

DAXOR CORP  
Form 10-Q  
May 15, 2008

---

**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, 2008  
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: (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 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

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

Edgar Filing: DAXOR CORP - Form 10-Q

CLASS

4,365,518 OUTSTANDING AT April 30, 2008

---

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

|                |   |        |
|----------------|---|--------|
| <u>Item 1.</u> | <u>FINANCIAL STATEMENTS (Unaudited)</u>   |        |
|                | <u>Index to Financial Statements</u>  | 1-2    |
|                | <u>Condensed Consolidated Balance Sheets at March 31, 2008 (Unaudited) and December 31, 2007 - (Audited)</u>          | F-1    |
|                | <u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2008 and 2007 (Unaudited)</u> | F-2    |
|                | <u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2008 and 2007 (Unaudited)</u> | F-3    |
|                | <u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>   | F-4-18 |
| <u>Item 2.</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                          | 3-8    |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosures about Market Risk</u>   | 9-11   |
| <u>Item 4.</u> | <u>Controls and Procedures</u>  | 11     |
| Item 5.        | Additional Information  |        |

PART II. OTHER INFORMATION

|                 |  |    |
|-----------------|--|----|
| <u>Item 1.</u>  | <u>Legal Proceedings</u>   | 11 |
| <u>Item 1A.</u> | <u>Risk Factors</u>  | 11 |
| <u>Item 2.</u>  | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 11 |
| <u>Item 3.</u>  | <u>Defaults Upon Senior Securities</u>                             | 11 |
| <u>Item 4.</u>  | <u>Submission of Matters to a Vote of Security Holders</u>         | 11 |
| <u>Item 5.</u>  | <u>Other Information</u>   | 11 |
| <u>Item 6.</u>  | <u>Exhibits</u>  | 12 |

Edgar Filing: DAXOR CORP - Form 10-Q

DAXOR CORPORATION AND SUBSIDIARY

PART I FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Index to Financial Statements

Condensed Consolidated Balance Sheets at March 31, 2008 (Unaudited) and December 31, 2007 (Audited) F-1

Condensed Consolidated Statements of Operations for the three months ended March 31, 2008 and 2007 (Unaudited) F-2

Notes to Condensed Consolidated Financial Statements (Unaudited) F-4-18

Edgar Filing: DAXOR CORP - Form 10-Q

DAXOR CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DAXOR CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS

|  | UNAUDITED<br>March 31,<br>2008 | AUDITED<br>December 31,<br>2007 |
|--|--------------------------------|---------------------------------|
| <b>ASSETS</b>  |                                |                                 |
| <b>CURRENT ASSETS</b>  |                                |                                 |
| Cash and cash equivalents  | \$ 1,110,018                   | \$ 2,029,834                    |
| Receivable from broker (held in money market accounts)   | 5,182,991                      | 10,495,417                      |
| Available-for-sale securities, at fair value   | 69,600,036                     | 74,919,193                      |
| Securities sold, not received at fair value  | 2,659,712                      | 12,404,409                      |
| Accounts receivable, net of allowance for doubtful accounts of \$57,655 in 2008 and \$57,655 in 2007   | 229,700                        | 214,334                         |
| Inventory  | 410,210                        | 255,834                         |
| Prepaid expenses and other current assets  | 118,929                        | 145,827                         |
| <b>Total Current Assets</b>  | <b>79,311,596</b>              | <b>100,464,848</b>              |
| Property and equipment, net  | 2,121,837                      | 2,058,494                       |
| Other assets   | 37,158                         | 37,158                          |
| <b>Total Assets</b>  | <b>\$ 81,470,591</b>           | <b>\$ 102,560,500</b>           |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>   |                                |                                 |
| <b>CURRENT LIABILITIES</b>   |                                |                                 |
| Accounts payable and accrued liabilities   | \$ 311,672                     | \$ 498,212                      |
| Loans payable  | 2,592,418                      | 3,314,303                       |
| Income taxes payable   |                                | 1,295,668                       |
| Mortgage payable, current portion  | 38,102                         | 37,313                          |
| Put and call options, at fair value  | 7,685,008                      | 5,972,632                       |
| Securities borrowed, at fair value   | 4,245,368                      | 20,362,259                      |
| Deferred revenue   | 4,431                          | 7,417                           |
| Deferred income taxes  | 11,853,505                     | 15,726,213                      |
| <b>Total Current Liabilities</b>   | <b>26,730,504</b>              | <b>47,214,017</b>               |
| <b>LONG TERM LIABILITIES</b>   |                                |                                 |
| Mortgage payable, less current portion   | 420,696                        | 430,598                         |
| <b>Total Liabilities</b>   | <b>27,151,200</b>              | <b>47,644,615</b>               |
| <b>COMMITMENTS AND CONTINGENCIES</b>   |                                |                                 |
| <b>STOCKHOLDERS EQUITY</b>   |                                |                                 |
| Common stock, \$.01 par value, Authorized - 10,000,000 shares Issued 5,316,550 shares Outstanding 4,402,818 and 4,468,618 shares at March 31, 2008 and December 31, 2007, respectively | 53,165                         | 53,165                          |
| Additional paid in capital   | 10,612,016                     | 10,594,161                      |

Edgar Filing: DAXOR CORP - Form 10-Q

|   |                      |                       |
|---|----------------------|-----------------------|
| Accumulated other comprehensive income  | 22,013,651           | 29,205,823            |
| Retained earnings   | 30,808,379           | 23,487,371            |
| Treasury stock, at cost, 913,732 and 847,932 shares of Treasury stock at March 31, 2008 and December 31, 2007, respectively | (9,167,820)          | (8,424,635)           |
|   | <u>54,319,391</u>    | <u>54,915,885</u>     |
| Total Stockholders' Equity  | 54,319,391           | 54,915,885            |
| Total Liabilities and Stockholders' Equity  | \$ 81,470,591        | \$ 102,560,500        |
|   | <u>\$ 81,470,591</u> | <u>\$ 102,560,500</u> |

See accompanying notes to unaudited condensed consolidated financial statements.

F-1

---

Edgar Filing: DAXOR CORP - Form 10-Q

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

|  | <u>March 31,<br/>2008</u> | <u>March 31,<br/>2007</u> |
|--|---------------------------|---------------------------|
| <b>REVENUES:</b>   |                           |                           |
| Operating Revenues equipment sales and related services                    | \$ 323,780                | \$ 394,226                |
| Operating Revenues cryobanking and related services                        | 97,133                    | 111,656                   |
|  | <u>420,913</u>            | <u>505,882</u>            |
| <b>Cost of Sales:</b>  |                           |                           |
| Cost of equipment sales and related services                               | 138,614                   | 139,060                   |
| Cost of cryobanking and related services                                   | 13,400                    | 12,475                    |
|  | <u>152,014</u>            | <u>151,535</u>            |
| Total Cost of Sales  | 152,014                   | 151,535                   |
|  | <u>268,899</u>            | <u>354,347</u>            |
| Gross Profit   | 268,899                   | 354,347                   |
| <b>OPERATING EXPENSES:</b>   |                           |                           |
| <b>Research and development expenses:</b>                                  |                           |                           |
| Research and development-equipment sales and related services              | 559,309                   | 548,190                   |
| Research and development-cryobanking and related services                  | 48,242                    | 56,041                    |
|  | <u>607,551</u>            | <u>604,231</u>            |
| Total Research and Development Expenses                                    | 607,551                   | 604,231                   |
| <b>Selling, General &amp; Administrative Expenses:</b>                     |                           |                           |
| Selling, general, and administrative; equipment sales and related services | 770,595                   | 754,780                   |
| Selling, general, and administrative; cryobanking and related services     | 159,554                   | 201,203                   |
|  | <u>930,149</u>            | <u>955,983</u>            |
| Total Selling, General & Administrative Expenses                           | 930,149                   | 955,983                   |
| Total Operating Expenses   | 1,537,700                 | 1,560,214                 |
| Loss from Operations   | (1,268,801)               | (1,205,867)               |
| <b>Other income (expenses):</b>  |                           |                           |
| Dividend income-investment portfolio                                       | 630,782                   | 711,429                   |
| Realized gains on sale of securities, net                                  | 5,830,999                 | 1,626,430                 |
| Mark to market of short positions  | 2,176,041                 | 2,014,798                 |
| Other revenues   | 2,916                     | 2,755                     |
| Interest expense, net of interest income of \$11,185 and \$10,072          | (29,515)                  | (77,413)                  |

Edgar Filing: DAXOR CORP - Form 10-Q

|  |              |              |
|--|--------------|--------------|
| Administrative expense relating to portfolio investments         | (21,414)     | (12,138)     |
| Total Other Income, net  | 8,589,809    | 4,265,861    |
| Income before income taxes                                       | \$ 7,321,008 | \$ 3,059,994 |
| Income tax expense   |              |              |
| Net income   | \$ 7,321,008 | \$ 3,059,994 |
| Weighted average number of shares outstanding- basic and diluted | 4,421,518    | 4,606,787    |
| Net income per common equivalent share - basic and diluted       | \$ 1.66      | \$ 0.66      |

See accompanying notes to unaudited condensed consolidated financial statements.

F-2

---



Edgar Filing: DAXOR CORP - Form 10-Q

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

|  | <u>March 31,<br/>2008</u> | <u>March 31,<br/>2007</u> |
|--|---------------------------|---------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                       |                           |                           |
| Net income   | \$ 7,321,008              | \$ 3,059,994              |
| Adjustment to reconcile net income(loss) to net cash used in operating activities: |                           |                           |
| Depreciation   | 68,659                    | 52,531                    |
| Non-cash compensation expense associated with employee stock compensation plans    | 17,855                    | 4,518                     |
| Gain on sale of fixed assets   |                           | (102,449)                 |
| Gains on sale of investments   | (5,830,999)               | (1,626,430)               |
| Mark to market adjustments on options & short sales                                | (2,176,041)               | (2,014,798)               |
| Change in operating assets and liabilities:  |                           |                           |
| Increase in accounts receivable  | (15,366)                  | (175,816)                 |
| Decrease in prepaid expenses & other current assets                                | 26,898                    | 16,623                    |
| Increase in inventory  | (154,376)                 | (38,063)                  |
| Increase in other assets   |                           | (2,050)                   |
| Decrease in accounts payable and accrued liabilities                               | (186,540)                 | (1,811)                   |
| Decrease in income taxes payable   | (1,295,668)               |                           |
| Decrease in deferred revenue   | (2,986)                   | (1,264)                   |
| Net cash used in operating activities  | <u>(2,227,556)</u>        | <u>(829,015)</u>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                       |                           |                           |
| Purchase of property and equipment   | (132,002)                 | (891,842)                 |
| Proceeds from sale of fixed assets   |                           | 130,500                   |
| Decrease in securities sold, not received at fair market value                     | 9,744,697                 | 1,157,212                 |
| Decrease in securities borrowed, at fair market value                              | (16,116,891)              | (1,871,927)               |
| Purchases of put and call options  | (28,607)                  | (245)                     |
| Sales of put and call options  | 8,434,122                 | 3,096,982                 |
| Acquisition of available for sale securities                                       | (14,983,059)              | (7,827,157)               |
| Proceeds from sale of available for sale securities                                | 10,551,237                | 7,986,923                 |
| Net cash (used in) provided by investing activities                                | <u>(2,530,503)</u>        | <u>1,780,446</u>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                       |                           |                           |
| Proceeds from margin payable   | 17,308,753                | 10,924,756                |
| Repayment of margin payable  | (12,618,212)              | (14,972,469)              |
| Repayment of bank loan   | (100,000)                 |                           |
| Purchase of treasury stock   | (743,185)                 | (158,090)                 |
| Proceeds from mortgage payable   |                           | 500,000                   |
| Repayment of mortgage payable  | (9,113)                   | (5,930)                   |
| Net cash provided by (used in) financing activities                                | <u>3,838,243</u>          | <u>(3,711,733)</u>        |
| Net decrease in cash and cash equivalents  | (919,816)                 | (2,760,302)               |
| Cash and cash equivalents at beginning of period                                   | 2,029,834                 | 2,838,927                 |

Edgar Filing: DAXOR CORP - Form 10-Q

|  |              |           |
|--|--------------|-----------|
| Cash and cash equivalents at end of period | \$ 1,110,018 | \$ 78,625 |
|--|--------------|-----------|

Supplemental Disclosures of Cash Flow Information:

Cash paid during the quarter for:

|              |              |           |
|--------------|--------------|-----------|
| Interest     | \$ 40,699    | \$ 87,484 |
| Income taxes | \$ 1,302,210 | \$        |

See accompanying notes to unaudited condensed consolidated financial statements.

F-3

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

### DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS March 31, 2008 and 2007 (Continued) (Unaudited)

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

##### BUSINESS

Daxor Corporation 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, 2007, 2006 and 2005, included in Daxor Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. The December 31, 2007 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, 2008 are not necessarily indicative of the results that may be expected for the year December 31, 2008.

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.

###### *Principles of Consolidation*

The condensed consolidated financial statements include the accounts of Daxor Corporation and Scientific Medical Systems Corp, a wholly-owned subsidiary. All inter-company transactions and balances have been eliminated in consolidation.

###### *Segment Reporting*

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.

###### *Use of Estimates*

In order to prepare financial statements that conform to the requirements of US GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the results of operations during the reporting periods. Actual results may differ from these estimates.

###### *Reclassifications*

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

Reclassifications occurred to certain prior year amounts in order to conform to the current year classifications. The reclassifications have no effect on the reported net income.

F-4

---

Edgar Filing: DAXOR CORP - Form 10-Q

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2008 and 2007 (Continued)  
(Unaudited)

*Cash and Cash Equivalents*

Cash and cash equivalents include time deposits and short term investments with original maturities of three months or less. Normally, these short term investments consist of U.S. Treasury Bills. At March 31, 2008 and March 31, 2007 there were \$980,946 and \$0 worth of short term investments respectively included as cash equivalents.

*Fair Value of Financial Instruments*

The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable and payable, accrued liabilities deferred option premiums and short term debt (loans payable and short positions on securities) approximate fair value because of their short maturities. The carrying amount of the mortgage payable is estimated to approximate fair value as the mortgage was closed in 2007 at a current interest rate.

F-5

---

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

### DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS March 31, 2008 and 2007 (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.

#### *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, 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.

#### *Investment Goals, Strategies and Policies*

The Company's investment goals are capital preservation and maintaining returns on capital with a high degree of safety. These goals are accomplished through the following strategies and policies:

1. The Company maintains a diversified securities portfolio comprised primarily of dividend bearing electric utility common and preferred stocks. The Company also sells covered calls on portions of its portfolio and also sells puts on stocks it is willing to own. It also sells uncovered calls and will periodically have short positions of up to 15% of the value of its portfolio. The

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

Company's short position may temporarily rise to 20% of the Company's portfolio without any specific action because of changes in valuation, but should not exceed this amount. The Company's investment policy is to maintain a minimum of 85% of its portfolio in electric utilities. Investments in utilities are primarily in electric companies. Investments in non-utility stocks will not exceed 15% of the portfolio.

F-6

---

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

### DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS March 31, 2008 and 2007 (Continued) (Unaudited)

2. Investment in speculative issues, including short sales, maximum of 15%.
3. Limited use of options to increase yearly investment income.
  - a. The use of Call Options. Covered options can be sold up to a maximum of 20% of the value of the portfolio. This provides extra income in addition to dividends received from the company's investments. The risk of this strategy is that investments which the company may have preferred to retain can be called away. Therefore, a limitation of 20% is placed on the amount of stock on which options can be written. The amount of the portfolio on which options are actually written is usually between 3-10% of the portfolio. The historical turnover of the portfolio is such that the average holding period is in excess of five years for available for sale securities.
  - b. The use of Put options. Put options are written on stocks which the company is willing to purchase. While the company does not have a high rate of turnover in its portfolio, there is some turnover; for example, due to preferred stocks being called back by the issuing company, or stocks being called away because call options have been written. If the stock does not go below the put exercise price, the company records the proceeds from the sale as income. If the put is exercised, the cost basis is reduced by the proceeds received from the sale of the put option. There may be occasions where the cost basis of the stock is lower than the market price at the time the option is exercised.
  - c. Speculative Short Sales/Short Options. The company normally limits its speculative transactions to no more than 15% of the value of the portfolio. The company may sell uncovered calls on certain stocks. If the stock price does not rise to the price of the calls, the option is not exercised, and the company records the proceeds from the sale of the call as income. If the call is exercised, the company will have a short position in the related stock. The company then has the choice of covering the short position or selling a put against it. If the put is exercised, the short position is covered. The company's current accounting policy is to mark to the market at the end of each quarter any short positions, and include it in the income statement. While the company may have so-called speculative positions equal to 15% of its accounts, in actual practice the short stock positions usually account for less than 10% of the assets of the company.
4. In the event of a merger, the Company will elect to receive shares in the new company. In the event of a cash only offer, the Company will receive cash and be forced to sell its stock.

#### *Accounts Receivable*

Accounts receivable are reviewed by the Company at the end of each reporting period to determine the collectability based upon the aging of the balances and the history of the customer. As of March 31, 2008, the Company determined that a reserve of \$57,655 should be placed against the outstanding receivable balance of \$287,355. As of December 31, 2007, the Company determined that a reserve of \$57,655 should be placed against the outstanding receivable balance of \$271,989.

#### *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.

#### *Prepaid Expenses and Other Current Assets*

Prepaid expenses and other current assets generally consist of prepayments for future services and corporate capital base/personal holding taxes. Prepayments are expensed when the services are received or as the prepaid capital base/personal holding taxes are offset by the related tax liability. All prepaid expenses and taxes are expensed within one year of the Balance Sheet date and are thus classified as Current Assets.

#### *Property and Equipment*

Property and Equipment is stated at cost and consists of BVA equipment loaned on a trial basis, laboratory and office equipment, furniture and fixtures, and leasehold improvements. These assets are depreciated under the straight-line method, over their estimated useful lives, which range from 5 to 39 years.



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

### DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS March 31, 2008 and 2007 (Continued) (Unaudited)

Amounts spent to repair or maintain these assets arising out of the normal course of business are expensed in the period incurred. The cost of betterments and additions are capitalized and depreciated over the life of the asset. The cost of assets disposed of or determined to be non-revenue producing, together with the related accumulated depreciation applicable thereto, are eliminated from the accounts, and any gain or loss is recognized.

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Currently, management does not believe there is any impairment of any long-lived assets.

#### *Revenue Recognition*

The Company recognizes operational revenues from several sources. The first source is the sale of equipment, the Blood Volume Analyzer, to customers. The second source is the sale and associated shipping revenues of single-use radioactive doses (Volumex) that are injected into the patient and measured by the Blood Volume Analyzer. The third source of revenue is service contracts on the Blood Volume Analyzer, after it has been sold to a customer. The fourth source of revenue is the storage fees associated with cryobanked blood and semen specimens. The fifth is lab revenues from laboratory services, and the sixth is revenue from donor semen sales.

The Company currently offers three different methods of purchasing the Blood Volume Analyzer equipment. A customer may purchase the equipment directly, lease the equipment, or rent the equipment on a month-to-month basis. The revenues generated by a direct sale or a monthly rental are recognized as revenue in the period in which the sale or rental occurs. If a customer selects the lease option, the Company refers the customer to a third party leasing company with whom it has established a relationship. If the lease is approved by the independent leasing company, the Company receives 100% of the sales proceeds from the leasing company and recognizes 100% of the revenue. The leasing company then deals directly with the customer with regard to lease payments and any related collections.

The sales of the single-use radioactive doses (Volumex) that are used in conjunction with the Blood Volume Analyzer are recognized as revenue in the period in which the sale occurs.

The storage fees associated with the cryobanked blood and semen samples are recognized as income in the period for which the fee applies. Although the Company historically offered annual storage fee contracts, effective October 1, 2005, the Company only offers storage term contracts of three months or less.

#### *Income Taxes*

The Company accounts for income taxes under the provisions of SFAS No. 109 - *Accounting for Income Taxes*. This pronouncement requires recognition of deferred tax assets and liabilities for the estimated future tax consequences of events attributable to differences between the amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using tax rates in effect for the year in which the differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the statement of operations in the period in which the enactment rate changes. Deferred tax assets and liabilities are reduced through the establishment of a valuation allowance at such time as, based on available evidence, it is more likely than not that the deferred tax assets will not be realized.

#### *Comprehensive Income (Loss)*

The Company reports components of comprehensive income under the requirements of SFAS No. 130 - *Reporting Comprehensive Income*. This statement establishes rules for the reporting of comprehensive income and requires certain transactions to be presented as separate components of stockholders' equity. The Company currently reports the unrealized holding gains and losses on available-for-sale securities, net of deferred taxes, as accumulated other comprehensive income (loss).

#### *Product Warranties and Related Liabilities*

When a Blood Volume Analyzer has been sold to a customer, the Company offers a one year warranty on the product, which covers all mechanical failures. This one year warranty is effective on the date of sale of the unit. All major components of the equipment are purchased and warranted by the original third party manufacturers. After the one year period expires, customers may purchase a service contract through the Company, which is usually offered in one-year increments. To date, the Company has not experienced any major mechanical failures on any

equipment sold. In addition, the majority of the potential liability would revert to the original manufacturer. Due to this history, a liability has not been recorded with respect to product or warranty liability.

F-8

---

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

### DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS March 31, 2008 and 2007 (Continued) (Unaudited)

Historically, service contracts were recorded by the Company as deferred revenue and were amortized into income in the period in which they were earned. Effective January 1, 2006, the company offers service contracts priced on annual basis which are billed quarterly and revenue is earned in the same calendar quarter that it is billed. As at March 31, 2008 and December 31, 2007, deferred revenue pertaining to the historical service contracts was \$4,229 and \$7,417 respectively.

#### *Advertising Costs*

Advertising expenditures relating to the advertising and marketing of the Company's products and services are expensed in the period incurred. Advertising Expenses for the quarters ended March 31, 2008 and 2007 amounted to \$ 3,516 and \$ 3,496.

#### *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.

For the quarters ended March 31, 2008 and 2007, stock options were not included in the computation of diluted loss per common share due to their anti-dilutive effect. The number of anti-dilutive stock options excluded from the computation of diluted loss per common share was 110,500 and 91,900, respectively.

#### *Leased Employees*

The Company has entered into an agreement with ADP Total Source, whereby the Company leases its employees from ADP. The agreement requires the Company to reimburse ADP for all employee wages, related taxes, employee benefit costs and human resource fees.

The Company records these payments using the same classifications for which the reimbursement is made (i.e. wage reimbursements are recorded as wage expense).

#### *Stock Based Compensation*

In December 2004, the FASB issued SFAS No. 123R - *Share-Based Payment: An Amendment of FASB Statements No. 123*, ( SFAS 123R ) which requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation issued to employees. SFAS 123R is effective for financial statements issued for annual reporting periods that begin after June 15, 2005. In adopting SFAS No. 123R, the Company used the modified prospective transition method, as of January 1, 2006, the first day of the Company's fiscal year 2006.

Under the modified prospective transition method, awards that are granted, modified or settled after the date of adoption will be measured and accounted for in accordance with SFAS 123R. Compensation cost for awards granted prior to, but not vested, as of the date SFAS 123R is adopted would be based on the grant date attributes originally used to value those awards for pro forma purposes under SFAS 123. The Company's condensed consolidated financial statements as of and for the three months ended March 31, 2008, reflect the impact of SFAS No. 123R. In accordance with the modified prospective transition method, the Company's consolidated financial statements for periods prior to January 1, 2006 have not been restated to reflect, and do not include, the impact of SFAS 123R.

SFAS 123R also requires the tax benefits associated with these share-based payments to be classified as financing activities in the Condensed Consolidated Statements of Cash Flows, rather than as operating cash flows as required under previous regulations.

At March 31, 2008, the Company has one stock-based compensation plan, the 2004 Stock Option Plan. This Plan allows for the issuance of a maximum of 200,000 shares of common stock or 5% of the outstanding balance of shares of the Company on the date of grant, whichever is greater. Under the provisions of the Option Plan, the exercise price of any stock options issued is a minimum of 110% of the closing market price of the Company's stock on the grant date of the option.



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

### DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS March 31, 2008 and 2007 (Continued) (Unaudited)

At March 31, 2008, there is a total unvested stock-based compensation expense of \$ 51,945 and a total weighted average remaining term of 0.71 years. Total share-based compensation expense recognized in the Statement of Operations aggregated \$17,855 for the three months ended March 31, 2008 and \$4,518 for the three months ended March 31, 2007.

To calculate the option-based compensation under SFAS 123R, the Company used the Black-Scholes option-pricing model, which it had previously used for the valuation of option-based awards for its pro-forma information required under SFAS 123 for periods prior to fiscal 2006. The Company's determination of fair value of option-based awards on the date of grant using the Black-Scholes model is affected by the Company's stock price as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, risk-free interest rate, and the expected life of the options. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected life of the stock options. The expected volatility, holding period, and forfeitures of options are based on historical experience.

The following table represents stock option activity for the three months ended March 31, 2008:

|  | Number of<br>Shares | Exercise<br>Price | Remaining<br>Contract Life |
|--|---------------------|-------------------|----------------------------|
| Outstanding options at beginning of period | 90,000              | \$ 18.93          | 2.60Yrs                    |
| Granted                                    | 22,000              | \$ 11.39          |                            |
| Canceled                                   | (1,500)             | \$ 18.18          |                            |
|  | 110,500             | \$ 17.44          | 2.88Yrs                    |
| Outstanding exercisable at end of period   | 58,300              | \$ 20.04          | 1.87Yrs                    |

#### (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 of March 31, 2008 and December 31, 2007, of approximately 94.78% and 149.84%, 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:

| Type of security | March 31, 2008 |               |                                |                                 |
|------------------|----------------|---------------|--------------------------------|---------------------------------|
|                  | Cost           | Fair<br>Value | Unrealized<br>Holding<br>gains | Unrealized<br>holding<br>losses |
| Equity           | \$ 35,667,110  | \$ 69,569,236 | \$ 40,409,648                  | \$ (6,507,522)                  |
| Debt             | 65,770         | 30,800        |                                | (34,970)                        |
| Total            | \$ 35,732,880  | \$ 69,600,036 | \$ 40,409,648                  | \$ (6,542,492)                  |



Edgar Filing: DAXOR CORP - Form 10-Q

DAXOR CORPORATION AND SUBSIDIARY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2008 and 2007 (Continued)  
 (Unaudited)

| Type of security | <u>December 31, 2007</u> |                      |                          |                           |
|------------------|--------------------------|----------------------|--------------------------|---------------------------|
|                  | Cost                     | Fair Value           | Unrealized holding gains | Unrealized holding losses |
| Equity           | \$ 29,802,511            | \$ 74,572,643        | \$ 47,224,495            | \$ (2,454,363)            |
| Debt             | 184,646                  | 346,550              | 161,904                  |                           |
| <b>Total</b>     | <b>\$ 29,987,157</b>     | <b>\$ 74,919,193</b> | <b>\$ 47,386,399</b>     | <b>\$ (2,454,363)</b>     |

At March 31, 2008 the securities held by the Company had a market value of \$69,600,036 and a cost basis of \$35,732,880 resulting in a net unrealized gain of \$33,867,156 or 94.78% of cost.

At December 31, 2007, the securities held by the Company had a market value of \$74,919,193 and a cost basis of \$29,987,157 resulting in a net unrealized gain of \$44,932,036 or 149.84% of cost.

At March 31, 2008 and December 31, 2007, marketable securities primarily consist of preferred and common stocks of utility companies, and are valued at fair value. Debt securities consist of corporate bonds and notes at March 31, 2008 and these items have a cost of \$65,770 and are scheduled to mature at various dates through May 2048.

(3) Valuation and Qualifying allowance

The allowance for doubtful accounts for the quarters ended March 31, 2008 and 2007 were as follows:

| Classifications                 | Balance at Beginning of Year | Charged to Costs and Expenses | Deductions From Reserves | Balance at End of Quarter |
|---------------------------------|------------------------------|-------------------------------|--------------------------|---------------------------|
| Quarter ended March 31, 2007    |                              |                               |                          |                           |
| Allowance for Doubtful Accounts | 34,163                       |                               |                          | 34,163                    |
| Quarter ended March 31, 2008    |                              |                               |                          |                           |
| Allowance for Doubtful Accounts | \$ 57,655                    | \$                            | \$                       | \$ 57,655                 |

There was no inventory reserve recorded for the quarters ended March 31, 2008 and 2007. The inventory reflects proper valuation for slow moving and obsolete items.

(4) SEGMENT ANALYSIS

The Company has two operating segments: the sale of blood volume analysis equipment and related services, and cryobanking services which encompasses blood and semen storage and related services. In addition, the Company reports an additional segment, Investment Activity, although it is not deemed to be an operating segment.

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

Edgar Filing: DAXOR CORP - Form 10-Q

DAXOR CORPORATION AND SUBSIDIARY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2008 and 2007 (Continued)  
 (Unaudited)

|   | <u>March 31, 2008</u>                                     |   |                                |                      |
|---|---|---|--------------------------------|----------------------|
|   | <u>Equipment<br/>Sales &amp;<br/>Related<br/>Services</u> | <u>Cryobanking<br/>&amp; Related<br/>Services</u> | <u>Investment<br/>Activity</u> | <u>Total</u>         |
| Revenues  | \$ 323,780  | \$ 97,133   | \$                             | \$ 420,913           |
| 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              |
| Operating loss  | <u>(1,144,738)</u>  | <u>(124,063)</u>                                  |                                | <u>(1,268,801)</u>   |
| Investment income, net                                    |   |   |                                |                      |
| 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                              |   |   | <u>8,616,408</u>               | <u>8,616,408</u>     |
| Interest expense, net                                     | (8,684)   |   | (20,831)                       | (29,515)             |
| Other income  | 2,870   | 46  |                                | 2,916                |
| Income (loss) before income taxes                         | <u>(1,150,552)</u>  | <u>(124,017)</u>                                  | <u>8,595,577</u>               | <u>7,321,008</u>     |
| Income tax expense  |   |   |                                |                      |
| Net income (loss)   | <u>\$ (1,150,552)</u>                                     | <u>\$ (124,017)</u>                               | <u>\$ 8,595,577</u>            | <u>\$ 7,321,008</u>  |
| Total assets  | <u>\$ 3,817,377</u>                                       | <u>\$ 210,475</u>                                 | <u>\$ 77,442,739</u>           | <u>\$ 81,470,591</u> |



Edgar Filing: DAXOR CORP - Form 10-Q

DAXOR CORPORATION AND SUBSIDIARY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2008 and 2007 (Continued)  
 (Unaudited)

The following table summarizes the results of each segment described above for the three months ended March 31, 2007

|   | <u>March 31, 2007</u>                                     |   |                                | <u>Total</u>         |
|---|---|---|--------------------------------|----------------------|
|   | <u>Equipment<br/>Sales &amp;<br/>Related<br/>Services</u> | <u>Cryobanking<br/>&amp; Related<br/>Services</u> | <u>Investment<br/>Activity</u> |                      |
| Revenues  | \$ 394,226  | \$ 111,656  | \$                             | \$ 505,882           |
| Cost of sales   | 139,060   | 12,475  |                                | 151,535              |
| Research and development expenses                         | 548,190   | 56,041  |                                | 604,231              |
| Selling, general and administrative expenses              | 754,780   | 201,203   |                                | 955,983              |
| Operating loss  | <u>(1,047,804)</u>  | <u>(158,063)</u>                                  |                                | <u>(1,205,867)</u>   |
| Investment income   |   |   |                                |                      |
| Dividends   |   |   | 711,429                        | 711,429              |
| Gain on sales of securities, net                          |   |   | 1,626,430                      | 1,626,430            |
| Mark to market of short positions                         |   |   | 2,014,798                      | 2,014,798            |
| Administrative expenses relating to portfolio investments |   |   | (12,138)                       | (12,138)             |
| Total Investment income, net                              |   |   | <u>4,340,519</u>               | <u>4,340,519</u>     |
| Interest expense, net                                     | (5,935)   |   | (71,478)                       | (77,413)             |
| Other income  | 2,755   |   |                                | 2,755                |
| Income (loss) before income taxes                         | (1,050,984)   | (158,063)   | 4,269,041                      | 3,059,994            |
| Income tax expense  |   |   |                                |                      |
| Net income (loss)   | <u>\$ (1,050,984)</u>                                     | <u>\$ (158,063)</u>                               | <u>\$ 4,269,041</u>            | <u>\$ 3,059,994</u>  |
| Total assets  | <u>\$ 2,220,626</u>                                       | <u>\$ 124,739</u>                                 | <u>\$ 81,122,906</u>           | <u>\$ 83,468,271</u> |

(5) PROPERTY AND EQUIPMENT

Property and equipment as at March 31, 2008 and December 31, 2007, consists of:

|                            | <u>March 31,<br/>2008</u> | <u>December 31,<br/>2007</u> |
|----------------------------|---------------------------|------------------------------|
| Machinery and equipment    | \$ 1,286,856              | \$ 1,161,413                 |
| BVA Equipment on trial     | 782,000                   | 782,000                      |
| Land and Land Improvements | 196,991                   | 196,991                      |

Edgar Filing: DAXOR CORP - Form 10-Q

|   |                   |                   |
|---|-------------------|-------------------|
| Buildings                                 | 598,422           | 598,422           |
| Furniture and fixtures                    | 356,862           | 352,972           |
| Leasehold improvements                    | 594,535           | 591,866           |
|   | <u>          </u> | <u>          </u> |
| Total Cost                                | \$ 3,815,666      | \$ 3,683,664      |
| Accumulated depreciation and amortization | (1,693,829)       | (1,625,170)       |
|   | <u>          </u> | <u>          </u> |
| Property and equipment, net               | \$ 2,121,837      | \$ 2,058,494      |
|   | <u>          </u> | <u>          </u> |

Depreciation expense for the three months ended March 31, 2008 and March 31, 2007 was respectively \$ 68,659 and \$52,531.

On January 3, 2007, Daxor closed on the purchase of 3.5 acres of land at 107 and 109 Meco Lane, Oak Ridge, Tennessee that contains two separate 10,000 square foot buildings. The buildings were constructed in 2004 and each structure is a single story steel frame with metal shell and roof constructed on a concrete slab. The total purchase price for the land and buildings including closing costs was \$784,064.

F-13

---

# Edgar Filing: DAXOR CORP - Form 10-Q

## DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS March 31, 2008 and 2007 (Continued) (Unaudited)

The build out of the buildings in Oak Ridge commenced in the beginning of July of 2007 after the Company received the necessary state and local permits and licenses and the company moved in to the new buildings during the first week of October 2007.

### (6) LOANS AND MORTGAGE PAYABLE

#### LOANS PAYABLE

At March 31, 2008 and December 31, 2007, the Company has a bank note payable of \$1,400,000 and \$1,500,000 respectively which is classified as a current liability. The note is renewable on May 28, 2008 for a period of one year. The note bears interest at approximately 3.75% and is secured by certain marketable securities of the Company.

The interest expense on this note for the three months ended March 31, 2008 and 2007 was \$18,027 and \$24,998, respectively.

Short-term debt to brokers (margin debt), is secured by the Company's marketable securities, and totaled \$1,192,418 at March 31, 2008 and \$ 1,814,303 at December 31, 2007.

#### MORTGAGE PAYABLE

Daxor financed the purchase of the land and buildings in Oak Ridge, Tennessee with a \$500,000 10-year mortgage, with the first five years fixed at 7.49%. On January 2, 2012 there is a single payment of \$301,972 for the remaining principal and interest on the mortgage. The Company has the option of making this payment or refinancing the mortgage for an additional five year term at a fixed rate of interest that would be set on January 2, 2012.

The future payments of principal on the mortgage by twelve month period end are as follows:

| <u>03/31/09</u> | <u>03/31/10</u> | <u>03/31/11</u> | <u>Thereafter</u> |
|-----------------|-----------------|-----------------|-------------------|
| \$38,102        | \$41,055        | \$44,237        | \$335,404         |

At March 31, 2008, the remaining principal due on the mortgage for the land and buildings in Oak Ridge, Tennessee is \$ 458,798. Of this amount, \$38,102 is due before March 31, 2009 and the remaining \$420,696 is due after that date.

### (7) 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, 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.

The following summarizes the Company's Put and Call Options as of March 31, 2008 and December 31, 2007:

| <u>Put and Call Options</u> | <u>Selling price</u> | <u>Fair Market value</u> | <u>Unrealized Gain</u> |
|-----------------------------|----------------------|--------------------------|------------------------|
| March 31, 2008              | 9,813,213            | 7,685,008                | 2,128,205              |
| December 31, 2007           | 7,645,833            | 5,972,632                | 1,673,201              |

### (8) SECURITIES BORROWED AT FAIR VALUE

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

At March 31, 2008 and December 31, 2007, the Company maintained short positions in certain marketable securities. The liability for short sales of securities is included in "Securities borrowed at fair market value" in the accompanying balance sheets. The cost basis of these positions or proceeds for these short sales were \$4,370,084 and \$18,712,876 at March 31, 2008 and December 31, 2007 respectively and had respective market values of \$4,245,368 and \$20,362,259, resulting in mark to market adjustments of \$124,716 and (\$1,649,383) at March 31, 2008 and December 31, 2007.

F-14

---

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

### DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS March 31, 2008 and 2007 (Continued) (Unaudited)

#### (9) STOCK OPTIONS

In June 2004, the Company created the 2004 Stock Option Plan in an effort to provide incentive to employees, officers, agents, consultants, and independent contractors through proprietary interest. The Board of Directors shall act as the Plan Administrator, and may issue these options at its discretion. The maximum number of shares that may be issued under this Plan is 200,000 or 5% of the Company's outstanding shares, whichever is greater. Prior to June 2004, the Company issued options to various employees under the previous Stock Option Plan that was also administered by the Board of Directors. All issuances have varying vesting and expiration timelines. As at March 31, 2008 and 2007, 58,300 and 78,400 of the outstanding options were exercisable, respectively.

#### (10) CURRENT INCOME TAXES

Under Internal revenue code section 542, a company is defined as a personal holding company (PHC) if it meets both an ownership and income test. The ownership test is met if a company has five or fewer shareholders who own more than 50% of the company. Daxor meets the ownership test. The income test is met if PHC income items such as dividends, interest and rents exceed 60% of adjusted ordinary gross income. Adjusted ordinary gross income is defined as all items of income except capital gains. For the three months ended March 31, 2008, more than 60% of Daxor's adjusted gross income came from items defined as PHC income. Accordingly the Company is a PHC, as it meets both the ownership and income tests.

As a result, the Company is subject to a PHC income tax on any of its undistributable PHC income. For the three months ending March 31, 2008, Daxor's undistributable PHC income was determined to be approximately \$7,300,000. Under FASB No. 109, the Company accrues income taxes in interim periods based upon its estimated annual effective interest rate. Assuming there is no change in PHC income for the remainder of 2008, then the effective rate would be equal to the statutory rate for the quarter ended March 31, 2008 and the calculated PHC tax provision at March 31, 2008 would be approximately \$1,100,000.

Determining the PHC tax liability requires computing the Company's undistributed PHC income for the year and taxing such PHC income at the statutory rate of 15% (or during interim periods using the estimated annual effective PHC income tax rate). Undistributed PHC income is the Company's current year taxable income, exclusive of the net operating loss carry forward deduction which is permitted for regular tax purposes and adjusted for certain allowable deductions.

The most significant of these deductions is long-term capital gains, which are approximately \$43,000 for the three months ending March 31, 2008. During the three months ending March 31, 2008, the Company had short-term capital gains totaling approximately \$5,800,000. Short term capital gains are not a deduction for PHC tax purposes, which has given rise to the Company's estimated undistributed PHC income.

Management plans to eliminate its undistributed PHC income before the end of the year. This will be accomplished by either eliminating its undistributable PHC income by paying this income out as a dividend before the end of the year, or by realizing losses on the sale of certain securities or by a combination of both of these activities. Accordingly, management has determined that no current provision for income taxes or related liability attributable to the PHC income tax is necessary as of and for the three months ended March 31, 2008.

#### (11) DEFERRED INCOME TAXES

Deferred income taxes result from differences in the recognition of gains and losses on marketable securities, as well as operating loss carry forwards, for tax and financial statement purposes. The deferred income tax results in a liability for the marketable securities, while the operating loss carry forwards result in a deferred tax asset.

The deferred tax liability that results from the marketable securities does not flow through the Statement of Operations due to the classification of the marketable securities as available-for-sale. Instead, any increase or decrease in the deferred tax liability is recorded as an adjustment to Accumulated Other Comprehensive Income which is in the Stockholders' Equity section of the Balance Sheet.

At March 31, 2008 the Company has approximately \$9.7 million in net operating loss available as a carry forward. These losses will expire between the years ending December 31, 2015 and 2026 and give rise to deferred tax assets. However, a valuation allowance has been recorded for the entire deferred tax asset as a result of uncertainties regarding the realization of the asset due to the history of losses and the variability of operating results.

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

While the Company has a deferred tax liability on unrealized portfolio gains, at present it is not management's intention to liquidate its holdings in order to utilize these loss carryovers. Some holdings may be periodically liquidated on an involuntary basis when the Company receives a cash only offer as the result of a merger. If there is an option to receive stock instead of cash, the Company will usually elect to receive stock.

F-15

---

# Edgar Filing: DAXOR CORP - Form 10-Q

## DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS March 31, 2008 and 2007 (Continued) (Unaudited)

The deferred tax computations at March 31, 2008 and December 31, 2007, computed at federal statutory rates of 35%, are as follows:

|                                   | <u>2008</u>                 | <u>2007</u>                 |
|-----------------------------------|-----------------------------|-----------------------------|
| Deferred tax assets:              |                             |                             |
| Net operating loss carry forwards | \$ 3,399,311                | \$ 3,410,396                |
| Valuation allowance               | (3,399,311)                 | (3,410,396)                 |
|                                   | <u>                    </u> | <u>                    </u> |
| Total deferred tax assets         | <u>\$ 0</u>                 | <u>\$ 0</u>                 |
|                                   |                             |                             |
| Deferred tax liabilities          | <u>\$ 11,853,505</u>        | <u>\$ 15,726,213</u>        |

### (12) CERTAIN CONCENTRATIONS AND CONTINGENCIES

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of the common stock of marketable electric utilities. At March 31, 2008, stocks representing 98.76% of the market value of common stocks held by the Company were listed on either the New York Stock Exchange (NYSE) or the American Stock Exchange (AMEX). The Company maintains its investments in six different brokerage accounts, four at UBS, one at Merrill Lynch and one at JP Morgan Chase. The limits of the insurance offered by the Securities Investor Protection Corporation (SIPC) is up to \$100,000 for the total amount of cash on deposit and up to \$500,000 for the total amount of securities held at Merrill Lynch and JP Morgan Chase. UBS provides supplemental insurance up to the face value of the securities in excess of the SIPC limit of \$500,000.

Each of these brokerage houses is well known in the industry and management does not believe that these securities bear any risk of loss over and above the basic risk that a security bears through the normal activity of the securities markets. However, as at March 31, 2008 the fair market value of securities in excess of the SIPC insured limit is \$24,773,978 and the cash on deposit in excess of the insured limit is \$4,721,463.

For the three months ended March 31, 2008 there were three customers (hospitals) that accounted for 38.02% of the Company's total consolidated sales. Management believes that the loss of any one customer would have an adverse effect on the Company's consolidated business for a short period of time. All three of these hospitals have purchased their BVA-100 equipment. The Company has not had any situations in which a hospital, after having purchased a blood volume analyzer, discontinued purchasing Volumex kits. This suggests that, when more hospitals purchase equipment, they will continue with ongoing purchase of Volumex kits. The Company continues to seek new customers, so that any one hospital will represent a smaller percentage of overall sales.

The Company's Volumex syringes are filled by an FDA approved radio pharmaceutical manufacturer. This manufacturer is the only one approved by the FDA in the United States to manufacture Volumex for interstate commerce. If this manufacturer were to cease filling the Volumex syringes for Daxor before the Company had a chance to make alternative arrangements, the effect on Daxor's business could be material.

Since December 31, 2007, Daxor has not received any verbal or written communication from the staff of the Northeast Regional Office of the United States Securities and Exchange Commission regarding any unresolved issues. These unresolved issues were discussed in detail in the Forms 10-K for the years ended December 31, 2007 and 2006 as well as the 10-Q's for 2007.

### (13) Related Party Transactions

The Company subleases a portion of its New York City office space to the President of the Company for five hours per week. This sublease agreement has no formal terms and is executed on a month to month basis. The amount of rental income received from the President of the Company in the quarters ended March 31, 2008 and 2007 was \$2,870 and \$2,755.

Jonathan Feldschuh is the co-inventor of the BVA-100 Blood Volume Analyzer and is the son of Dr. Joseph Feldschuh. He is expected to provide a limited amount of consultative help in the filing of the additional patents in 2008.

(14) Research and Development Costs

All research and development costs, as defined in SFAS No. 2 *Accounting for Research and Development Costs*, are expensed in the period they are incurred.

F-16

---



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

### DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS March 31, 2008 and 2007 (Continued) (Unaudited)

Research and development costs for the three months ended March 31, 2008 and 2007 were \$607,551 and \$604,231, respectively.

#### (15) Subsequent Events

There were no subsequent events which took place after March 31, 2008 which required disclosure in this Form 10-Q.

#### (16) Recently Issued Accounting Pronouncements

In June 2006, The FASB issued Interpretation No. 48 Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 ( FIN 48 ). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. Earlier application of the provisions of this Interpretation is encouraged if the enterprise has not yet issued financial statements, including interim financial statements, in the period this Interpretation is adopted. Management does not expect that the application of this standard will have any effect on the Company's results of operations or its financial condition.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements ( SFAS 157 ), to define fair value, establish a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP) and expand disclosures about fair value measurements. SFAS 157 requires quantitative disclosures using a tabular format in all periods (interim and annual) and qualitative disclosures about the valuation techniques used to measure fair value in all annual periods. SFAS 157 will be effective for the Company beginning January 1, 2008. The Company is currently evaluating the impact of adopting SFAS 157.

In September 2006, the SEC staff issued Staff Accounting Bulletin (SAB) Topic 1M (SAB 108), Financial Statements - Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, which is effective for the 2007 year. SAB 108 provides guidance on how prior year misstatements should be taken into consideration when quantifying misstatements in current year financial statements for the purpose of determining whether the financial statements are materially misstated. Under this guidance, companies should take into account both the effect of a misstatement on the current year balance sheet as well as the impact upon the current year income statement in assessing the materiality of a current year misstatement. Once a current year misstatement has been quantified, the guidance in SAB Topic 1M, Financial Statements - Materiality, (SAB 99) should be applied to determine whether the misstatement is material. The implementation of SAB 108 did not have any impact on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ( SFAS 159 ). SFAS 159 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 will be effective for the Company on January 1, 2008. The Company is currently evaluating the impact of adopting SFAS 159 on its financial statements.

In June 2007, the Emerging Issues Task Force ( EITF ) issued EITF 07-3, Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities, which provides guidance on the accounting for certain nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities. This issue is effective prospectively for fiscal years beginning after December 15, 2007, or fiscal 2009 for the Company. We are still assessing the potential impact of adoption.

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

### DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS March 31, 2008 and 2007 (Continued) (Unaudited)

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* an amendment of ARB No. 51 ( SFAS 160 ). SFAS 160 requires that ownership interests in subsidiaries held by parties other than the parent, and the amount of consolidated net income, be clearly identified, labeled, and presented in the consolidated financial statements within equity, but separate from the parent's equity. It also requires once a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value. Sufficient disclosures are required to clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 will be effective for the Company beginning January 1, 2009. The Company is currently evaluating the impact of the provisions of SFAS 160 on its financial position, results of operations and cash flows and does not believe the impact of the adoption will be material.

In December 2007, the Securities and Exchange Commission ( SEC ) issued Staff Accounting Bulletin No. 110 ( SAB 110 ). SAB 110 amends and replaces Question 6 of Section D.2 of Topic 14, *Share-Based Payment* of the Staff Accounting Bulletin series. Question 6 of Section D.2 of Topic 14 expresses the views of the staff regarding the use of the simplified method in developing an estimate of expected term of plain vanilla share options and allows usage of the simplified method for share option grants prior to December 31, 2007. SAB 110 allows public companies which do not have historically sufficient experience to provide a reasonable estimate to continue use of the simplified method for estimating the expected term of plain vanilla share option grants after December 31, 2007. We currently use the simplified method to estimate the expected term for share option grants as we do not have enough historical experience to provide a reasonable estimate. We will continue to use the simplified method until we have enough historical experience to provide a reasonable estimate of expected term in accordance with SAB 110. SAB 110 is effective for the Company on January 1, 2008.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (revised 2007). SFAS No. 141(R) applies the acquisition method of accounting for business combinations established in SFAS No. 141 to all acquisitions where the acquirer gains a controlling interest, regardless of whether consideration was exchanged. Consistent with SFAS No. 141, SFAS No. 141(R) requires the acquirer to fair value the assets and liabilities of the acquiree and record goodwill on bargain purchases, with main difference the application to all acquisitions where control is achieved. SFAS No. 141(R) is effective for financial statements issued for fiscal years beginning after December 15, 2008 and will be adopted by the Company in the first quarter of fiscal year 2009. The Company does not expect that the adoption of SFAS No. 141(R) will have a material impact on our financial condition or results of operation.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* an amendment of FASB Statement No. 133 . The use and complexity of derivative instruments and hedging activities have increased significantly over the past several years. Constituents have expressed concerns that the existing disclosure requirements in FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, do not provide adequate information about how derivative and hedging activities affect an entity's financial position, financial performance, and cash flows. Accordingly, this Statement requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The Company is currently evaluating the impact of the provisions of SFAS No. 161 on its financial position, results of operations and cash flows and does not believe the impact of the adoption will be material.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RECENT DEVELOPMENTS

The Centers for Medicare and Medicaid Services (CMS) implemented a significant policy change affecting the reimbursement for all diagnostic radiopharmaceutical products and contrast agents which became effective as of January 1, 2008. Diagnostic radiopharmaceuticals such as Daxor's Volumex will not be separately reimbursable by Medicare for outpatient services. At this time, it is unclear if this policy change will also be implemented by private third party health insurance companies or non-hospital providers.

The previous reimbursement for hospital outpatients includes payment for both the cost of the procedure to perform a blood volume analysis (BVA) and the radiopharmaceutical (Daxor's Volumex radiopharmaceutical). CMS's new policy became effective as of January 1, 2008 and will only include the reimbursement for the procedure and would require the hospital to absorb the cost of the radiopharmaceutical. There will be an upward adjustment for the procedure code to include some of the costs of the radiopharmaceutical. However, this upward adjustment may not entirely cover the costs associated with the procedure and the radiopharmaceutical.

Many medical societies and major manufacturers of radiopharmaceuticals and contrast agents are currently engaged in an aggressive attempt to reverse this ruling. The Company has had similar issues in the past that have negatively impaired revenue from operations. This particular issue may have a similar impact. However, at the present time, the Company is unable to quantify what the effect of this ruling will be on revenue from operations for the year ending December 31, 2008.

RESULTS OF OPERATIONS

Three months ended March 31, 2008 as compared with three months ended March 31, 2007:

Operating Revenues and Expenses

For the three months ended March 31, 2008, consolidated operating revenues decreased to \$420,913 from \$505,882 for the same period in 2007, a decrease of \$84,969 or 16.80%. This decrease was mainly the result of no Blood Volume Analyzers being sold during the first quarter of 2008 versus the sale of two Blood Volume Analyzers during the same period in 2007 for a total of \$130,500.

For the three months ended March 31, 2008, revenue from Blood volume kit sales increased by 24.44% to \$294,377 from \$236,561 for the same period in 2007. This can mainly be attributed to an increase in the number of kits sold from 750 in 2007 to 862 during the current period for an increase of 14.93%. A major reason for the increase in the number of kits sold is that there were 53 Blood Volume Analyzers placed at March 31, 2008 versus 36 at March 31, 2007. For the three months ended March 31, 2008, the Company provided 111 Volumex doses free of charge to facilities utilizing the BVA-100 for research versus 87 during the same period in 2007. Effective February 1, 2007, the Company raised prices by approximately 5% on Blood Volume Kits.

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

The following table provides gross margin information on Equipment Sales & Related Services for the three months ended March 31, 2008 and 2007:

| <b>Equipment Sales<br/>And Related Services</b> | <b>Kit Sales<br/>Three<br/>Months<br/>Ended<br/>March 31,<br/>2008</b> | <b>Equipment<br/>Sales and<br/>Other Three<br/>Months<br/>Ended<br/>March 31,<br/>2008</b> | <b>Total Three<br/>Months<br/>Ended<br/>March 31,<br/>2008</b> | <b>Total Three<br/>Months<br/>Ended<br/>March 31,<br/>2007</b> |
|---|--|--|--|--|
| Revenue   | \$ 294,377   | \$ 29,403  | \$ 323,780   | \$ 394,226   |
| Cost of Goods Sold                              | 120,168  | 18,446   | 138,614  | 139,060  |
| Gross Profit (Loss)                             | \$ 174,209   | \$ 10,957  | \$ 185,166   | \$ 255,166   |
| Gross Profit (Loss) Percentage                  | 59.18%   | 37.26%   | 57.19%   | 64.72%   |

There were no Blood Volume Analyzers sold during the three months ended March 31, 2008 versus two during the three months ended March 31, 2007. The revenue of \$29,403 for Equipment Sales and Other consists almost entirely of shipping charges and service contract revenue.

Total S G & A (selling, general and administrative) and R&D (Research and Development) costs for Equipment Sales and Related Services were \$1,329,904 for the three months ended March 31, 2008 versus \$ 1,302,970 for the same period in 2007, for an increase of \$26,934 or 2.07%. The main reason for this was increased payroll and related costs of \$17,379 for the three months ended March 31, 2008 as compared to the same period in 2007.

Research & Development expenses for Equipment Sales and Related Services were \$559,309 for the three months ended March 31, 2008 vs. \$548,190 for the same period in 2007 which is an increase of \$11,119 or 2.03%. Daxor is committed to making Blood Volume Analysis a standard of care in at least three different disease states. In order to achieve this goal, we are continuing to spend time and money in research and development to get the best product to the market. We are still working on the following three projects: 1) GFR: Glomerular Filtration Rate, 2) Total Body Albumin Analysis, and 3) Wipes tests for radiation contamination/detection. We are also progressing on the next version of the delivery device for the radioactive dose Volumex. The current version is the Max-100 which has a patent. The next version, the Max-200 will be without a needle and should afford the company extended protection with a second patent when it is completed.

Operating revenues for the cryobanking segment, which includes both blood banking and semen banking, decreased to \$97,133 in 2008 from \$111,656 in 2007, for a decrease of \$14,523 or 13.01%. The main reason for this was a decrease in Semen Bank Storage fees of \$8,602 for the three months ended March 31, 2008 as compared to 2007.

Total S G & A (selling, general and administrative) and R&D (Research and Development) costs for the Cryobanking and related services segment were \$207,796 for the three months ended March 31, 2008 vs. \$257,244 for the same period in 2007, for a decrease of \$49,448 or 19.22%. The main reason for this decrease was a \$43,722 reduction in payroll and related expenses for the three months ended March 31, 2008 as compared to the same period in 2007.

### Consolidated Operating Expenses and Cost of Goods Sold

The consolidated expenses from operations and cost of goods sold for the first quarter of 2008 were \$1,689,714 versus \$1,711,749 in 2007 for a decrease of \$22,035 or 1.28%. This decrease in operating expenses and cost of goods sold is mostly due to a decrease in payroll and related expenses of \$26,343 in the quarter ended March 31, 2008 as compared to the same period in 2007.

INVESTMENT PORTFOLIO

Dividend Income

Dividend income earned on the Company's security portfolio for the three months ended March 31, 2008 was \$630,782 versus \$711,429 for the same period in 2007 for a decrease of \$80,647 or 11.33%. The main reason for this decrease was the receipt of a onetime special dividend of \$156,200 during the quarter ended March 31, 2007 on a stock that is no longer included in the Company's available for sale securities.

Investment Gains

Gains on the sale of investments were \$5,830,999 for the three months ended March 31, 2008 versus \$1,626,430 for the same period in 2007 for an increase of \$4,204,569 or 258.52%. For the current quarter, the Company had a gain from the marking to the market of short positions of stocks and put and call options of \$2,176,041 versus a gain of \$2,014,798 for the same period in 2007 for an increase of \$161,243 or 8.00%. Interest expense net of interest income was \$20,831 for the three months ended March 31, 2008 versus \$71,478 for the three months ended March 31, 2007 for a decrease of \$50,647 or 70.86%. Administrative expenses relating to portfolio investments were \$21,414 in 2008 versus \$12,138 for the same period in 2007 for an increase of \$9,276 or 76.42%. A detailed description of investment policies and historical records over the past 15 years was included in the recent 10-K filing for the year ended December 31, 2007.

LIQUIDITY AND CAPITAL RESOURCES

The Company's management has pursued a policy of maintaining sufficient liquidity and capital resources in order to assure continued availability of necessary funds for the viability and projected growth of all ongoing projects.

At March 31, 2008 the Company had total assets of \$81,470,591 with stockholders' equity of \$54,319,391 as compared to total assets of \$102,560,500 with stockholders' equity of \$54,915,885 at December 31, 2007. At March 31, 2008, the Company had a net unrealized gain on available for sale securities of \$33,867,156 and a deferred tax liability of \$11,853,505 for net unrealized capital gains on available-for-sale securities of \$22,013,651. At December 31, 2007, the company had a net unrealized gain of \$44,932,036 and a deferred tax liability of \$15,726,213 for net unrealized capital gains on available-for-sale securities of \$29,205,823. These amounts are included in the calculation of Total Stockholders' Equity. At March 31 2008, the Company's available for sale securities had a fair market value of \$69,600,036 with short-term loans payable of \$2,592,418 and a receivable due from brokers of \$5,182,991. The Company has current liabilities of \$26,730,504 which includes the deferred tax liability of \$11,853,505 and the short term loans payable of \$2,592,418. The deferred tax liability would be due if the Company chose to sell its entire portfolio. 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 15 years. The Company's portfolio has maintained a net value above historical cost for each of the past 93 consecutive quarters.

The Company currently has adequate resources for the current level of marketing and research and development expenses for the BVA-100 Blood Volume Analyzer as well as capital to sustain its localized semen and blood banking services. The Company may not, at the present time, have adequate resources to expand its marketing force to all areas of the country. The Company is simultaneously expanding its research and development efforts to develop additional instrumentation for renal function testing, specifically glomerular filtration testing. The Company recently explored the potential for raising additional capital but the terms would have been disadvantageous to existing shareholders. The current primary focus is on the BVA-100 Blood Volume Analyzer with respect to expenditure of resources. 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.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements and accompanying footnotes included in this report have been prepared in accordance with accounting principles generally accepted in the United States with certain amounts based on management's best estimates and judgments. To determine appropriate carrying values of assets and liabilities that are not readily available from other sources, management uses assumptions based on historical results and other factors that they believe are reasonable. Actual results could differ from those estimates.

The Company adopted SFAS No. 123R - *Share-Based Payments*, effective January 1, 2006, utilizing the modified prospective method. Under the modified prospective method, compensation cost is recognized for all share-based payments granted after the effective date and for all unvested awards granted prior to the effective date. Prior to adoption, the Company accounted for share-based payments under the recognition and measurement principles of Accounting Principles Board Opinion No. 25 - *Accounting for Stock Issued to Employees*, and related interpretations.

The Company recognized \$17,855 and \$4,518, respectively in total stock-based compensation expense during the three months ended March 31, 2008 and March 31, 2007.

Total unvested stock-based compensation expense was \$51,945 at March 31, 2008 and had a total weighted average remaining term of 0.71 years. See Footnote #1 for more information on stock-based compensation.

The following is a summary of the accounting policies that the Company has deemed critical for reporting purposes in Form 10-Q at March 31, 2008. However, a comprehensive discussion of the Company's critical accounting policies and management estimates is included in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. There have been no significant changes in critical accounting policies or management estimates since the year ended December 31, 2007.

Available-for-Sale Securities

Available-for-sale securities represent investments in debt and equity securities (primarily common and preferred stock of utility companies) that management has determined meet the definition of available-for-sale securities 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).

The company will also periodically engage in short selling of common stock. When this occurs, the short position is marked to the market and this adjustment is recorded in the Statement of Operations. Any gain or loss is recorded in 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.

The Company's investment goals, strategies and policies are as follows:

1. The Company's investment goals are capital preservation and maintaining returns on capital with a high degree of safety.
2. The Company maintains a diversified securities portfolio comprised primarily of electric utility common and preferred stocks. The Company also sells covered calls on portions of its portfolio and also sells puts on stocks it is willing to own. It also sells uncovered calls and may have short positions in common stock up to 15% of the value of the portfolio. The Company's short position may temporarily rise to 15% of the Company's portfolio without any specific action because of changes in valuation, but should not exceed this amount. The Company's investment policy is to maintain a minimum of 85% of its portfolio in electric utilities. Investments in utilities are primarily in electric companies. Investments in non-utility stocks will not exceed 15% of the portfolio.
3. Investment in speculative issues, including short sales, maximum of 15%.

4. Limited use of options to increase yearly investment income.
  - a. The use of Call Options. Covered options can be sold up to a maximum of 20% of the value of the portfolio. This provides extra income in addition to dividends received from the company's investments. The risk of this strategy is that investments may be called away, which the company may have preferred to retain. Therefore, a limitation of 20% is placed on the amount of stock on which options can be written. The amount of the portfolio on which options are actually written is usually between 3-10% of the portfolio. The historical turnover of the portfolio is such that the average holding period is in excess of 5 years for available for sale securities.
  - b. The use of Put options. Put options are written on stocks which the company is willing to purchase. While the company does not have a high rate of turnover in its portfolio, there is some turnover; for example, due to preferred stocks being called back by the issuing company, or stocks being called away because call options have been written. If the stock does not go below the put exercise price, the company records the proceeds from the sale as income. If the put is exercised, the cost basis is reduced by the proceeds received from the sale of the put option. There may be occasions where the cost basis of the stock is lower than the market price at the time the option is exercised.
  - c. Speculative Short Sales/Short Options. The company normally limits its speculative transactions to no more than 15% of the value of the portfolio. The company may sell uncovered calls on certain stocks. If the stock price does not rise to the price of the call, the option is not exercised and the company records the proceeds from the sale of the call as income. If the call is exercised, the company will have a short position in the related stock. The company then has the choice of covering the short position, or selling a put against it. If the put is exercised, then the short position is covered. The company's current accounting policy is to mark to the market at the end of each quarter any short positions, and include it in the income statement. While the company may have so-called speculative positions equal to 15% of its accounts, in actual practice the short stock positions usually account for less than 10% of the assets of the company.
5. In the event of a merger, the Company will elect to receive shares in the new company. In the event of a cash only offer, the Company will receive cash and be forced to sell its stock.

The income derived from these investments has been essential to help offset the research, operating and marketing expenses of developing the Blood Volume Analyzer. The Company has followed a conservative policy of assuring adequate liquidity so that it can expand its marketing and research and development without the sudden necessity of raising additional capital. The securities in the Company's portfolio are selected to provide stability of both income and capital. The Company has been able to achieve financial stability because of these returns, which have covered a significant portion of the Company's continuing losses from operations. The Company's investment policy is reviewed at least once yearly by the Board of Directors and the Audit Committee. Individual investment decisions are made solely by Dr. Joseph Feldschuh, CEO, who devotes approximately 8 to 10 hours per week to this activity. He is assisted by a single part-time employee. No other member of the Company is involved in individual investment decisions.

#### Revenue Recognition

The Company recognizes operational revenues from several sources. The first source is the outright sale of equipment, the Blood Volume Analyzer, to customers. The second source is the sale and associated shipping revenues of single-use radioactive doses (Volumex) that are injected into the patient and measured by the Blood Volume Analyzer. The third source of revenue is service contracts on the Blood Volume Analyzer, after it has been sold to a customer. The fourth source of revenue is the storage fees associated with cryobanked blood and semen specimens. The fifth is lab revenues from laboratory services, and the sixth is revenue from semen sales.

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

The Company currently offers three different methods of purchasing the Blood Volume Analyzer equipment. A customer may purchase the equipment directly, lease the equipment, or rent the equipment on a month-to-month basis. The revenues generated by a direct sale or a monthly rental are recognized as revenue in the period in which the sale or rental occurred. If a customer is to select the lease option, the Company refers its customer to a third party finance company with which it has established a relationship, and if the lease is approved, the Company receives 100% of the sales proceeds from the finance company and recognizes 100% of the revenue. The finance company then deals directly with the customer with regard to lease payments and related collections.

The sales of the single-use radioactive doses (Volumex) that are used in conjunction with the Blood Volume Analyzer are recognized as revenue in the period in which the sale occurred.

When Blood Volume Analyzer equipment has been sold to a customer, the Company offers a one year warranty on the product, which covers all mechanical failures. This one year warranty is effective on the date of sale of the equipment. After the one year period expires, customers may purchase a service contract through the Company, which is usually offered in one-year, three year or five year increments. These service contracts are billed quarterly and therefore the revenue is earned in the quarter invoiced.

The storage fees associated with the cryobanked blood and semen samples are recognized as income in the period for which the fee applies. Although the Company historically offered annual storage fee contracts, effective October 1, 2005, the Company only offers storage term contracts of three months or less.

### Comprehensive Income (Loss)

The Company reports components of comprehensive income under the requirements of SFAS No. 130 - *Reporting Comprehensive Income*. This statement establishes rules for the reporting of comprehensive income and requires certain transactions to be presented as separate components of stockholders' equity. The Company currently reports the unrealized holding gains and losses on available-for-sale securities, net of deferred taxes, as accumulated other comprehensive income (loss).

### Product Warrantees and Related Liabilities

The Company offers a one year warranty on the Blood Volume Analyzer equipment. This warranty is effective on the date of sale and covers all mechanical failures of the equipment. All major components of the equipment are purchased and warranted by the original third party manufacturers.

Once the initial one year warranty period has expired, customers may purchase annual service contracts for the equipment. These service contracts warranty the mechanical failures of the equipment that are not associated with normal wear-and-tear of the components.

To date, the Company has not experienced any major mechanical failures on any equipment sold. In addition, the majority of the potential liability would revert to the original manufacturer. Due to this favorable history, a liability has not been recorded with respect to product warranty liability.

### Income Taxes

The Company accounts for income taxes under the provisions of SFAS No. 109 - *Accounting for Income Taxes*. This pronouncement requires recognition of deferred tax assets and liabilities for the estimated future tax consequences of events attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the statement of operations in the period in which the enactment rate changes. Deferred tax assets and liabilities are reduced through the establishment of a valuation allowance at such time as, based on available evidence, it is more likely than not that the deferred tax assets will not be realized.



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

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Securities and Exchange Commission's rule related to market risk disclosure requires that we describe and quantify our potential losses from market risk sensitive instruments attributable to reasonably possible market changes. Market risk sensitive instruments include all financial or commodity instruments and other financial instruments that are sensitive to future changes in interest rates, currency exchange rates, commodity prices or other market factors.

We are not exposed to market risks from changes in foreign currency rates. The company maintains an investment portfolio primarily consisting of electric utility companies which are publicly traded common and preferred stock. These are categorized as available-for-sale securities.

In addition to receiving income from dividends, the company also has an investment policy of selling puts on stocks that it is willing to own. Such options usually have a maturity of less than 1 year. The company will also sell covered calls on securities within its investment portfolio. Covered calls involve stocks, which usually do not exceed 15% of the value of the company's portfolio and have never exceeded 15% of the company's portfolio value.

The company will, at times, sell naked or uncovered calls, as well as, engage in short sales as part of a strategy to mitigate risk. Such short sales are usually less than 15% of the company's portfolio value.

Puts, calls and short sales, collectively referred to as short positions, are all marked to market for each reporting period and any gain or loss is recognized through the Statement of Operations and labeled as "Mark to market of short positions".

The company's investment strategy is reviewed at least once a year, and more frequently as needed, at board meetings. The company's investing policy permits investment in non-electric utilities for up to 15% of the corporate portfolio value.

At March 31, 2008, unrealized gains were \$40,409,649 and unrealized losses were (\$6,542,492) on available for sale securities for a ratio of 6 to 1.

Certain utility preferred stocks have call provisions which may enable them to be called away from the company. The call price, in all instances, is higher than the company's cost for the stock. The yields on such preferred stocks may be significantly higher than current available yields. Such stocks, therefore, could not be replaced with similar yields. At March 31, 2008, 3.54% of the market value of the company's available for sale securities is made up of preferred stock.

At March 31, 2008, 96.42% of the market value of the company's available for sale securities is made up of common stock. There is a risk that any of these stocks could be sold as the result of an involuntary tender offer and that the security could not be replaced with an investment offering a similar yield.

The company's portfolio value is exposed to fluctuations in the general value of electric utilities. An increase of interest rates could affect the company in two ways; one would be to put downward pressure on the valuation of utility stocks as well as increase the company's cost of borrowing.

Because of the size of the unrealized gains in the company's portfolio, the company does not anticipate any changes which could reduce the value of the company's utility portfolio below historical cost. Electric utilities operate in an environment of federal, state and local regulations, and they may disproportionately affect an individual utility. The company's exposure to regulatory risk is mitigated due to the diversity of holdings consisting of 72 separate stocks. As of March 31, 2008 there were four holdings of common stock which comprise 53.76% of the total market value of the available for sale investments.

Edgar Filing: DAXOR CORP - Form 10-Q

DAXOR CORPORATION  
SUMMARY OF INVESTMENTS  
AS AT MARCH 31, 2008

|                        | <u>COST</u>          | <u>FAIR<br/>MARKET<br/>VALUE</u> | <u>TOTAL NET<br/>UNREALIZED<br/>GAIN (LOSS)</u> |
|------------------------|----------------------|----------------------------------|---|
| TOTAL COMMON STOCK     | \$ 33,308,710        | \$ 67,105,402                    | \$ 33,796,692                                   |
| TOTAL PREFERRED STOCK  | 2,358,400            | 2,463,834                        | 105,434   |
| <b>TOTAL EQUITIES</b>  | <b>35,667,110</b>    | <b>69,569,236</b>                | <b>33,902,126</b>                               |
| TOTAL BONDS            | 65,770               | 30,800                           | (34,970)  |
| <b>TOTAL PORTFOLIO</b> | <b>\$ 35,732,880</b> | <b>\$ 69,600,036</b>             | <b>\$ 33,867,156</b>                            |

DAXOR CORPORATION  
SUMMARY OF INVESTMENTS  
AS AT MARCH 31, 2007

|                        | <u>COST</u>          | <u>FAIR<br/>MARKET<br/>VALUE</u> | <u>TOTAL<br/>NET<br/>UNREALIZED<br/>GAIN (LOSS)</u> |
|------------------------|----------------------|----------------------------------|---|
| TOTAL COMMON STOCK     | \$ 22,171,307        | \$ 69,636,139                    | \$ 47,464,832                                       |
| TOTAL PREFERRED STOCK  | 832,418              | 1,172,990                        | 340,572   |
| <b>TOTAL EQUITIES</b>  | <b>23,003,725</b>    | <b>70,809,129</b>                | <b>47,805,404</b>                                   |
| TOTAL BONDS            | 184,646              | 346,265                          | 161,619   |
| <b>TOTAL PORTFOLIO</b> | <b>\$ 23,188,371</b> | <b>\$ 71,155,394</b>             | <b>\$ 47,967,023</b>                                |

Summary of Proceeds Received and Market Valuation at 03/31/08  
Put and Call Options

| <u>Total Proceeds<br/>Received on<br/>open positions<br/>at 01/01/08</u> | <u>Sale of<br/>Options from<br/>01/01/08-03/31/08</u> | <u>Expirations and<br/>Assignments of<br/>Options from<br/>01/01/08-03/31/08</u> | <u>Proceeds<br/>Received on<br/>open positions<br/>at 03/31/08</u> | <u>Market<br/>Value at<br/>03/31/08</u> | <u>Unrealized<br/>Appreciation<br/>(Depreciation)<br/>at 03/31/08</u> |
|--|---|--|--|---|---|
| \$ 7,645,833   | \$ 8,434,122  | \$ 6,266,742   | \$ 9,813,213   | \$ 7,685,008                            | \$ 2,128,205  |

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

Summary of Proceeds Received and Market Valuation at 03/31/07

Put and Call Options

| <b>Total Proceeds<br/>Received on<br/>open positions<br/>at 01/01/07</b> | <b>Sale of<br/>Options from<br/>01/01/07-03/31/07</b> | <b>Expirations and<br/>Assignments of<br/>Options from<br/>01/01/07-03/31/07</b> | <b>Proceeds<br/>Received on<br/>open positions<br/>at 03/31/07</b> | <b>Market<br/>Value at<br/>03/31/07</b> | <b>Unrealized<br/>Appreciation<br/>(Depreciation)<br/>at 03/31/07</b> |
|--|---|--|--|---|---|
| \$ 2,846,667   | \$ 3,096,982  | \$ 2,659,924   | \$ 3,285,725   | \$ 2,178,802                            | \$ 1,106,923  |

Item 4. Controls and Procedures

As of March 31, 2008, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer, Chief Financial Officer and Treasurer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 under the Securities and Exchange of 1934, as amended.

The Company's management and board of directors are fully committed to the review and evaluation of the procedures and policies designed to assure effective internal control over financial reporting.

### PART II. OTHER INFORMATION

#### Item 1. Legal Proceedings

None.

#### Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 as filed with the Securities and Exchange Commission on March 31, 2008. A change in Medicare and Medicaid reimbursement rates was effective as of January 1, 2008 and at this time the Company is unable to quantify the effect this change will have on operating revenue. This change is discussed in greater detail in the Recent Developments section of this 10-Q.

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

None.

#### Item 3. Defaults upon Senior Securities

None.

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

None.

#### Item 5. Other Information

None.

-11-

Edgar Filing: DAXOR CORP - Form 10-Q

Item 6. 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

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

-12-

---

Edgar Filing: DAXOR CORP - Form 10-Q

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 15, 2008

By: /s/ JOSEPH FELDSCHUH, M.D.

JOSEPH FELDSCHUH, M.D.,  
President and Chief Executive Officer

DATE: May 15, 2008

By: /s/ DAVID FRANKEL

DAVID FRANKEL  
Chief Financial Officer

-13-

---