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DAXOR CORP
Form 10-Q
November 14, 2002

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 SEPTEMBER 30, 2002
Commission File Number 0-12248

DAXOR CORPORATION
(Exact Name as Specified in its Charter)

New York 13-2682108
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

350 Fifth Ave
Suite 7120
New York, New York 10118

(Address of Principal Executive Offices & Zip Code)

Registrant's Telephone Number: (212) 244-0555
(Including Area Code)

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

| CLASS | OUTSTANDING AT SEPTEMBER 30, 2002 |
|----------------------------|-----------------------------------|
| COMMON STOCK | |
| PAR VALUE: \$.01 per share | 4,662,909 |

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DAXOR CORPORATION
FINANCIAL STATEMENTS

=====

DAXOR CORPORATION
CONSOLIDATED BALANCE SHEETS [UNAUDITED]

| | September 30, 2002 ---- | December 31, 2001 ---- |
|---|-------------------------------|------------------------------|
| ASSETS | | |
| ===== | | |
| CURRENT ASSETS | | |
| Cash | \$ 21,814 | \$ 431,949 |
| Marketable Securities at Fair Value September 30, 2002 and December 31, 2001. (Notes 1 and 2) | 37,551,238 | 42,271,902 |
| Accounts receivable | 174,590 | 174,242 |
| Other current assets | 318,313 | 312,310 |
| | ----- | ----- |
| Total Current Assets | 38,065,955 | 43,190,403 |
| EQUIPMENT AND IMPROVEMENTS | | |
| Storage tanks | 125,815 | 125,815 |
| Leasehold improvements, furniture and equipment | 880,280 | 837,807 |
| Laboratory equipment | 290,104 | 288,087 |
| | ----- | ----- |
| | 1,296,199 | 1,251,709 |
| Less: Accumulated depreciation and amortization | 1,016,084 | 975,593 |
| | ----- | ----- |
| Net equipment and improvements | 280,115 | 276,116 |
| Other Assets | 72,184 | 73,634 |
| Total Assets | \$ 38,418,254 | \$ 43,540,153 |
| | ----- | ----- |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| ===== | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 53,100 | \$ 52,855 |
| Loans payable (Notes 1 and 2) | 909,792 | 1,000,000 |

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| | | |
|--|---------------|---------------|
| Other Liabilities | 90,194 | 22,885 |
| Deferred Taxes (Note 1) | 5,339,170 | 7,135,446 |
| | ----- | ----- |
| Total Liabilities | 6,392,256 | 8,211,186 |
| SHAREHOLDERS' EQUITY | | |
| Common stock, par value \$.01 per share: | | |
| Authorized 10,000,000 shares: issued and | | |
| outstanding shares 4,662,909 September 30, | | |
| 2002 and 4,664,909 December 31, 2001 | | |
| | 53,097 | 53,097 |
| Additional Paid in capital | 9,798,232 | 9,798,232 |
| Net unrealized holding gains | | |
| on available-for-sale securities (Note 1) | 10,364,271 | 13,851,161 |
| Retained earnings | 16,655,681 | 16,440,007 |
| Treasury stock | (4,845,283) | (4,813,530) |
| | ----- | ----- |
| Total Shareholders' Equity | 32,025,998 | 35,328,967 |
| Total Liabilities and Shareholders' Equity | \$ 38,418,254 | \$ 43,540,153 |
| | ===== | ===== |

See accompanying notes to consolidated financial statements

F-1

DAXOR CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| | THREE MONTHS ENDED | | NINE MONTHS ENDED | |
|---|--------------------|------------|-------------------|------------|
| | September 30, | | September 30, | |
| | 2002 | 2001 | 2002 | 2001 |
| | ---- | ---- | ---- | ---- |
| REVENUES: | | | | |
| Operating revenues | \$ 200,100 | \$ 185,705 | \$ 589,604 | \$ 464,699 |
| Other revenues | 6,522 | 44,180 | 28,337 | 143,504 |
| Dividend income | 507,454 | 452,536 | 1,415,997 | 1,391,701 |
| Gains (losses) on sale of securities | 80,194 | 2,171 | 175,258 | 11,902 |
| Total Revenues | 794,270 | 684,592 | 2,209,196 | 2,011,806 |
| | ----- | ----- | ----- | ----- |
| COSTS AND EXPENSES | | | | |
| Operations of Laboratories | 172,244 | 171,577 | 575,028 | 600,790 |
| Selling, General, and Administrative | 510,251 | 344,594 | 1,378,022 | 1,015,196 |
| Interest expense, net of interest income | 7,475 | 32,320 | 26,268 | 101,903 |
| | ----- | ----- | ----- | ----- |
| Total Costs and Expenses | 689,970 | 548,491 | 1,979,318 | 1,717,889 |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|--|------------|------------|------------|------------|
| Net Income (Loss) Before Income Taxes | 104,300 | 136,101 | 229,878 | 293,917 |
| Provision for income taxes | (709) | (2,864) | 14,204 | 20,728 |
| Net Income (Loss) | \$ 105,009 | \$ 138,965 | \$ 215,674 | \$ 273,189 |
| Weighted Average Number of Shares Outstanding | 4,663,909 | 4,664,909 | 4,664,576 | 4,664,909 |
| Net Income or (Loss) per Common Equivalent Share | \$ 0.03 | \$ 0.03 | \$ 0.05 | \$ 0.06 |

See accompanying notes to financial statements

F-2

DAXOR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED

| | SEPTEMBER 30, 2002 ---- | SEPTEMBER 30, 2001 ---- |
|---|-------------------------------|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income or (loss) | \$ 215,674 | \$ 273,189 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and Amortization | 42,241 | 34,801 |
| (Gain) loss on sale of investments | (175,258) | (11,902) |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (348) | (78,022) |
| (Increase) decrease in other current assets | (6,003) | (19,425) |
| (Increase) decrease in other assets net of amortization | (300) | 1,100 |
| Increase (decrease) in accounts payable, accrued and other liabilities net of "short sales" | 1,248 | (3,784) |
| Total adjustments | (138,420) | (77,232) |
| Net cash provided by or (used in) operating activities | 77,254 | 195,957 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payment for purchase of equipment and improvements | (44,490) | (994) |
| Net cash provided or (used) in purchase and sale of investments | (403,372) | (354,404) |
| Net proceeds (repayments) of loans from | | |

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| | | |
|--|-----------|-----------|
| brokers used to purchase investments | 209,792 | 192,918 |
| Proceeds from "short sales" not closed | 82,434 | 3,609 |
| | ----- | ----- |
| Net cash provided by or (used in) investing activities | (155,636) | (158,871) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of bank loan | (300,000) | 0 |
| Payment for purchase of treasury stock | (31,753) | 0 |
| Net cash provided by or (used in) financing activities | (331,753) | 0 |
| | ----- | ----- |
| Net increase (decrease) in cash and cash equivalents | (410,135) | 37,086 |
| Cash and cash equivalents at beginning of year | 431,949 | 18,439 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 21,814 | \$ 55,525 |
| | ===== | ===== |

See accompanying notes to financial statements

F-3

DAXOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 2002, and December 31, 2001, the results of operations for the three and nine months ended September 30, 2002 and 2001 and cash flows for the nine months ended September 30, 2002 and 2001. The consolidated financial statements include the accounts of the Company and its subsidiary. All significant intercompany transactions and balances have been eliminated in consolidation.

(1) MARKETABLE SECURITIES

Upon adoption of FASB No. 115, management has determined that the company's portfolio is best characterized as "Available-For-Sale". This has resulted in the balance sheet carrying value of the company's marketable securities investments, as of September 30, 2002 and December 31, 2001 being increased approximately 71.88% and 98.60% respectively over its historical cost. A corresponding increase in shareholders' equity has been effectuated. In accordance with the provisions of FASB No. 115, the adjustment in shareholders' equity to reflect the company's unrealized gains has been made net of the tax effect had these gains been realized.

The following tables summarize the company's investments as of :

| Type of security | Cost | September 30, 2002 | |
|------------------|------|--------------------|--------------------------|
| | | Fair Value | Unrealized holding gains |
| ----- | ---- | ----- | ----- |
| | | | |

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| | | | |
|--------|--------------|--------------|--------------|
| Equity | \$21,817,128 | \$37,537,738 | \$17,336,476 |
| Debt | 30,669 | 13,500 | -0- |
| | ----- | ----- | ----- |
| Total | \$21,847,797 | \$37,551,238 | \$17,336,476 |
| | ===== | ===== | ===== |

December 31, 2001

| Type of security | Cost | Fair Value | Unrealized holding gains |
|------------------|--------------|--------------|--------------------------|
| ----- | ---- | ----- | ----- |
| Equity | \$21,270,436 | \$42,271,002 | \$21,182,144 |
| Debt | 14,859 | 900 | 0 |
| Total | \$21,285,295 | \$42,271,902 | \$21,182,144 |
| | ===== | ===== | ===== |

At September 30, 2002 the securities held by the Company had a market value of \$ 37,551,238 and a cost basis of \$ 21,847,797 resulting in a net unrealized gain of \$ 15,703,441 or 71.88% of cost.

At December 31, 2001 the securities held by the Company had a market value of \$42,271,902 and a cost basis of \$ 21,285,295 resulting in a net unrealized gain of \$20,986,607 or 98.60% of cost.

At September 30, 2002 and December 31, 2001 marketable securities, primarily consisting of preferred and common stocks of utility companies, are valued at fair value.

(2) LOANS PAYABLE

As at September 30, 2002 and December 31, 2001, the Company had loans outstanding aggregating \$700,000 and \$1,000,000 borrowed on a short term basis from a bank, which are secured by certain marketable securities of the Company. The loans bear interest at approximately 4.2%.

Short term margin debt due to brokers secured by the Companies marketable securities, totaled \$209,792 at September 30, 2002 and \$-0- at December 31, 2001.

Part II OTHER INFORMATION

Item 1.

Legal Proceedings

None

MANAGEMENT'S DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

ITEM 2.

RESULTS OF OPERATIONS

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Three months ended September 30, 2002 as compared with three months ended September 30, 2001.

For the three months ended September 30, 2002 total revenues were \$794,270 up from \$684,592 in 2001. Operating revenues were \$200,100 in 2002 up from \$185,705 in 2001. Dividend income was \$507,454 with a net interest expense of \$7,475 in 2002, as compared to dividend income of \$452,536 with a net interest expense of \$32,320 in 2001. In 2002, the Company had a net income before income taxes, of \$104,300 versus a net income before income taxes of \$136,101 in 2001. The Company anticipates that it's sales of equipment and kits will become the major source of income for the Company.

Nine months ended September 30, 2002 as compared with nine months ended September 30, 2001.

For the nine months ended September 30, 2002, total revenues were \$2,209,196 up from \$2,011,806 in 2001. Operating revenues were \$589,604 up from \$464,699 in 2001. Dividend income was \$1,415,997 with a net interest expense of \$26,268, as compared to the dividend income of \$1,391,701 with a net interest expense of \$101,903 in 2001. In 2002, the Company had \$175,258 in capital gains vs. \$11,902 in 2001. In 2002, the Company had a net income before income taxes of \$229,878 versus \$293,917 before income taxes in 2001. The Company has adopted a policy that encourages leasing or renting of equipment to enable hospitals to test the equipment. This results in a sale of kits but a slower recognition of operating income from BVA sales. The increase in operating revenues was primarily related to the increase in sales of the kits used in conjunction with the Blood Volume Analyzer.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2002 the Company had total assets of \$38,418,254 and total liabilities of \$6,392,256 with shareholders' equity of \$32,025,998. The Company has a net pre-taxed unrealized gain of \$15,703,441 and \$10,364,271 of net after tax unrealized capital gains on available-for-sale securities in its portfolio. This amount is included in the calculation of Total Shareholders' Equity. The Company's stock portfolio had a market value of \$37,551,238 with short-term loans of \$909,792 with 4,662,909 shares outstanding.

The Company has adequate resources for the current marketing level of its Blood Volume Analyzer as well as capital to sustain its localized semen and blood banking services. In June 2002, the Company engaged in a search firm for the development of a national sales force. In September, Richard Prall was hired as Vice-President of sales. In addition, three regional sales managers for the Mid-West, Northeast, and South central were also hired. These regional managers previously worked with GE Medical Services and Toshiba Medical Services in the area of Nuclear Medicine. This addition to the staff is part of the Company's implementation of its previous announced plans to develop a nationwide sales force. The new sales team will initially result in an increased cost to the Company as they undergo intensive training in utilization of the Blood Volume Analyzer. The

three regional sales managers had previously worked with Mr. Prall at various times. This has shortened the development time for an integrated managerial sales team. It is anticipated that two or three additional regional managers will be named soon. It is the goal of the marketing team to develop an individual sales team for each regional manager. The Company is also expanding its support services personnel. The decision to develop the marketing team was partially based on the anticipation of new publications in peer reviewed medical journals by current users of the Blood Volume Analyzer. The Company's goal is to establish blood volume measurement as a standard of care in multiple areas of

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medicine and surgery. It is hoped that publication of research studies from leading medical facilities will enable an increase in sales in both the Blood Volume Analyzer and it's associated kits.

The Company has an instrument loaner reagent plan which requires use of the Company's reserves. Under a sale or a lease plan, the Company receives income immediately on its equipment. The equipment loaner reagent plan permits a user to make a minimal initial capital commitment. This results in a slower return on capital expenditure for the Company. The Company is currently leasing its equipment directly. The Company is currently negotiating with an independent leasing company to whom it will sell the BVA-100. Under these circumstances, a sale would be immediately recognized by the Company. The Company is evaluating blood volume instrumentation management programs for hospitals. Under such a plan, the Company would provide equipment and personnel on a sub-contract basis. The Company will use its current financial reserves primarily for developing and marketing the Blood Volume Analyzer. The Company is evaluating various options to expand blood banking services in conjunction with the use of the Blood Volume Analyzer.

The Company did not file any reports on form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DAXOR CORPORATION

(Registrant)

DATE: November 13,2002

JOSEPH FELDSCHUH, M.D.
President

DATE: November 13,2002

GARY FISCHMAN, Ph.D.
Vice President

DATE: November 13,2002

STEPHEN FELDSCHUH
Acting Treasurer

DATE: November 13,2002

DIANE MEEGAN
Corporate Secretary