,530,503)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from margin loan payable	29,891,560	17,308,753
Repayment of margin loan payable	(21,496,989)	(12,618,212)
Repayment of bank loan	(685,000)	(100,000)
Proceeds from bank loan	250,000	
Purchase of treasury stock	(54,607)	(743,185)
Repayment of mortgage payable	(9,902)	(9,113)
Net cash provided by financing activities	7,895,062	3,838,243
Net decrease in cash and cash equivalents	(2,507,428)	(919,816)
Cash and cash equivalents at beginning of period	2,545,040	2,029,834
Cash and cash equivalents at end of period	\$ 37,612	\$ 1,110,018



Edgar Filing: DAXOR CORP - Form 10-Q

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period for:

Interest	\$	74,225	\$	40,699
Income taxes	\$	2,707,010	\$	1,302,210

See accompanying notes to unaudited condensed consolidated financial statements.

3

---

## Edgar Filing: DAXOR CORP - Form 10-Q

### DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS March 31, 2009 and March 31, 2008 (Continued) (Unaudited)

#### (1) BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES BUSINESS

Daxor Corporation (the Company) is a medical device manufacturing company that offers additional biotech services, such as cryobanking, through its wholly owned subsidiary, Scientific Medical Systems Corp. The Company provides long-term frozen blood and semen storage services to enable individuals to store their own blood and semen. The main focus of Daxor Corporation has been the development of an instrument that rapidly and accurately measures human blood volume. This instrument is used in conjunction with a single use diagnostic injection and collection kit.

#### SIGNIFICANT ACCOUNTING POLICIES

##### *Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements reflect all adjustments of a normal recurring nature, which are, in the opinion of management, necessary for a fair statement of the financial position and results of operations for the interim periods presented. The condensed consolidated financial statements are unaudited and are subject to such year-end adjustments as may be considered appropriate and should be read in conjunction with the historical consolidated financial statements of Daxor Corporation for the years ended December 31, 2008, 2007 and 2006, included in Daxor Corporation's Annual Report and Form 10-K for the fiscal year ended December 31, 2008. The December 31, 2008 condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. Operating results for the three month period ended March 31, 2009 is not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

These condensed consolidated financial statements have been prepared in accordance with US GAAP and under the same accounting principles as the consolidated financial statements included in the Annual Report on Form 10-K. Certain information and footnote disclosures related thereto normally included in the financial statements prepared in accordance with US GAAP have been omitted in accordance with Rule 10-01 of Regulation S-X.

##### *Fair Value Measurements*

Effective January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements, for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. SFAS 157 establishes a new framework for measuring fair value and expands related disclosures. Broadly, the SFAS 157 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. SFAS 157 establishes market or observable inputs as the preferred source of values, followed by unobservable inputs or assumptions based on hypothetical transactions in the absence of market inputs.

- Level 1, is defined as observable inputs being quoted prices in active markets for identical assets;
- Level 2, is defined as observable inputs including quoted prices for similar assets; and
- Level 3, is defined as unobservable inputs in which little or no market data exists, therefore requiring assumptions based on the best information available.

The adoption of this pronouncement did not have a material effect on the financial condition or results of operations of the Company.

Effective January 1, 2009, the Company adopted FASB Staff Position 157-2, Effective Date of FASB Statement No. 157, which delays the effective date of SFAS No. 157 until January 1, 2009 for all nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of the delayed items of SFAS No. 157 did not have a material impact on the Company's consolidated financial statements as of and for the three months ended March 31, 2009.

## Edgar Filing: DAXOR CORP - Form 10-Q

### DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS March 31, 2009 and March 31, 2008 (Continued) (Unaudited)

#### *Available-for-Sale Securities*

Available-for-sale securities represent investments in debt and equity securities (primarily common and preferred stock of electric utility companies) that management has determined meet the definition of available-for-sale under SFAS No. 115 - *Accounting for Certain Investments in Debt and Equity Securities*. Accordingly, these investments are stated at fair market value and all unrealized holding gains or losses are recorded in the Stockholders' Equity section as Accumulated Other Comprehensive Income (Loss). Conversely, all realized gains, losses and earnings are recorded in the Statement of Operations under Other Income (Expense).

At certain times, the Company will engage in short selling of stock. When this occurs, the short position is marked to the market and recorded as a realized sale. Any gain or (loss) is recorded for the period presented.

Historical cost is used by the Company to determine all gains and losses, and fair market value is obtained by readily available market quotes on all securities (Level 1 inputs).

#### *Put and Call Options at fair value*

As part of the company's investment strategy, put and call options are sold on various stocks the company is willing to buy or sell. The premiums received are deferred until such time as they are exercised or expire. In accordance with SFAS No. 133 - *Accounting for Derivative Instruments and Hedging Activities*, these options are marked to market for each reporting period using readily available market quotes (Level 1 inputs), and this fair value adjustment is recorded as a gain or loss in the Statement of Operations.

Upon exercise, the value of the premium will adjust the basis of the underlying security bought or sold. Options that expire are recorded as income in the period they expire.

#### *Receivable from Broker*

The Receivable from Broker represents cash proceeds from sales of securities and dividends. These proceeds are kept in dividend bearing money market accounts.

#### *Securities borrowed at fair value*

When a call option that has been sold short is exercised, this creates a short position in the related common stock. The recorded cost of these short positions is the amount received on the sale of the stock plus the proceeds received from the underlying call option. These positions are shown on the Balance Sheet as Securities borrowed at fair value and the carrying value is reduced or increased at the end of each quarter by the mark to market adjustment which is recorded in accordance with SFAS No. 115 - *Accounting for Certain Investments in Debt and Equity Securities*.

#### *Securities sold, not yet received at fair value*

Some of the financial institutions who hold our securities do not increase our account with the cash proceeds on the sale of a short stock. In lieu of cash, our account receives a credit for the proceeds of the short sale. Cash is added to or subtracted from our account weekly based on the market value of our short positions. These securities are recorded by the Company as received but not delivered and are valued at their quoted market price.

#### *Inventory*

Inventory is stated at the lower of cost or market, using the first-in, first-out method (FIFO), and consists primarily of finished goods.

#### *Earnings per Share*

The Company computes earnings per share in accordance with SFAS No. 128- *Earnings per Share*. Basic earnings per common share is computed by dividing income or loss available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share are based on the average number of common shares outstanding during each period, adjusted for the

effects of outstanding stock options.

5

---

## Edgar Filing: DAXOR CORP - Form 10-Q

### DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS March 31, 2009 and March 31, 2008 (Continued) (Unaudited)

For the quarters ended March 31, 2009 and March 31, 2008, stock options were not included in the computation of diluted loss and earnings per common share due to their anti-dilutive effect. The number of anti-dilutive stock options excluded from the computation of diluted loss per share was 107,800 and 110,500, respectively.

#### (2) AVAILABLE-FOR-SALE SECURITIES

The Company uses the historical cost method in the determination of its realized and unrealized gains and losses. The following tables summarize the Company's investments as of:

#### March 31, 2009(Unaudited)

Type of Security	Market Value	Cost of Securities	Net Unrealized Gain (Loss)	Unrealized Gains	Unrealized Losses
Equity	\$ 58,032,356	\$ 55,516,838	\$ 2,515,518	\$ 19,371,070	\$ (16,855,552)
Debt	\$	\$ 33,005	\$ (33,005)	\$	\$ (33,005)
<b>Total Securities</b>	<b>\$ 58,032,356</b>	<b>\$ 55,549,843</b>	<b>\$ 2,482,513</b>	<b>\$ 19,371,070</b>	<b>\$ (16,888,557)</b>

#### December 31, 2008

Type of Security	Market Value	Cost of Securities	Net Unrealized Gain (Loss)	Unrealized Gains	Unrealized Losses
Equity	\$ 68,339,143	\$ 50,676,596	\$ 17,662,547	\$ 28,469,540	\$ (10,806,993)
Debt	\$	\$ 33,005	\$ (33,005)	\$	\$ (33,005)
<b>Total Securities</b>	<b>\$ 68,339,143</b>	<b>\$ 50,709,601</b>	<b>\$ 17,629,542</b>	<b>\$ 28,469,540</b>	<b>\$ (10,839,998)</b>

#### (3) SEGMENT ANALYSIS

The Company has two operating segments: Equipment Sales and Related Services, and Cryobanking and Related Services.

The Equipment Sales and Related Services segment comprises the Blood Volume Analyzer equipment and related activity. This includes equipment sales, equipment rentals, equipment delivery fees, BVA-100 kit sales and service contract revenues.

The Cryobanking and Related Services segment is comprised of activity relating to the storage of blood and semen, and related laboratory services and handling fees.

Although not deemed an operating segment, the Company reports a third business segment; Investment activity. This segment reports the activity of the Company's investment portfolio. This includes all earnings, gains and losses, and expenses relating to these investments.

Edgar Filing: DAXOR CORP - Form 10-Q

DAXOR CORPORATION AND SUBSIDIARY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2009 and March 31, 2008 (Continued)  
 (Unaudited)

The following table summarizes the results of each segment described above for the three months ended March 31, 2009 (unaudited).

	<b>March 31, 2009</b>			
	<b>Equipment Sales &amp; Related Services</b>	<b>Cryobanking &amp; Related Services</b>	<b>Investment Activity</b>	<b>Total</b>
Revenues	\$ 344,963	\$ 89,074	\$	\$ 434,037
Expenses				
Cost of sales	140,039	12,429		152,468
Research and development expenses	547,593	47,379		594,972
Selling, general and administrative expenses	631,369	169,724		801,093
Total Expenses	1,319,001	229,532		1,548,533
Operating loss	(974,038)	(140,458)		(1,114,496)
Investment income, net				
Dividends			987,097	987,097
Gain on sales of securities, net			5,070,441	5,070,441
Mark to market of short positions			(6,264,931)	(6,264,931)
Administrative expenses relating to portfolio investments			(31,886)	(31,886)
Total Investment loss, net			(239,279)	(239,279)
Other income (expense)				
Interest expense, net	(7,895)		(59,804)	(67,699)
Other income	2,963			2,963
Total other income (expense)	(4,932)		(59,804)	(64,736)
Loss before income taxes	(978,970)	(140,458)	(299,083)	(1,418,511)
Income tax expense	7,500		117,274	124,774
Net loss	\$ (986,470)	\$ (140,458)	\$ (416,357)	\$ (1,543,285)
Depreciation and amortization	\$ 64,469	\$ 9,104	\$	\$ 73,573
Interest income	\$	\$	\$ 6,526	\$ 6,526
Capital expenditures	\$ 987,725	\$	\$	\$ 987,725
Total assets	\$ 3,925,788	\$ 190,667	\$ 58,247,300	\$ 62,363,755



Edgar Filing: DAXOR CORP - Form 10-Q

DAXOR CORPORATION AND SUBSIDIARY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2009 and March 31, 2008 (Continued)  
 (Unaudited)

The following table summarizes the results of each segment described above for the three months ended March 31, 2008 (unaudited)

	<b>March 31, 2008</b>			
	<b>Equipment Sales &amp; Related Services</b>	<b>Cryobanking &amp; Related Services</b>	<b>Investment Activity</b>	<b>Total</b>
Revenues	\$ 323,780	\$ 97,133	\$	\$ 420,913
Expenses				
Cost of sales	138,614	13,400		152,014
Research and development expenses	559,309	48,242		607,551
Selling, general and administrative expenses	770,595	159,554		930,149
Total Expenses	1,468,518	221,196		1,689,714
Operating loss	(1,144,738)	(124,063)		(1,268,801)
Investment income				
Dividends			630,782	630,782
Gain on sales of securities, net			5,830,999	5,830,999
Mark to market of short positions			2,176,041	2,176,041
Administrative expenses relating to portfolio investments			(21,414)	(21,414)
Total investment income, net			8,616,408	8,616,408
Other income (expense)				
Interest expense, net	(8,684)		(20,831)	(29,515)
Other income	2,870	46		2,916
Total other income (expense)	(5,814)	46	(20,831)	(26,599)
Income (loss) before income taxes	(1,150,552)			