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DAXOR CORP
Form 10-Q
May 13, 2004

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, 2004
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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS	OUTSTANDING AT MARCH 31, 2004
COMMON STOCK PAR VALUE: \$.01 per share	4,629,426

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DAXOR CORPORATION FINANCIAL STATEMENTS

DAXOR CORPORATION
CONSOLIDATED BALANCE SHEETS [UNAUDITED]

	March 31, 2004 ----	December 31, 2003 ----

ASSETS		

CURRENT ASSETS		
Cash	\$ 55,502	\$ 3,324
Marketable Securities at Fair Value		

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March 31, 2004 and December 31, 2003. (Notes 1 and 2)	49,131,109	47,399,159
Accounts receivable	187,536	137,008
Other current assets	388,468	388,400
	-----	-----
Total Current Assets	49,762,615	47,927,891
 EQUIPMENT AND IMPROVEMENTS		
Storage tanks	125,815	125,815
Leasehold improvements, furniture and equipment	939,038	931,468
Laboratory equipment	291,571	291,571
	-----	-----
	1,356,424	1,348,854
Less: Accumulated depreciation and amortization	1,057,421	1,045,481
	-----	-----
Net equipment and improvements	299,003	303,373
Other Assets	69,268	69,268
Total Assets	\$ 50,130,886	\$ 48,300,532
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY		

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 183,150	\$ 183,052
Loans payable (Note 2)	2,863,201	2,502,106
Other Liabilities	370,132	667,123
Deferred Taxes (Note 1)	9,176,962	8,531,081
	-----	-----
Total Liabilities	12,593,445	11,883,362
 SHAREHOLDERS' EQUITY		
Common stock, par value \$.01 per share:		
Authorized 10,000,000 shares: issued and outstanding shares 4,629,426 March 31, 2004 and 4,640,026 December 31, 2003		
	53,097	53,097
Additional Paid in capital	9,801,548	9,801,548
Net unrealized holding gains on available-for-sale securities (Note 1)	17,814,104	16,560,334
Retained earnings	15,189,731	15,169,967
Treasury stock	(5,321,039)	(5,167,776)
	-----	-----
Total Shareholders' Equity	37,537,441	36,417,170
Total Liabilities and Shareholders' Equity	\$ 50,130,886	\$ 48,300,532
	=====	=====
See accompanying notes to financial statements		

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

2004

2003

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	-----	-----
Revenues:		
Operating revenues	\$ 408,248	\$ 218,683
Other revenues	\$ 3,643	\$ 3,143
Dividend income	493,569	479,889
Gains / (losses) on sale of securities	225,066	35,902
	-----	-----
Total Revenues	1,130,526	737,617
	-----	-----
Costs and expenses:		
Operations of Laboratories & Costs of Production	381,162	337,259
Selling, General, and Administrative	691,152	638,886
Interest expense, net of interest income	19,443	14,507
	-----	-----
Total Costs and Expenses	1,091,757	990,652
	-----	-----
Net Income /(Loss) Before Income Taxes	38,769	(253,035)
Provision for income taxes	19,005	21,550
	-----	-----
Net Income /(Loss)	\$ 19,764	\$ (274,585)
	=====	=====
Weighted Average Number of Shares Outstanding	4,633,659	4,656,584
	=====	=====
Net Income / (Loss) per Common Equivalent Share	\$ 0.00	\$ (0.06)
	=====	=====

See accompanying notes to consolidated financial statements

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

	2004	2003
	-----	-----
Cash flows from operating activities:		
Net income or (loss)	\$ 19,764	(\$274,585)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation & Amortization	11,940	12,233
(Gain) loss on sale of investments	(225,066)	(35,902)
Basis of leased equipment sold		22,500
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(50,528)	5,827
(Increase) decrease in other current assets	(68)	(72,688)
Increase (decrease) in accounts payable, accrued		

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and other liabilities net of "short sales"	4,198	60,907
	-----	-----
Total adjustments	(259,524)	(7,123)
	-----	-----
Net cash provided by / (used in) operating activities	(239,760)	(281,708)
	-----	-----
Cah flows from investing activities:		
Payment for purchase of equipment and improvements	(7,570)	(20,892)
Net cash provided or (used) in purchase and sale of investments	(270,699)	(256,667)
Net proceeds (repayments) of loans from brokers used to purchase investments	(238,905)	288,559
Proceeds from "short sales" not closed	362,375	140,719
	-----	-----
Net cash provided by / (used in) investing activities	(154,799)	151,719
	-----	-----
Cash flows from financing activities		
Receipt / (repayment) of bank loan	600,000	200,000
Payment for purchase of treasury stock	(153,263)	(45,586)
	-----	-----
Net cash provided by / (used in) financing activities	446,737	154,414
	-----	-----
Net increase (decrease) in cash and cash equivalentents	52,178	24,425
Cash and cash equivalentents at beginning of year	3,324	13,035
	-----	-----
Cash and cash equivalentents at end of period	\$ 55,502	\$ 37,460
	=====	=====

See accompanying notes to consolidated financial statements

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DAXOR CORPORATION
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2004 AND 2003

In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of March 31,2004,and December 31, 2003, the results of operations for the three months ended March 31,2004 and 2003 and cash flows for the three months ended March 31,2004 and 2003.

(1) MARKETABLE SECURITIES

Upon adoption of FASB No. 115, management has determined that the company's portfolio is best characterized as "Available-For-Sale". This has resulted in the balance sheet carrying value of the company's marketable securities investments, as of March 31, 2004 and December 31, 2003 being increased approximately 121.91 % and 112.48 % respectively over its historical cost. A corresponding increase in shareholders' equity has been effectuated. In accordance with the provisions of FASB No. 115, the adjustment in shareholders' equity to reflect the company's unrealized gains has been made net of the tax effect had these gains been realized.

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

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Type of security	March 31, 2004			
	Cost	Fair Value	Unrealized Holding gains	Unrealized holding losses
Equity	\$22,064,141	\$49,102,746	\$27,406,215	\$ 367,610
Debt	75,902	28,363	1,920	49,459
Total	\$22,140,043	\$49,131,109	\$27,408,135	\$ 417,069

Type of security	December 31, 2003			
	Cost	Fair Value	Unrealized holding gains	Unrealized holding losses
Equity	\$22,271,842	\$47,368,871	\$25,407,422	\$ 310,393
Debt	35,902	30,288	2,170	7,784
Total	\$22,307,744	\$47,399,159	\$25,409,592	\$ 318,177

At March 31, 2004 the securities held by the Company had a market value of \$49,131,109 and a cost basis of \$22,140,043 resulting in a net unrealized gain of \$ 26,991,066 or 121.91% of cost.

At December 31, 2003, the securities held by the Company had a market value of \$47,399,159 and a cost basis of \$22,307,744 resulting in a net unrealized gain of \$25,091,415 or 112.48% of cost.

At March 31, 2004 and December 31, 2003 marketable securities, primarily consisting of preferred and common stocks of utility companies, are valued at fair value.

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(2) LOANS PAYABLE

As at March 31, 2004 and December 31, 2003, the Company had loans outstanding aggregating \$1,500,000 and \$900,000 borrowed on a short term basis from a bank, which are secured by certain marketable securities of the Company. The loans bear interest at approximately 3%.

Short term margin debt due to brokers, secured by the Companies marketable securities, totaled \$1,363,201 at March 31, 2004 and \$1,602,106 at December 31, 2003.

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

ITEM 2. RESULTS OF OPERATIONS

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

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2003

For the three months ended March 31, 2004 total revenues increased by 53% to \$1,130,526 from \$737,617 in 2003. Operating revenues increased by 87% to \$408,248 in 2004 from \$218,683 in 2003. There were capital gains in 2004 of \$225,066 up from \$35,902 in 2003. Dividend income was \$493,569 with a net interest expense of \$19,443 in 2004, as compared to dividend income of \$479,889 with a net interest expense of \$14,507 in 2003. In 2004, the Company had a net income before income taxes of \$38,769 versus a net loss before income taxes of (\$253,035) in 2003. Total Costs and Expenses increased by 10% in 2004 to \$1,091,757 vs. \$990,652 in 2003. This was related to increased marketing efforts and research and development expenses. The Company has increased research expenses for additional features to the BVA-100. The Company's new sales team began marketing in the fourth quarter of 2002. The increase in operating revenues can be attributable to these sales efforts. The sales cycles from initial contact to a sale can be 6 to 12 months. The Company anticipates that the sales of the BVA-100 Blood Volume Analyzers and kits will become the major source of income for the Company. The Company plans to continue expanding its sales and marketing force, which currently consists of 12 salesmen and 4 support personnel.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2004 the Company had total assets of \$50,130,886 with shareholders' equity of \$37,537,441 as compared to total assets of \$39,272,928 with shareholders' equity of \$31,529,228 at March 31, 2003. Despite increasing its expenses, the Company has significantly increased its financial base as compared to one year ago. The Company has a net pre-taxed unrealized gain of \$26,991,066 and \$17,814,104 of net after tax unrealized capital gains on available-for-sale securities in its portfolio. This amount is included in the calculation of Total Shareholders' Equity. The Company's stock portfolio had a market value of \$49,131,109 with short-term loans of \$ 2,863,201 with 4,629,426 shares outstanding. The Company has current liabilities of \$12,593,445. Included in these liabilities are deferred taxes of \$9,176,962. These deferred taxes would occur if the Company chose to sell its entire portfolio. Current liabilities minus these deferred taxes equals \$3,416,483.

The Company has adequate resources for the current marketing level of its Blood Volume Analyzer as well as capital to sustain its localized semen and blood banking services. The Company anticipates hiring additional regional managers to the existing sales/marketing team. It is the goal of the marketing team to develop an individual sales team for each regional manager. The Company is also expanding its support services personnel. The decision to develop the marketing team was partially based on the anticipation of new publications in peer reviewed medical journals by current users of the Blood Volume Analyzer.

The Company's goal is to establish blood volume measurement as a standard of care in multiple areas of medicine and surgery. It is hoped that the publication of research studies from leading medical facilities will result in an increase in sales in both the Blood Volume Analyzer and its associated kits.

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

The Company is evaluating blood volume instrumentation management programs for hospitals. Under such a plan, the Company would provide equipment and personnel on a sub-contract basis. The Company will use its current financial reserves primarily for developing and marketing the Blood Volume Analyzer. The Company is evaluating various options to expand blood banking services in conjunction with the use of the Blood Volume Analyzer. Additional information on the Company is available on our website www.daxor.com.

Item 3. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as defined by the Securities and Exchange Commission (SEC), as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to information required to be included in our periodic Securities and Exchange Commission filings. There was no significant change in our internal control over financial reporting that occurred during the quarter ended March 31, 2004, that materially affected or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Exhibits and Reports on Form 8-K

(a) Exhibits

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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

SIGNATURES

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

DATE: May 13, 2004

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

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

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DATE: May 13, 2004

By: /s/ STEPHEN FELDSCHUH

STEPHEN FELDSCHUH
Vice President of Operations
And Chief Financial Officer