DAXOR CORP
Form 10-Q
May 16, 2005

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, 2005
Commission File Number 0-12248

DAXOR CORPORATION
(Exact Name as Specified in its Charter)

New York	13-2682108
(State or Other Jurisdiction of Incorporation or Organization)	(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: (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 |X| 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 MARCH 31, 2005
COMMON STOCK PAR VALUE: $.01 per share	4,636,326

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DAXOR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS[UNAUDITED]

	March 31, 2005	December 31, 2004
ASSETS		
CURRENT ASSETS		
Cash	$ 13,730	$ 5,079
Available-for-sale securities	55,726,452	54,806,400
Accounts receivable	195,516	202,649
Inventory	139,338	139,338
Prepaid and other current assets	211,353	453,284
Total Current Assets	56,286,389	55,606,750

PROPERTY AND EQUIPMENT		
Machinery and equipment	767,824	755,237
Furniture and fixtures	329,341	329,050
Leasehold improvements	295,530	295,530
	1,392,696	1,379,817
Less: Accumulated depreciation and amortization	(1,099,688)	(1,089,245)
Property and equipment, net	293,008	290,572
Other assets	32,158	32,158
Total Assets	$ 56,611,555	$ 55,929,480

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 71,225	$ 89,162
Loans payable	4,396,564	4,113,285
Other Liabilities	975,521	982,718
Deferred revenue	22,355	17,465
Deferred taxes	10,922,075	10,845,531
Total Current Liabilities	16,387,740	16,048,161
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value		
Authorized - 10,000,000 shares		
Issued - 5,309,750 shares		
Outstanding - 4,636,326 and 4,610,826 shares, respectively	53,097	53,097
Additional paid in capital	10,281,586	9,821,563
Accumulated other comprehensive income	21,201,674	21,053,089
Retained earnings	14,249,659	14,589,699
Treasury stock, at cost, 673,424 and 698,924 shares, respectively	(5,562,201)	(5,636,129)
Total Stockholders' Equity	40,223,815	39,881,319
Total Liabilities and Stockholders' Equity	$ 56,611,555	$ 55,929,480

See accompanying notes to condensed consolidated financial statements

DAXOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS [UNAUDITED]
FOR THE THREE MONTHS ENDED MARCH 31,

	2005	2004
Revenues:		
Operating revenues	$ 296,583	$ 408,248
Costs and Expenses:		

Operations of laboratories & costs of production	454,389	381,162
Selling, general, and administrative	1,073,328	710,157
Total Costs and Expenses	1,527,717	1,091,319
Loss from operations	(1,231,134)	(683,071)
Other income (expense):		
Dividend income	538,120	493,569
Gain on sale of securities	389,036	225,066
Other revenues	4,352	3,643
Interest expense, net	(40,413)	(19,443)
Total other income	891,095	702,835
Net Income /(Loss) Before Income Taxes	(340,039)	19,764
Provision for income taxes	0	0
Net Income /(Loss)	$ (340,039)	$ 19,764
Weighted Average Number of Shares Outstanding - Basic and Diluted	4,627,659	4,632,659
Net Income / (Loss)per Common Equivalent Share	$ (0.07)	$ 0.00

See accompanying notes to condensed consolidated financial statements.

DAXOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS [UNAUDITED]
FOR THE THREE MONTHS ENDED MARCH 31,

	2005	2004
Cash flows from operating activities:		
Net income or (loss)	$ (340,039)	19,764
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation & amortization	10,443	11,940
Gain on sale of investments	(389,036)	(225,066)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	7,133	(50,528)
(Increase) decrease in other current assets	241,931	(68)
Increase (decrease) in accounts payable, accrued and other liabilities net of "short sales"	(17,912)	4,198
Increase in deferred revenue	4,890	--
Total adjustments	(142,551)	(259,524)
Net cash used in operating activities	(482,590)	(239,760)

Cash flows from investing activities:		
Purchase of property and equipment	(12,878)	(7,570)
Purchases of investments, net	(1,280,049)	(270,699)
Net proceeds from (repayments of)loans from brokers used to purchase investments	283,279	(238,905)
Proceeds from "short sales" not closed	966,939	362,375
Net cash used in investing activities	(42,709)	(154,799)
Cash flows from financing activities:		
Proceeds from bank loan	--	600,000
Proceeds from sale (purchase of) treasury stock	533,950	(153,263)
Net cash provided by financing activities	533,950	446,737
Net increase in cash and cash equivalents	8,651	52,178
Cash and cash equivalents at beginning of year	5,079	3,324
Cash and cash equivalents at end of period	$ 13,730	$ 55,502

See accompanying notes to condensed consolidated financial statements

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DAXOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2005 AND 2004

(1) BASIS OF PRESENTATION

The accompanying unaudited 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 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 years ended December 31, 2004, 2003 and 2002, included in Daxor Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2004. Operating results for the three-month period ended March 31, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

These 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.

(2) AVAILABLE-FOR-SALE SECURITIES

Upon adoption of SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, management has determined that the company's portfolio is best characterized as "Available-For-Sale". SFAS No. 115 requires these securities to be recorded at their fair market values, with the offsetting unrealized holding gains or losses being recorded as Comprehensive Income (Loss)in the Equity section of the Balance Sheet. The adoption of this pronouncement has resulted in an increase in the carrying value of the company's available-for-sale securities, as at March 31, 2005 and December 31, 2004, of approximately 136.10% and 139.25%,respectively, over its historical cost.

In accordance with the provisions of SFAS No. 115, the adjustment in stockholders' equity has been made net of the tax effect had these gains been realized.

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, 2005

Type of security	Cost	Fair Value	Unrealized Holding gains	Unrealized holding losses
Equity	$23,524,650	$55,698,052	$32,844,902	$ 671,500
Debt	78,053	28,400	--	49,653
Total	$23,602,703	$55,726,452	$32,844,902	$ 721,153

December 31, 2004

Type of security	Cost	Fair Value	Unrealized Holding gains	Unrealized holding losses
Equity	$22,802,568	$54,741,650	$32,125,500	$ 186,417
Debt	105,212	64,750	7,792	48,255
Total	$22,907,780	$54,806,400	$32,133,292	$ 234,672

At March 31, 2005 the securities held by the Company had a market value of $55,726,452 and a cost basis of $23,602,703 resulting in a net unrealized gain of $ 32,123,749 or 136.1% of cost.

At December 31, 2004, the securities held by the Company had a market value of $54,806,400 and a cost basis of $22,907,780 resulting in a net unrealized gain of $31,898,620 or 139.25% of cost.

At March 31, 2005 and December 31, 2004, marketable securities, primarily consisting of preferred and common stocks of utility companies, are valued at fair value. Debt securities consist of Corporate Bonds. As at March 31, 2005, one of these bonds, which has a cost of $29,798, is scheduled to mature in May 2008. The remaining two bonds, which have a combined cost of $48,255 are currently in default, with maturity dates prior to December 31, 2004. Management is awaiting final settlement of the bonds, and is not yet able to determine the amount of loss, if any, that may occur. Accordingly, the Company has valued these bonds at zero and recorded an unrealized loss of the entire cost of the bonds.

(3) 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.

(4) LOANS PAYABLE

As at March 31, 2005 and December 31, 2004, the Company has a note payable of $1,500,000 with a bank with an option to renew, and is classified as short term. The note balance is an aggregate of borrowings (loans) that renews as one note each year, but is subject to different interest rates depending on the individual amount of each borrowing.

The loan bears interest at approximately 3.0% is secured by certain marketable securities of the Company.

Short term margin debt due to brokers, secured by the Company's marketable securities, totaled $2,896,564 at March 31, 2005 and $1,363,201 at December 31, 2004.

(5) SELECTED FINANCIAL DATA (Unaudited)

Selected Quarterly Financial Data

	Quarter Ended	
	March 31, 2005	March 31, 2004
Operating revenues	$ 296,583	$ 408,248
Total revenue and other income	1,228,091	1,130,526
Gross loss	(1,231,134)	(683,071)
Net income (loss)	(340,039)	19,764
Net income (loss) per share	(.07)	.00
Total Assets	56,611,555	50,130,886

Income:		
Operating revenues	$ 296,583	$ 408,248
Other income (expenses):		
Dividend income	538,120	493,569
Gain on sale of securities	389,036	225,066
Other revenues	4,352	3,643
Interest expense, net	(40,413)	(19,443)
Total Selected Net Income	1,187,678	1,111,083
Costs and Expenses:		
Operations of laboratories & costs of production	454,389	381,162
Selling, general & administrative	1,073,328	710,157
Total Selected Costs and Expenses	1,527,717	1,091,319
Net Income (Loss) Before Provision for Income Taxes	(340,039)	19,764
Provision for Income Taxes	--	--

Net Income (Loss)	$ (340,039)	$ 19,764
Weighted Average Number of Shares Outstanding - Basic and Diluted	4,627,659	4,632,659
Net Income(Loss)per Common Equivalent Share	$ (0.07)	$ 0.00

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

ITEM 2. RESULTS OF OPERATIONS

Three months ended March 31, 2005 as compared with three months ended March 31, 2004

For the three months ended March 31, 2005 total revenue and other income increased by 8.6% to $1,228,091 from $1,130,526 in 2004. Operating revenues decreased by 27% to $296,583 in 2005 from $408,248 in 2004. In 2005 there was only a single sale of the BVA-100 blood volume analyzer, although a number of contracts were signed for instruments on a trial basis. There were capital gains in 2005 of $389,036 up from $225,066 in 2004. Dividend income was $538,120 with a net interest expense of $40,413 in 2005, as compared to dividend income of $493,569 with a net interest expense of $19,443 in 2004. In 2005, the Company had a net loss of ($340,039) versus a net income income of $19,764 in 2004. Total Costs and Expenses increased by 41% in 2005 to $1,568,130 vs. $1,110,762 in 2004. This was related to increased marketing efforts and research and development expenses. The Company has increased research expenses for additional features to the BVA-100. The Company has also expanded its manufacturing staff in Oak Ridge, Tennessee. The increase in kit sales can be attributable to these sales efforts. The sales cycles from initial contact to a sale can be 6 to 12 months, or occasionally longer. The Company anticipates that the sales of the BVA-100 Blood Volume Analyzers and kits will become the major source of income for the Company. The Company plans to continue expanding its sales and marketing force, which currently consists of 17 salesmen and 4 support personnel.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2005 the Company had total assets of $56,611,555 with stockholders' equity of $40,223,815 as compared to total assets of $50,130,886 with stockholders' equity of $37,537,441 at March 31,2004. Despite increasing its expenses, the Company has significantly increased its financial base as compared to one year ago. The Company has a net pre-taxed unrealized gain of $32,123,749 and $21,201,674 of net after tax unrealized capital gains on available-for-sale securities in its portfolio. This amount is included in the calculation of Total Stockholders' Equity. The Company's stock portfolio had a market value of $55,726,452 with short-term loans of $ 4,396,564 with 4,636,326 shares outstanding. The Company has current liabilities of $16,387,740. Included in these liabilities are deferred taxes of $10,922,075. These deferred taxes would occur if the Company chose to sell its entire portfolio. Current liabilities minus these deferred taxes is $5,465,665. The Company's investment portfolio has been a critical source of supplemental income to partially offset the continuing losses from operations. Without this income, the Company would have been in a precarious financial situation because of its operating losses over the past 10 years. The Company's portfolio has, historically, maintained a net value above cost for each of the past 15 years.

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. The Company anticipates hiring additional regional managers to the existing sales/marketing team. 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 medicine and surgery. It is hoped that the publication of research studies from leading medical facilities will result in an increase in sales in both the Blood Volume Analyzer and its associated kits.

The Company sells, as well as offers to lease or rent the BVA-100 as part of the overall marketing plan. The Company also loans the instrument for a limited time period, however facilities evaluating the instrument must pay for the kits. A financing arrangement for customers was established through a relationship with De Lage Landen (DLL). The significance of this relationship is as sales through leases increases, Daxor will not have to diminish its capital outlay for equipment as DLL will fund the net present value of the lease upon installation of the equipment. In an effort to obtain the best rates for our clients, the Company will also work with other independent leasing firms.

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. Additional information on the Company is available on our website www.daxor.com.

Item 3. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as defined by the Securities and Exchange Commission (SEC),as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to information required to be included in our periodic Securities and Exchange Commission filings. There was no significant change in our internal control over financial reporting that occurred during the quarter ended March 31, 2005, that materially affected or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Exhibits and Reports on Form 8-K

(a) Exhibits

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) There were no reports on Form 8-k filed.

SIGNATURES

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

DATE: May 16, 2005

By: /s/ JOSEPH FELDSCHUH, M.D.
JOSEPH FELDSCHUH, M.D.,
President and Chief Executive Officer

DATE: May 16, 2005

By: /s/ STEPHEN FELDSCHUH
STEPHEN FELDSCHUH
Vice President of Operations
And Chief Financial Officer