

DAXOR CORP
Form 10-Q
November 12, 2009

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

FORM 10-Q

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

FOR QUARTER ENDED September 30, 2009
Commission File Number 001-09999

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

Yes No

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

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Large Accelerated filer

Accelerated Filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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.

CLASS
COMMON STOCK
PAR VALUE: \$.01 per share

4,250,518 OUTSTANDING AT October 31, 2009

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DAXOR CORPORATION AND SUBSIDIARY

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DAXOR CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

UNAUDITED
September 30, 2009 **December 31, 2008**

ASSETS

CURRENT ASSETS

| | | | | |
|--|----|------------|----|------------|
| Cash and cash equivalents | \$ | 59,003 | \$ | 2,545,040 |
| Receivable from broker (held in money market accounts) | | 4,144,219 | | 2,829,979 |
| Available-for-sale securities, at fair value | | 61,448,255 | | 68,339,143 |
| Securities sold, not received, at fair value | | 8,438,475 | | — |
| Accounts receivable, net of allowance for doubtful accounts of \$92,421 in 2009 and \$88,645 in 2008 | | 177,441 | | 205,568 |
| Inventory | | 476,663 | | 426,826 |
| Prepaid expenses and other current assets | | 778,715 | | 131,912 |

| | | | | |
|----------------------|--|------------|--|------------|
| Total Current Assets | | 75,522,771 | | 74,478,468 |
|----------------------|--|------------|--|------------|

| | | | | |
|-----------------------------|--|-----------|--|-----------|
| Property and equipment, net | | 3,995,342 | | 2,308,555 |
| Other assets | | 37,158 | | 37,158 |

| | | | | |
|--------------|----|------------|----|------------|
| Total Assets | \$ | 79,555,271 | \$ | 76,824,181 |
|--------------|----|------------|----|------------|

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

| | | | | |
|--|----|-----------|----|------------|
| Accounts payable and accrued liabilities | \$ | 457,089 | \$ | 604,420 |
| Loans payable | | 2,552,593 | | 13,052,162 |
| Income taxes payable | | 3,030,000 | | 2,643,958 |
| Mortgage payable, current portion | | 42,630 | | 40,306 |
| Put and call options, at fair value | | 6,721,208 | | 8,424,359 |
| Securities borrowed, at fair value | | 9,043,605 | | 107,871 |
| Deferred revenue | | 63,220 | | 33,349 |
| Deferred income taxes | | 7,040,753 | | 8,066,823 |

| | | | | |
|---------------------------|--|------------|--|------------|
| Total Current Liabilities | | 28,951,098 | | 32,973,248 |
|---------------------------|--|------------|--|------------|

LONG TERM LIABILITIES

| | | | | |
|--|--|---------|--|---------|
| Mortgage payable, less current portion | | 358,042 | | 390,292 |
|--|--|---------|--|---------|

| | | | | |
|-------------------|--|------------|--|------------|
| Total Liabilities | | 29,309,140 | | 33,363,540 |
|-------------------|--|------------|--|------------|

STOCKHOLDERS' EQUITY

| | | |
|--|--------|--------|
| | 53,165 | 53,165 |
|--|--------|--------|

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| | | | |
|--|-------------------|--------|----------------|
| Common stock, \$.01 par value, Authorized - 10,000,000 shares Issued – 5,316,550 shares Outstanding – 4,250,518 and 4,289,118 shares at September 30, 2009 and December 31, 2008, respectively | | | |
| Additional paid in capital | 10,675,228 | | 10,660,547 |
| Accumulated other comprehensive income | 12,885,936 | | 11,459,203 |
| Retained earnings | 37,990,610 | | 32,158,138 |
| Treasury stock, at cost, 1,066,032 and 1,027,432 shares at September 30, 2009 and December 31, 2008, respectively | (11,358,808) | | (10,870,412) |
| Total Stockholders' Equity | 50,246,131 | | 43,460,641 |
| Total Liabilities and Stockholders' Equity | \$ 79,555,271 | \$ | 76,824,181 |

See accompanying notes to unaudited condensed consolidated financial statements.

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

| | September 30, 2009 | September 30, 2008 |
|--|--------------------|--------------------|
| REVENUES: | | |
| Operating Revenues – equipment sales and related services | \$ 330,286 | \$ 349,961 |
| Operating Revenues – cryobanking and related services | 84,090 | 101,292 |
| Total Revenues | 414,376 | 451,253 |
| Cost of Sales: | | |
| Cost of equipment sales and related services | 166,910 | 188,484 |
| Cost of cryobanking and related services | 11,840 | 11,117 |
| Total Cost of Sales | 178,750 | 199,601 |
| Gross Profit | 235,626 | 251,652 |
| OPERATING EXPENSES: | | |
| Research and development expenses: | | |
| Research and development-equipment sales and related services | 620,291 | 560,914 |
| Research and development-cryobanking and related services | 47,741 | 40,843 |
| Total Research and Development Expenses | 668,032 | 601,757 |
| Selling, General & Administrative Expenses: | | |
| Selling, general, and administrative- equipment sales and related services | 628,820 | 702,626 |
| Selling, general, and administrative- cryobanking and related services | 186,207 | 168,992 |
| Total Selling, General & Administrative Expenses | 815,027 | 871,618 |
| Total Operating Expenses | 1,483,059 | 1,473,375 |

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| | | |
|----------------------|-------------|-------------|
| Loss from Operations | (1,247,433) | (1,221,723) |
|----------------------|-------------|-------------|

Other Income (Expenses):

| | | |
|---|-----------|-----------|
| Dividend income-investment portfolio | 729,731 | 750,909 |
| Realized gains on sale of securities, net | 3,719,285 | 9,787,106 |
| Mark to market of short positions | (421,974) | (532,300) |
| Other revenues | 2,964 | 3,270 |
| Interest expense, net of interest income of \$8,590 and \$922 | (37,898) | (32,936) |
| Administrative expense relating to portfolio investments | (45,986) | (27,984) |

| | | |
|--------------------|-----------|-----------|
| Total Other Income | 3,946,122 | 9,948,065 |
|--------------------|-----------|-----------|

| | | |
|----------------------------|-----------|-----------|
| Income before Income Taxes | 2,698,689 | 8,726,342 |
|----------------------------|-----------|-----------|

| | | |
|--------------------|--------|-----------|
| Income Tax Expense | 72,847 | 2,325,000 |
|--------------------|--------|-----------|

| | | |
|------------|--------------|--------------|
| Net Income | \$ 2,625,842 | \$ 6,401,342 |
|------------|--------------|--------------|

Comprehensive Income:

| | | |
|--|--------------|--------------|
| Net Income | \$ 2,625,842 | \$ 6,401,342 |
| Unrealized Gain (Loss) on Securities Held for Sale, Net of Deferred Income Taxes | 3,608,065 | (10,109,088) |

| | | |
|-----------------------------|--------------|----------------|
| Comprehensive Income (Loss) | \$ 6,233,907 | \$ (3,707,746) |
|-----------------------------|--------------|----------------|

| | | |
|---|-----------|-----------|
| Weighted average number of shares outstanding – basic | 4,250,518 | 4,324,885 |
|---|-----------|-----------|

| | | |
|--|---------|---------|
| Net income per common equivalent share - basic | \$ 0.62 | \$ 1.48 |
|--|---------|---------|

| | | |
|---|-----------|-----------|
| Weighted average number of shares outstanding - diluted | 4,250,518 | 4,346,885 |
|---|-----------|-----------|

| | | |
|--|---------|---------|
| Net income per common equivalent share - diluted | \$ 0.62 | \$ 1.47 |
|--|---------|---------|

| | | |
|---------------------------------|---------|---------|
| Dividends paid per common share | \$ 0.35 | \$ 0.25 |
|---------------------------------|---------|---------|

See accompanying notes to unaudited condensed consolidated financial statements.

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

| | September 30, 2009 | September 30, 2008 |
|--|--------------------|--------------------|
| REVENUES: | | |
| Operating Revenues – equipment sales and related services | \$ 968,884 | \$ 1,141,739 |
| Operating Revenues – cryobanking and related services | 259,949 | 287,014 |
| Total Revenues | 1,228,833 | 1,428,753 |
| Cost of Sales: | | |
| Cost of equipment sales and related services | 499,259 | 491,274 |
| Cost of cryobanking and related services | 34,045 | 34,843 |
| Total Cost of Sales | 533,304 | 526,117 |
| Gross Profit | 695,529 | 902,636 |
| OPERATING EXPENSES: | | |
| Research and development expenses: | | |
| Research and development-equipment sales and related services | 1,791,942 | 1,735,202 |
| Research and development-cryobanking and related services | 142,152 | 136,239 |
| Total Research and Development Expenses | 1,934,094 | 1,871,441 |
| Selling, General & Administrative Expenses: | | |
| Selling, general, and administrative- equipment sales and related services | 1,919,311 | 2,277,162 |
| Selling, general, and administrative- cryobanking and related services | 550,159 | 468,808 |
| Total Selling, General & Administrative Expenses | 2,469,470 | 2,745,970 |
| Total Operating Expenses | 4,403,564 | 4,617,411 |

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| | | | | |
|--|-----------|-------------------|-----------|-------------------|
| Loss from Operations | | (3,708,035) | | (3,714,775) |
| Other Income (Expenses): | | | | |
| Dividend income-investment portfolio | | 2,353,240 | | 1,933,410 |
| Realized gains on sale of securities, net | | 9,233,762 | | 18,262,577 |
| Mark to market of short positions | | 291,920 | | 1,610,482 |
| Other revenues | | 8,891 | | 9,055 |
| Interest expense, net of interest income of \$15,116 and \$32,083 | | (165,425) | | (78,003) |
| Administrative expense relating to portfolio investments | | (109,286) | | (70,554) |
| Total Other Income | | 11,613,102 | | 21,666,967 |
| Income before Income Taxes | | 7,905,067 | | 17,952,192 |
| Income Tax Expense | | 583,814 | | 2,725,000 |
| Net Income | \$ | 7,321,253 | \$ | 15,227,192 |
| Comprehensive Income: | | | | |
| Net Income | \$ | 7,321,253 | \$ | 15,227,192 |
| Unrealized Gain (Loss) on Securities Held for Sale, Net of Deferred Income Taxes | | 1,426,733 | | (13,492,815) |
| Comprehensive Income | \$ | 8,747,986 | \$ | 1,734,377 |
| Weighted average number of shares outstanding – basic | | 4,266,707 | | 4,369,440 |
| Net income per common equivalent share - basic | \$ | 1.72 | \$ | 3.49 |
| Weighted average number of shares outstanding – diluted | | 4,288,707 | | 4,440,140 |
| Net income per common equivalent share - diluted | \$ | 1.71 | \$ | 3.43 |
| Dividends paid per common share | \$ | 0.35 | \$ | 0.25 |

See accompanying notes to unaudited condensed consolidated financial statements.

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

| | September 30, 2009 | September 30, 2008 |
|---|---------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | \$ 7,321,253 | \$ 15,227,192 |
| Net income | | |
| Adjustment to reconcile net income to net cash used in operating activities: | | |
| Depreciation | 211,271 | 234,923 |
| Provision for doubtful accounts | 3,776 | (10) |
| Non-cash compensation expense associated with employee stock compensation plans | 14,681 | 55,799 |
| Deferred income taxes | (1,794,311) | — |
| Gain on sale of fixed assets | — | (213,814) |
| Loss on disposal of fixed assets | 16,433 | — |
| Realized gains on sale of investments | (9,233,762) | (18,262,577) |
| Non cash dividend income | (1,938) | — |
| Mark to market adjustments on options & short sales | (291,920) | (1,610,482) |
| Change in operating assets and liabilities: | | |
| Decrease (Increase) in accounts receivable | 24,351 | (88,939) |
| Increase in prepaid expenses & other current assets | (646,803) | (176,422) |
| Increase in inventory | (49,837) | (163,473) |
| Decrease in accounts payable and accrued liabilities | (147,331) | (32,254) |
| Increase in income taxes payable | 386,042 | 1,428,346 |
| Increase in deferred revenue | 29,871 | 38,887 |
| Net cash used in operating activities | (4,158,224) | (3,562,824) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (1,914,491) | (278,840) |
| Proceeds from sale of fixed assets | — | 260,000 |
| (Increase) Decrease in securities sold, not received at fair market value | (8,438,475) | 2,880,898 |
| Increase (Decrease) in securities borrowed, at fair market value | 8,935,734 | (7,436,798) |
| Purchases of put and call options | (2,697,775) | (260,384) |
| Sales of put and call options | 22,504,260 | 23,984,659 |
| Acquisition of available for sale securities | (34,514,941) | (45,196,181) |
| Proceeds from sale of available for sale securities | 31,618,787 | 33,451,024 |
| Net cash provided by investing activities | 15,493,099 | 7,404,378 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from margin loan payable | 47,784,335 | 56,133,124 |

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| | | |
|--|--------------|--------------|
| Repayment of margin loan payable | (58,563,144) | (53,373,009) |
| Proceeds from loans from officers | 1,140,000 | — |
| Repayment of loans from officers | (1,140,000) | — |
| Repayment of bank loan | (1,285,000) | (1,690,000) |
| Proceeds from bank loan | 250,000 | 200,000 |
| Purchase of treasury stock | (488,396) | (1,995,642) |
| Dividends paid | (1,488,781) | (1,082,004) |
| Repayment of mortgage payable | (29,926) | (27,676) |
| Net cash used in financing activities | (13,820,912) | (1,835,207) |
| Net increase (decrease) in cash and cash equivalents | (2,486,037) | 2,006,347 |
| Cash and cash equivalents at beginning of period | 2,545,040 | 2,029,834 |
| Cash and cash equivalents at end of period | \$ 59,003 | \$ 4,036,181 |

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period for:

| | | |
|--------------|--------------|--------------|
| Interest | \$ 180,541 | \$ 110,086 |
| Income taxes | \$ 2,873,491 | \$ 1,316,044 |

See accompanying notes to unaudited condensed consolidated financial statements.

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DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS September 30, 2009 and September 30, 2008 (Continued) (Unaudited)

(1) BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

BUSINESS

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

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements reflect all adjustments of a normal recurring nature, which are, in the opinion of management, necessary for a fair statement of the financial position and results of operations for the interim periods presented. The condensed consolidated financial statements are unaudited and are subject to such year-end adjustments as may be considered appropriate and should be read in conjunction with the historical consolidated financial statements of Daxor Corporation for the years ended December 31, 2008, 2007 and 2006, included in Daxor Corporation’s Annual Report and Form 10-K for the fiscal year ended December 31, 2008. The December 31, 2008 condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. Operating results for the three and nine month periods ended September 30, 2009 is not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

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

We have evaluated subsequent events through the date that the financial statements were issued on November 12, 2009.

Accounting Standards Codification

Effective July 1, 2009, the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) became the single official source of authoritative, nongovernmental generally accepted accounting principles (“GAAP”) in the United States. The historical GAAP hierarchy was eliminated and the ASC became the only level of authoritative GAAP, other than guidance issued by the Securities and Exchange Commission. Our accounting policies were not affected by the conversion to ASC. However, references to specific accounting standards in the footnotes to our consolidated financial statements have been changed to refer to the appropriate section of ASC.

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 loans payable approximate fair value because of their short maturities. The carrying amount of the mortgage payable is estimated to approximate fair value as the mortgage carries a market rate of interest.

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DAXOR CORPORATION AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2009 and September 30, 2008 (Continued)
(Unaudited)

Fair Value Measurements

Effective January 1, 2008, the Company adopted ASC 820 - *Fair Value Measurements*, for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. ASC 820 establishes a new framework for measuring fair value and expands related disclosures. Broadly, the ASC 820 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. ASC 820 establishes market or observable inputs as the preferred source of values, followed by unobservable inputs or assumptions based on hypothetical transactions in the absence of market inputs.

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

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

Effective January 1, 2009, the Company adopted the provisions of ASC 820-10 with respect to non-financial assets and liabilities. This pronouncement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The adoption of ASC 820-10 did not have any impact on the Company's consolidated financial statements as of and for the three and nine months ended September 30, 2009.

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DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS September 30, 2009 and September 30, 2008 (Continued) (Unaudited)

Available-for-Sale Securities

Available-for-sale securities represent investments in debt and equity securities (primarily common and preferred stock of electric utility companies) that management has determined meet the definition of available-for-sale under ASC 320 - *Accounting for Certain Investments in Debt and Equity Securities*. Accordingly, these investments are stated at fair market value and all unrealized holding gains or losses are recorded in the Stockholders' Equity section as Accumulated Other Comprehensive Income (Loss). Conversely, all realized gains, losses and earnings are recorded in the Statement of Operations under Other Income (Expense).

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

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

Put and Call Options at fair value

As part of the company's investment strategy, put and call options are sold on various stocks the company is willing to buy or sell. The premiums received are deferred until such time as they are exercised or expire. In accordance with ASC 815 - *Accounting for Derivative Instruments and Hedging Activities*, these options are marked to market for each reporting period using readily available market quotes (Level 1 inputs), and this fair value adjustment is recorded as a gain or loss in the Statement of Operations.

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

All proceeds of the put and call options which are equity contracts are shown net of the mark to market adjustment in the current liability section of the balance sheet as Put and call options, at fair value.

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 ASC 320 - *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.

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DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS September 30, 2009 and September 30, 2008 (Continued) (Unaudited)

Investment Goals, Strategies and Policies

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

1. The Company's investment goals are capital preservation, maintaining returns on capital with a high degree of safety and generating income from dividends and option sales to help offset operating losses.
2. In order to achieve these goals, 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 net short positions in common stock up to 15% of the value of the portfolio. The Company's net 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 80% of its portfolio in electric utilities. The Board of Directors has authorized this minimum to be temporarily lowered to 70% when Company management deems it to be necessary. Investments in utilities are primarily in electric companies. Investments in non-utility stocks will generally not exceed 20% of the value 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 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 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 net 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 if this is an option. If the proposed merger is a cash only offer, the Company will receive cash and be forced to sell the stock.

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.

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DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS September 30, 2009 and September 30, 2008 (Continued) (Unaudited)

Earnings per Share

The Company computes earnings per share in accordance with ASC 260 - *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.

The following table summarizes the earnings per share calculations for the three and nine months ended September 30, 2009:

| | Three months ended September 30, 2009 | Three months ended September 30, 2008 |
|-----------------------------------|--|--|
| Basic shares | 4,250,518 | 4,324,885 |
| Dilutions: stock options | — | 22,000 |
| Diluted shares | 4,250,518 | 4,346,885 |
| Income from continuing operations | 2,625,842 | 6,401,342 |
| Basic earnings per share | \$ 0.62 | \$ 1.48 |
| Diluted earnings per share | \$ 0.62 | \$ 1.47 |

For the nine months ended September 30, 2009 and September 30, 2008, 45,300 and 41,400 options to purchase common stock, respectively were excluded in the computation of earnings per common share as their issuance prices were in excess of the average market price for the period.

The following table summarizes the earnings per share calculations for the three and nine months ended September 30, 2008:

| | Nine months ended September 30, 2009 | Nine months ended September 30, 2008 |
|-----------------------------------|---|---|
| Basic shares | 4,266,707 | 4,369,440 |
| Dilutions: stock options | 22,000 | 70,700 |
| Diluted shares | 4,288,707 | 4,440,140 |
| Income from continuing operations | 7,321,253 | 15,227,192 |
| Basic earnings per share | \$ 1.72 | \$ 3.49 |
| Diluted earnings per share | \$ 1.71 | \$ 3.43 |

For the three months ended September 30, 2009 and September 30, 2008, 45,300 and 90,100 options to purchase common stock, respectively were excluded in the computation of earnings per common share as their issuance prices were in excess of the average market price for the period.

Dividends

The Company has paid a total dividend of \$0.35 per share in 2009 as follows: \$0.10 per share on June 15, 2009 and \$0.25 per share on September 8, 2009.

In 2008, Management instituted a policy of paying dividends when funds are available. For the year ended December 31, 2008, the Company paid a total dividend of \$1.50 per share as follows: \$0.25 per share on August 26th and November 26th and a special dividend of \$1.00 per share on December 30, 2008. The goal of management is to follow a similar policy for 2009 and pay dividends when funds are available.

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DAXOR CORPORATION AND SUBSIDIARY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 September 30, 2009 and September 30, 2008 (Continued)
 (Unaudited)

(2) AVAILABLE-FOR-SALE SECURITIES

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

September 30, 2009 (Unaudited)

| Type of Security | Market Value | Cost of Securities | Net Unrealized Gain (Loss) | Unrealized Gains | Unrealized Losses |
|-------------------------|----------------------|----------------------|----------------------------|----------------------|-----------------------|
| Equity | \$ 61,448,255 | \$ 41,590,733 | \$ 19,857,522 | \$ 26,096,740 | \$ (6,239,218) |
| Debt | \$ — | \$ 33,005 | \$ (33,005) | \$ — | \$ (33,005) |
| Total Securities | \$ 61,448,255 | \$ 41,623,738 | \$ 19,824,517 | \$ 26,096,740 | \$ (6,272,223) |

December 31, 2008

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

The following tables summarize the unrealized losses on the Company's Available for Sale Securities at September 30, 2009 and December 31, 2008:

Daxor Corporation
 Summary of Unrealized Losses of Available for Sale Securities
 As at September 30, 2009

| | Less Than Twelve Months | | Twelve Months or Greater | | Total | |
|------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Marketable Equity Securities | \$ 4,652,557 | \$ 1,590,866 | \$ 4,105,278 | \$ 4,648,352 | \$ 8,757,835 | \$ 6,239,218 |
| Corporate Bonds | — | — | — | \$ 33,005 | — | 33,005 |
| Total | \$ 4,652,557 | \$ 1,590,866 | \$ 4,105,278 | \$ 4,681,357 | \$ 8,757,835 | \$ 6,272,223 |

Management has determined that an impairment charge is not needed for the Available for Sale Securities with losses twelve months or greater at September 30, 2009. An analysis of the Company's holdings indicates that the largest positions have traded above the Company's average costs and management believes they will do so again in the future. Based on the Company's investment history, management does not consider a security to be other than temporarily impaired until the cost has been below the market value for a continuous period of three years. At September 30, 2009 the Company has no material holdings in a continuous loss position for three years or more.

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The total Unrealized Loss on Available for Sale Securities decreased from \$10,839,998 at December 31, 2008 to \$6,272,223 at September 30, 2009.

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DAXOR CORPORATION AND SUBSIDIARY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 September 30, 2009 and September 30, 2008 (Continued)
 (Unaudited)

Daxor Corporation
 Summary of Unrealized Losses of Available for Sale Securities
 As at December 31, 2008

| | Less Than Twelve Months | | Twelve Months or Greater | | Total | |
|------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Marketable Equity Securities | \$ 14,232,869 | \$ 7,675,656 | \$ 2,106,718 | \$ 3,131,337 | \$ 16,339,587 | \$ 10,806,993 |
| Corporate Bonds | — | — | — | \$ 33,005 | — | 33,005 |
| Total | \$ 14,232,869 | \$ 7,675,656 | \$ 2,106,718 | \$ 3,164,342 | \$ 16,339,587 | \$ 10,839,998 |

(3) SEGMENT ANALYSIS

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

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

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

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

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DAXOR CORPORATION AND SUBSIDIARY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 September 30, 2009 and September 30, 2008 (Continued)
 (Unaudited)

The following table summarizes the results of each segment described above for the three months ended September 30, 2009 (unaudited).

| | September 30, 2009 | | | |
|---|---|---|--------------------------------|--------------|
| | Equipment Sales & Related Services | Cryobanking & Related Services | Investment Activity | Total |
| Revenues | \$ 330,286 | \$ 84,090 | \$ — | \$ 414,376 |
| Expenses | | | | |
| Cost of sales | 166,910 | 11,840 | — | 178,750 |
| Research and development expenses | 620,291 | 47,741 | — | 668,032 |
| Selling, general and administrative expenses | 628,820 | 186,207 | — | 815,027 |
| Total Expenses | 1,416,021 | 245,788 | — | 1,661,809 |
| Operating loss | (1,085,735) | (161,698) | — | (1,247,433) |
| Investment income, net | | | | |
| Dividends | — | — | 729,731 | 729,731 |
| Gain on sales of securities, net | — | — | 3,719,285 | 3,719,285 |
| Mark to market of short positions | — | — | (421,974) | (421,974) |
| Administrative expenses relating to portfolio investments | — | — | (45,986) | (45,986) |
| Total Investment income, net | — | — | 3,981,056 | 3,981,056 |
| Other income (expense) | | | | |
| Interest expense, net | (7,691) | — | (30,207) | (37,898) |
| Other income | 2,964 | — | — | 2,964 |
| Total Other Income (Expense) | (4,727) | — | (30,207) | (34,934) |
| Income (loss) before income taxes | (1,090,462) | (161,698) | 3,950,849 | 2,698,689 |
| Income tax expense | 55,835 | — | 17,012 | 72,847 |
| Net income (loss) | \$ (1,146,297) | \$ (161,698) | \$ 3,933,837 | \$ 2,625,842 |

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| | | | | |
|-------------------------------|--------------|------------|---------------|---------------|
| Depreciation and amortization | \$ 60,125 | \$ 9,335 | \$ — | \$ 69,460 |
| Interest income | \$ — | \$ — | \$ 8,590 | \$ 8,590 |
| Capital expenditures | \$ 381,716 | \$ 18,117 | \$ — | \$ 399,833 |
| Total assets | \$ 5,340,141 | \$ 184,181 | \$ 74,030,949 | \$ 79,555,271 |

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DAXOR CORPORATION AND SUBSIDIARY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 September 30, 2009 and September 30, 2008 (Continued)
 (Unaudited)

The following table summarizes the results of each segment described above for the three months ended September 30, 2008 (unaudited)

| | September 30, 2008 | | | |
|---|---|---|--------------------------------|--------------|
| | Equipment Sales & Related Services | Cryobanking & Related Services | Investment Activity | Total |
| Revenues | \$ 349,961 | \$ 101,292 | \$ — | \$ 451,253 |
| Expenses | | | | |
| Cost of sales | 188,484 | 11,117 | — | 199,601 |
| Research and development expenses | 560,914 | 40,843 | — | 601,757 |
| Selling, general and administrative expenses | 702,626 | 168,992 | — | 871,618 |
| Total Expenses | 1,452,024 | 220,952 | | 1,672,976 |
| Operating loss | (1,102,063) | (119,660) | — | (1,221,723) |
| Investment income | | | | |
| Dividends | — | — | 750,909 | 750,909 |
| Gain on sales of securities, net | — | — | 9,787,106 | 9,787,106 |
| Mark to market of short positions | — | — | (532,300) | (532,300) |
| Administrative expenses relating to portfolio investments | — | — | (27,984) | (27,984) |
| Total Investment income, net | — | — | 9,977,731 | 9,977,731 |
| Other income (expense) | | | | |
| Interest expense, net | (8,428) | — | (24,508) | (32,936) |
| Other income | 2,870 | 400 | — | 3,270 |
| Total Other Income (Expense) | (5,558) | 400 | (24,508) | (29,666) |
| Income (loss) before income taxes | (1,107,621) | (119,260) | 9,953,223 | 8,726,342 |
| Income tax expense | — | — | 2,325,000 | 2,325,000 |
| Net income (loss) | \$ (1,107,621) | \$ (119,260) | \$ 7,628,223 | \$ 6,401,342 |
| Depreciation and amortization | \$ 69,923 | \$ 8,947 | \$ — | \$ 78,870 |
| Interest income | \$ — | \$ — | \$ 922 | \$ 922 |

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| | | | | | | | | |
|----------------------|----|-----------|----|---------|----|------------|----|------------|
| Capital expenditures | \$ | 97,948 | \$ | 9,530 | \$ | — | \$ | 107,478 |
| Total assets | \$ | 6,958,732 | \$ | 215,672 | \$ | 84,587,066 | \$ | 91,761,470 |

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DAXOR CORPORATION AND SUBSIDIARY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 September 30, 2009 and September 30, 2008 (Continued)
 (Unaudited)

The following table summarizes the results of each segment described above for the nine months ended September 30, 2009 (unaudited).

| | September 30, 2009 | | | |
|---|---|--------------------------------------|------------------------|--------------|
| | Equipment Sales & Related Services | Cryobanking & Related Services | Investment Activity | Total |
| Revenues | \$ 968,884 | \$ 259,949 | \$ — | \$ 1,228,833 |
| Expenses | | | | |
| Cost of sales | 499,259 | 34,045 | — | 533,304 |
| Research and development expenses | 1,791,942 | 142,152 | — | 1,934,904 |
| Selling, general and administrative expenses | 1,919,311 | 550,159 | — | 2,469,470 |
| Total Expenses | 4,210,512 | 726,356 | — | 4,936,868 |
| Operating loss | (3,241,628) | (466,407) | — | (3,708,035) |
| Investment income, net | | | | |
| Dividends | — | — | 2,353,240 | 2,353,240 |
| Gain on sales of securities, net | — | — | 9,233,762 | 9,233,762 |
| Mark to market of short positions | — | — | 291,920 | 291,920 |
| Administrative expenses relating to portfolio investments | — | — | (109,286) | (109,286) |
| Total Investment income, net | — | — | 11,769,636 | 11,769,636 |
| Other income (expense) | | | | |
| Interest expense, net | (23,466) | — | (141,959) | (165,425) |
| Other income | 8,891 | — | — | 8,891 |
| Total Other Income (Expense) | (14,575) | — | (141,959) | (156,534) |
| Income(loss) before income taxes | (3,256,203) | (466,407) | 11,627,677 | 7,905,067 |
| Income tax expense | 85,835 | 1,000 | 496,979 | 583,814 |

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| | | | | |
|-------------------------------|----------------|--------------|---------------|---------------|
| Net income (loss) | \$ (3,342,038) | \$ (467,407) | \$ 11,130,698 | \$ 7,321,253 |
| Depreciation and amortization | \$ 183,727 | \$ 27,544 | \$ — | \$ 211,271 |
| Interest income | \$ — | \$ — | \$ 15,116 | \$ 15,116 |
| Capital expenditures | \$ 1,879,941 | \$ 18,117 | \$ — | \$ 1,898,058 |
| Total assets | \$ 5,340,141 | \$ 184,181 | \$ 74,030,949 | \$ 79,555,271 |

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DAXOR CORPORATION AND SUBSIDIARY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 September 30, 2009 and September 30, 2008 (Continued)
 (Unaudited)

The following table summarizes the results of each segment described above for the nine months ended September 30, 2008 (unaudited)

| | September 30, 2008 | | | |
|---|---|---|--------------------------------|---------------|
| | Equipment Sales & Related Services | Cryobanking & Related Services | Investment Activity | Total |
| Revenues | \$ 1,141,739 | \$ 287,014 | \$ — | \$ 1,428,753 |
| Expenses | | | | |
| Cost of sales | 491,274 | 34,843 | — | 526,117 |
| Research and development expenses | 1,735,202 | 136,239 | — | 1,871,441 |
| Selling, general and administrative expenses | 2,277,162 | 468,808 | — | 2,745,970 |
| Total Expenses | 4,503,638 | 639,890 | | 5,143,528 |
| Operating loss | (3,361,899) | (352,876) | — | (3,714,775) |
| Investment income | | | | |
| Dividends | — | — | 1,933,410 | 1,933,410 |
| Gain on sales of securities, net | — | — | 18,262,577 | 18,262,577 |
| Mark to market of short positions | — | — | 1,610,482 | 1,610,482 |
| Administrative expenses relating to portfolio investments | — | — | (70,554) | (70,554) |
| Total Investment income, net | — | — | 21,735,915 | 21,735,915 |
| Other income (expense) | | | | |
| Interest expense, net | (25,716) | — | (52,287) | (78,003) |
| Other income | 8,609 | 446 | — | 9,055 |
| Total other income (expense) | (17,107) | 446 | (52,287) | (68,948) |
| Income (loss) before income taxes | (3,379,006) | (352,430) | 21,683,628 | 17,952,192 |
| Income tax expense | — | — | 2,725,000 | 2,725,000 |
| Net income (loss) | \$ (3,379,006) | \$ (352,430) | \$ 18,958,628 | \$ 15,227,192 |

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| | | | | |
|-------------------------------|--------------|------------|---------------|---------------|
| Depreciation and amortization | \$ 212,928 | \$ 21,995 | \$ — | \$ 234,923 |
| Interest income | \$ — | \$ — | \$ 32,083 | \$ 32,083 |
| Capital expenditures | \$ 184,756 | \$ 94,084 | \$ — | \$ 278,840 |
| Total assets | \$ 6,958,732 | \$ 215,672 | \$ 84,587,066 | \$ 91,761,470 |

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DAXOR CORPORATION AND SUBSIDIARY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 September 30, 2009 and September 30, 2008 (Continued)
 (Unaudited)

(4) PROPERTY AND EQUIPMENT

Property and equipment as at September 30, 2009 and December 31, 2008 consists of:

| | UNAUDITED | |
|---|---------------------------|--------------------------|
| | September 30, 2009 | December 31, 2008 |
| Machinery and equipment | \$ 1,792,997 | \$ 1,431,842 |
| BVA Equipment on trial | 629,000 | 578,000 |
| Land and Land Improvements | 196,991 | 196,991 |
| Buildings | 598,422 | 598,422 |
| Furniture and fixtures | 369,205 | 364,732 |
| Construction in process | 1,580,201 | 311,152 |
| Leasehold improvements | 611,565 | 611,565 |
| Total Cost | \$ 5,778,381 | \$ 4,092,704 |
| Accumulated depreciation and amortization | (1,783,039) | (1,784,149) |
| Property and equipment, net | \$ 3,995,342 | \$ 2,308,555 |

Depreciation expense for the three months ended September 30, 2009 and September 30, 2008 was \$69,460 and \$78,870, respectively.

Depreciation expense for the nine months ended September 30, 2009 and September 30, 2008 was \$211,271 and \$234,923 respectively.

(5) LOANS AND MORTGAGE PAYABLE

LOANS PAYABLE

At September 30, 2009 and December 31, 2008, the Company has a bank note payable of \$0 and \$1,035,000 respectively which was classified as a current liability at December 31, 2008. The note expired on May 27, 2009 and was not renewed.

Short-term debt to brokers (margin debt), is secured by the Company's marketable securities, and totaled \$2,552,593 at September 30, 2009 and \$12,017,162 at December 31, 2008. The interest rate on the Company's margin debt at September 30, 2009 was 0.996%

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.

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DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS September 30, 2009 and September 30, 2008 (Continued) (Unaudited)

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

| September 30, 2010 | September 30, 2011 | September 30, 2012 | Total |
|--------------------|--------------------|--------------------|------------|
| \$ 42,630 | \$ 45,935 | \$ 312,107 | \$ 400,672 |

(6) 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. 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.

For the three months ended September 30, 2009, the Company recorded a gain from marking put and call options to market of \$896,426. For the three months ended September 30, 2008, the Company recorded losses from marking put and call options to market of (\$1,369,542). These amounts are included in the Statements of Operations as part of mark to market of short positions.

For the nine months ended September 30, 2009 and September 30, 2008, the Company recorded gains from marking put and call options to market of \$412,704 and \$129,568 respectively. These amounts are included in the Statements of Operations as part of mark to market of short positions.

All proceeds of the put and call options which are equity contracts are shown net of the mark to market adjustment in the current liability section of the balance sheet as Put and call options, at fair value.

The following summarizes the Company's Put and Call Options as of September 30, 2009 (unaudited) and December 31, 2008:

| Put and Call Options | Selling Price | Fair Market Value | Unrealized Gain |
|----------------------|---------------|-------------------|-----------------|
| September 30, 2009 | \$ 12,521,528 | \$ 6,721,208 | \$ 5,800,320 |
| December 31, 2008 | \$ 13,811,975 | \$ 8,424,359 | \$ 5,387,616 |

(7) SECURITIES BORROWED AT FAIR VALUE

The Company maintains 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 respective market values of these positions were \$9,043,605 and \$107,871 as of September 30, 2009 and December 31, 2008.

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DAXOR CORPORATION AND SUBSIDIARY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 September 30, 2009 and September 30, 2008 (Continued)
 (Unaudited)

(8) CURRENT INCOME TAXES

Under FASB No. 109, the Company accrues income taxes in interim periods based upon its estimated annual effective tax rate.

The current income tax expense for the three and nine months ended September 30, 2009 and 2008 is comprised of the following:

| | Three Months Ended September 30, 2009 | Three Months Ended September 30, 2008 |
|---|--|--|
| Regular tax and Alternative Minimum Tax (AMT) | \$ (254,844) | \$ — |
| Personal Holding Company Tax (PHC) | 180,000 | 2,325,000 |
| State Franchise Taxes | — | — |
| Total Current Income Tax Provision | (74,844) | 2,325,000 |
| Deferred Income Taxes | 147,691 | — |
| Total Income Tax Expense | \$ 72,847 | \$ 2,325,000 |

| | Nine Months Ended September 30, 2009 | Nine Months Ended September 30, 2008 |
|---|---|---|
| Regular tax and Alternative Minimum Tax (AMT) | \$ 1,562,125 | \$ — |
| Personal Holding Company Tax (PHC) | 785,000 | 2,725,000 |
| State Franchise Taxes | 31,000 | — |
| Total Current Income Tax Provision | 2,378,125 | 2,725,000 |
| Deferred Income Taxes | (1,794,311) | — |
| Total Income Tax Expense | \$ 583,814 | \$ 2,725,000 |

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DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS September 30, 2009 and September 30, 2008 (Continued) (Unaudited)

(9) DEFERRED INCOME TAXES

The deferred income tax liability at September 30, 2009 and December 31, 2008 is comprised of the following:

| | Unaudited | |
|--|---------------------------|--------------------------|
| | September 30, 2009 | December 31, 2008 |
| Fair market value adjustment for available-for-sale securities | \$ 6,938,581 | \$ 6,170,340 |
| Mark to market short positions | 102,172 | 1,896,483 |
| | \$ 7,040,753 | \$ 8,066,823 |

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.

(10) 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 September 30, 2009, stocks representing 99.50% of the market value of common stocks held by the Company were listed on the New York Stock Exchange (NYSE). The Company maintains its investments in four different brokerage accounts, three at UBS and one at TD Ameritrade. UBS and TD Ameritrade provide supplemental insurance up to the face value of the securities in excess of the SIPC limit of \$500,000.

Both 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 September 30, 2009 the fair market value of securities in excess of the SIPC insured limit is \$2,972,394 and the cash on deposit in excess of the insured limit is \$2,119,399.

For the three months ended September 30, 2009, the sales of Blood Volume Kits accounted for 59.64% of the Company's total consolidated operating revenue. There were four customers (hospitals) that accounted for 70.72% of the Company's sales of Blood Volume Kits

For the three months ended September 30, 2008, the sales of Blood Volume Kits accounted for 55.78% of the Company's total consolidated operating revenue. There were three customers (hospitals) that accounted for 49.31% of the Company's sales of Blood Volume Kits

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DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS September 30, 2009 and September 30, 2008 (Continued) (Unaudited)

For the nine months ended September 30, 2009, the sales of Blood Volume Kits accounted for 69.77% of the Company's total consolidated operating revenue. There were four customers (hospitals) that accounted for 62.72% of the Company's sales of Blood Volume Kits.

For the nine months ended September 30, 2008, the sales of Blood Volume Kits accounted for 55.50% of the Company's total consolidated operating revenue. There were three customers (hospitals) that accounted for 51.16% of the Company's sales of Blood Volume Kits.

Management believes that the loss of any one of these customers would have an adverse effect on the Company's consolidated business for a short period of time. All of these four 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.

As disclosed in previous filings, 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 was 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.

The United States Congress is currently considering enacting a National Health Insurance Plan. At this time, it is unclear how a National Health Insurance Plan would affect our operating income. This is because we do not know what form a plan would take or if and when it will be passed. For example, if expanded coverage is mandated, this could benefit Daxor but if reimbursement is further reduced, this would not be beneficial.

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, the Company would have to make alternative arrangements to insure a supply of Volumex. The effect of such a disruption on Daxor's business could be material.

In 2005 and 2007, the Company and Dr. Joseph Felschuh, its President and Chief Executive Officer, respectively, received Wells Notices from the Securities and Exchange Commission ("SEC") requesting their comments on the SEC Staff's view that the Company was in violation of Section 7(a) of the Investment Company Act in that it was operating as an unregistered investment company. The Company and Dr. Felschuh responded to those requests when made. In November 2009, the staff of the Northeast Regional Office of the SEC contacted the Company and invited both the Company and Dr. Felschuh to make a new Wells submission based upon more recent operations and results. The Company and Dr. Felschuh intend to respond to the staff's invitation.

By a letter dated May 27, 2009, the staff of the Division of Corporate Finance of the SEC advised Dr. Joseph Felschuh, the President and Chief Executive Officer of Daxor that they had certain comments and questions regarding our Form 10-K for the period ended December 31, 2008 and our Form 10-Q for the period ended March 31, 2009. The Company filed a response to the SEC notice on July 8, 2009. The Company received an answer to our response from the SEC on August 4, 2009 and filed a response to the SEC on September 2, 2009. The Company received an answer from the SEC to our response of September 2, 2009 on October 9, 2009. The Company will respond to the SEC after it files its Form 10-Q for the quarter ended September 30, 2009.

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DAXOR CORPORATION AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS September 30, 2009 and September 30, 2008 (Continued) (Unaudited)

(11) 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 for the three months ended September 30, 2009 and September 30, 2008 was \$2,964 and \$2,870.

The amount of rental income received from the President of the Company for the nine months ended September 30, 2009 and September 30, 2008 was \$8,891 and \$8,655.

During the nine months ended September 30, 2009, the President of the Company loaned a total of \$1,140,000 to the Company in a series of advances ranging from \$40,000 to \$500,000. The loan due to the President of the Company never exceeded \$650,000 and all advances were repaid within two weeks without interest. Each loan advance and repayment took place prior to July 1, 2009.

Jonathan Feldschuh is the co-inventor of the BVA-100 Blood Volume Analyzer and is the son of Dr. Joseph Feldschuh, the Chief Executive Officer and President of Daxor. He was paid \$18,720 annually for the years ended December 31, 2008 and 2007. Jonathan Feldschuh is expected to provide a limited amount of consultative help in the filing of the additional patents in 2009.

(12) RESEARCH AND DEVELOPMENT COSTS

All research and development costs are expensed in the period they are incurred.

The total research and development costs for the three months ended September 30, 2009 and September 30, 2008 were \$668,032 and \$601,757, respectively.

The total research and development costs for the nine months ended September 30, 2009 and September 30, 2008 were \$1,934,094 and \$1,871,441, respectively.

(13) RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In October 2009, the FASB issued new standards for revenue recognition with multiple deliverables. These new standards impact the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting. Additionally, these new standards modify the manner in which the transaction consideration is allocated across the separately identified deliverables by no longer permitting the residual method of allocating arrangement consideration. These new standards are effective for us beginning in the first quarter of fiscal year 2011, however early adoption is permitted. We do not expect these new standards to significantly impact our consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective, accounting standard if currently adopted would have a material effect on the accompanying financial statements.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The following discussion of our financial condition and results of our operations should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2008. This Quarterly Report on Form 10-Q contains forward-looking statements based on our current expectations, assumptions, estimates and projections about us and our industry. These forward-looking statements are usually accompanied by words such as "believes," "may," "should," "anticipates," "estimates," "expects," "future," "intends," "hopes," "plans," and similar expressions, and the net thereof. Forward-looking statements involve risks and uncertainties and our actual results may differ materially from the results anticipated in these forward-looking statements as a result of certain factors.

BUSINESS OVERVIEW

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 main focus of Daxor Corporation has been the development and marketing 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 that the Company also sells to its customers.

RECENT DEVELOPMENTS

Daxor has actively engaged in participating in several clinical trials in three strategic areas: Intensive Critical Care Medicine, Heart Failure/Hypertension and Dialysis. Of the five current clinical trials, one has recently been completed, *Blood Volume Analysis in treating ICU Patients – A Prospective, Randomized Outcome Study*. The basis of this study was to investigate if the inclusion of a measured blood volume analysis from Daxor's BVA-100 would result in (1) a change in treatment; (2) improved clinical outcomes; and (3) reductions in the cost of care. Results of this study are expected to be published sometime prior to the first quarter of 2010.

Daxor is also coordinating its first multi-center, prospective, blinded outcome study in heart failure. The TEAM HF (Treatment to Euvolemia by Assessment and Measured Blood Volume in Heart Failure) will be comprised of nine (9) medical centers and a total of 300 patients. This study will investigate if utilizing a measured blood volume while treating heart failure patients following a hospital stay will decrease a patient's need to revisit the hospital, decrease the mortality rate and improve their overall treatment and quality of life while living with heart failure. This study has an expected start date of the first quarter of 2010.

RESULTS OF OPERATIONS

Three months ended September 30, 2009 as compared with three months ended September 30, 2008:

Operating Revenues and Expenses

For the three months ended September 30, 2009, consolidated operating revenues decreased to \$414,376 from \$451,253 for the same period in 2008, a decrease of \$36,877 or 8.17%. This was mainly due to no Blood Volume Analyzers being sold during the current quarter versus one during the same period last year for a total of \$65,000.

For the three months ended September 30, 2009, revenue from Blood volume kit sales increased by \$41,358 or 16.43% to \$293,055 from \$251,697 for the same period in 2008. This can mainly be attributed to an increase in the number of kits sold from 770 in 2008 to 828 during the current period for an increase of 7.53%. There were 55 Blood Volume Analyzers placed at September 30, 2009 versus 53 at September 30, 2008. For the three months ended September 30, 2009, the Company provided 65 Volumex doses free of charge to facilities utilizing the BVA-100 for research versus 125 during the same period in 2008.

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The following tables provide gross margin information on Equipment Sales & Related Services for the three months ended September 30, 2009 and 2008:

| Equipment Sales and Related Services: | Kit Sales Three Months Ended September 30, 2009 | Equipment Sales and Other Three Months Ended September 30, 2009 | Total Three Months Ended September 30, 2009 |
|---------------------------------------|---|--|---|
| Revenue | \$ 293,055 | \$ 37,231 | \$ 330,286 |
| Cost of Goods Sold | 123,802 | 43,108 | 166,910 |
| Gross Profit (Loss) | \$ 169,253 | \$ (5,877) | \$ 163,376 |
| Gross Profit (Loss) Percentage | 57.8% | (15.8)% | 49.5% |

| Equipment Sales and Related Services: | Kit Sales Three Months Ended September 30, 2008 | Equipment Sales and Other Three Months Ended September 30, 2008 | Total Three Months Ended September 30, 2008 |
|---------------------------------------|---|--|---|
| Revenue | \$ 251,697 | \$ 98,264 | \$ 349,961 |
| Cost of Goods Sold | 120,477 | 68,007 | 188,484 |
| Gross Profit | \$ 131,220 | \$ 30,257 | \$ 161,477 |
| Gross Profit Percentage | 52.1% | 30.8% | 46.1% |

The additional revenues for Equipment Sales and Other during the current quarter consist almost entirely of shipping charges and service contract revenue. The additional revenues shown in this category during the same quarter for the previous year includes the sale of one Blood Volume Analyzer for \$65,000.

The Company had a gross loss of (\$5,877) on Equipment Sales and other for the three months ended September 30, 2009 versus a gross profit for the three months ended September 30, 2008 of \$30,257. The reason for the difference is that one Blood Volume Analyzers was sold during the third quarter of 2008 for a total of \$65,000 versus no machines sold during the current three month period. The Company still incurs costs for items such as convenience kit production and related supplies even when Blood Volume Analyzers are not sold.

Total S,G&A (selling, general and administrative) and R&D (Research and Development) costs for Equipment Sales and Related Services were \$1,249,111 for the three months ended September 30, 2009 versus \$1,263,540 for the same period in 2008, for a decrease of \$14,429 or 1.14%.

Research & Development expenses for Equipment Sales and Related Services were \$620,291 for the three months ended September 30, 2009 versus \$560,914 for the same period in 2008 for an increase of \$59,377 or 10.59%. 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 \$84,090 in 2009 from \$101,292 in 2008, for a decrease of \$17,202 or 16.98%. The main reason for this was a decrease in Semen Storage and Analysis and other related fees of \$13,431 for the three months ended September 30, 2009 as compared to 2008.

Total S,G&A (selling, general and administrative) and R&D (Research and Development) costs for the Cryobanking and related services segment were \$233,948 for the three months ended September 30, 2009 versus \$209,835 for the same period in 2008, for an increase of \$24,113 or 11.49%. The main reason for this was an increase of \$21,102 in allocated rent and other charges from Equipment Sales and other during the current period. These charges have no effect on the consolidated operating results.

Consolidated Operating Expenses

The total consolidated operating expenses including cost of sales for the third quarter of 2009 were \$1,661,809 versus \$1,672,976 in 2008 for a decrease of \$11,167.

INVESTMENT PORTFOLIO

Dividend Income

Dividend income earned on the Company's security portfolio for the three months ended September 30, 2009 was \$729,731 versus \$750,909 for the same period in 2008 for a decrease of \$21,178 or 2.82%.

Investment Gains (Losses)

Gains on the sale of investments were \$3,719,285 for the three months ended September 30, 2009 versus \$9,787,106 for the same period in 2008 for a decrease of \$6,067,821 or 62.00%. For the current quarter, the Company had a loss from the marking to the market of short positions of stocks and put and call options of (\$421,974) versus a loss of (\$532,300) for the same period in 2008. Interest expense net of interest income was \$37,898 for the three months ended September 30, 2009 versus \$32,936 for the three months ended September 30, 2008. Administrative expenses relating to portfolio investments were \$45,986 in 2009 versus \$ 27,984 for the same period in 2008.

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.

As of September 30, 2009, cash and cash equivalents totaled \$59,003 versus \$2,545,040 at December 31, 2008. Cash used in operating activities was \$4,158,224 for the nine month period ended September 30, 2009. The decrease in cash and cash equivalents was primarily due to funding the operating loss for the current nine month period.

Cash provided by investing activities was \$15,493,099 for the nine months ended September 30, 2009. This increase is mainly attributable to the proceeds from sales of available for sale securities of \$31,618,787 and put and calls options of \$22,504,260 which were partially offset by the acquisition of available for sale securities of \$34,514,941. The acquisition of property and equipment of \$1,914,491 during the current nine month period includes \$1,747,736 for the construction project at 109 Meco Lane.

In November of 2008, a construction project commenced at 109 Meco Lane. Management expects the project to be completed during the first quarter of 2010 and the total cost to be approximately \$2,250,000. The project involves the construction of laboratory and office space.

A total of \$13,820,912 of cash was used during the current nine month period in financing activities and this was primarily due to the repayment of margin loans payable.

During the nine months ended September 30, 2009, the President of the Company loaned a total of \$1,140,000 to the Company in a series of advances ranging from \$40,000 to \$500,000. The loan due to the President of the Company never exceeded \$650,000 and all advances were repaid within two weeks without interest. Each loan advance and repayment took place prior to July 1, 2009.

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The Company's investment portfolio has been a critical source of supplemental income to partially offset the continuing losses from operations. Without the income from the investment portfolio, the Company would have needed to raise additional operating funds through either debt or equity financing or a combination of the two. The Company's portfolio has maintained a net value above historical cost for each of the past 99 consecutive quarters.

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

1. The Company's investment goals are capital preservation, maintaining returns on capital with a high degree of safety and generating income from dividends and option sales to help offset operating losses.
2. In order to achieve these goals, 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 net short positions in common stock up to 15% of the value of the portfolio. The Company's net 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 80% of its portfolio in electric utilities. The Board of Directors has authorized this minimum to be temporarily lowered to 70% when Company management deems it to be necessary. Investments in utilities are primarily in electric companies. Investments in non-utility stocks will generally not exceed 20% of the value 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 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 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 net 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 if this is an option. If the proposed merger is a cash only offer, the Company will receive cash and be forced to sell the stock.

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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 the Company's CEO, Dr. Joseph Feldschuh.

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.

RESULTS OF OPERATIONS

Nine months ended September 30, 2009 as compared with nine months ended September 30, 2008:

Operating Revenues and Expenses

For the nine months ended September 30, 2009, consolidated operating revenues decreased to \$1,228,833 from \$1,428,753 for the same period in 2008, a decrease of \$199,920 or 13.99%. This was mainly due to no Blood Volume Analyzers being sold during the current nine month period versus four during the same period last year for a total of \$260,000.

For the nine months ended September 30, 2009, revenue from Blood volume kit sales increased by \$64,427 or 8.13% to \$857,321 from \$792,894 for the same period in 2008. This can mainly be attributed to an increase in the number of kits sold from 2,409 in 2008 to 2,670 during the current period for an increase of 10.83%. There were 55 Blood Volume Analyzers placed at September 30, 2009 versus 53 at September 30, 2008. For the nine months ended September 30, 2009, the Company provided 269 Volumex doses free of charge to facilities utilizing the BVA-100 for research versus 398 during the same period in 2008.

The following tables provide gross margin information on Equipment Sales & Related Services for the nine months ended September 30, 2009 and 2008:

| Equipment Sales and Related Services: | Kit Sales Nine Months Ended September 30, 2009 | Equipment Sales and Other Nine Months Ended September 30, 2009 | Total Nine Months Ended September 30, 2009 |
|---------------------------------------|--|---|--|
| Revenue | \$ 857,321 | \$ 111,563 | \$ 968,884 |
| Cost of Goods Sold | 346,137 | 153,122 | 499,259 |
| Gross Profit (Loss) | \$ 511,184 | \$ (41,559) | \$ 469,625 |
| Gross Profit (Loss) Percentage | 59.6% | (37.3)% | 48.5% |

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| Equipment Sales and Related Services: | Kit Sales Nine Months Ended September 30, 2008 | Equipment Sales and Other Nine Months Ended September 30, 2008 | Total Nine Months Ended September 30, 2008 |
|---------------------------------------|--|---|--|
| Revenue | \$ 792,894 | \$ 348,845 | \$ 1,141,739 |
| Cost of Goods Sold | 357,505 | 133,769 | 491,274 |
| Gross Profit | \$ 435,389 | \$ 215,076 | \$ 650,465 |
| Gross Profit Percentage | 54.9% | 61.7% | 57.0% |

The additional revenues for Equipment Sales and Other during the current nine month period consist almost entirely of shipping charges and service contract revenue. The additional revenues shown in this category during the same nine month period for the previous year includes the sale of four Blood Volume Analyzers for a total of \$260,000.

The Company had a gross loss of (\$41,559) on Equipment Sales and Other for the nine months ended September 30, 2009 versus a gross profit for the nine months ended September 30, 2008 of \$215,076. The reason for the difference is that four Blood Volume Analyzers were sold during the nine months ended September 30, 2008 for a total of \$260,000 versus no machines sold during the current nine month period. The Company still incurs costs for items such as convenience kit production and related supplies even when Blood Volume Analyzers are not sold.

Total S,G&A (selling, general and administrative) and R&D (Research and Development) costs for Equipment Sales and Related Services were \$3,711,253 for the nine months ended September 30, 2009 versus \$4,012,364 for the same period in 2008, for a decrease of \$301,111 or 7.50%. The main reason for this was decreased payroll and related costs of \$211,383 for the nine months ended September 30, 2009 as compared to the same period in 2008.

Research & Development expenses for Equipment Sales and Related Services were \$1,791,942 for the nine months ended September 30, 2009 versus \$1,735,202 for the nine months ended September 30, 2008 for an increase of \$56,740 or 3.27%. 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 \$259,949 in 2009 from \$287,014 in 2008, for a decrease of \$27,065 or 9.43%. The main reason for this was a decrease in Semen Bank Storage fees and related items of \$26,433 for the nine months ended September 30, 2009 as compared to 2008.

Total S,G&A (selling, general and administrative) and R&D (Research and Development) costs for the Cryobanking and related services segment were \$692,311 for the nine months ended September 30, 2009 versus \$605,047 for the same period in 2008, for an increase of \$87,264 or 14.42%. The main reasons for this were increases of \$26,611 in professional fees attributable to the legal action which is discussed in greater detail in Part II and \$40,200 in expenses allocated to Cryobanking from Equipment Sales and Related Services. These allocated expenses represent the expenses of Cryobanking paid by Equipment Sales and Related Services. These allocated expenses have no effect on our consolidated results.

Consolidated Operating Expenses

The total consolidated operating expenses including cost of sales for the nine months ended September 30, 2009 were \$4,936,868 versus \$5,143,528 in 2008 for a decrease of \$206,660 or 4.02% which is mainly attributable to a reduction in payroll and related expenses of \$208,899.

INVESTMENT PORTFOLIO

Dividend Income

Dividend income earned on the Company's security portfolio for the nine months ended September 30, 2009 was \$2,353,240 versus \$1,933,410 for the same period in 2008 for an increase of \$419,830 or 21.71%. The main reason for this increase was the receipt of a onetime special dividend of \$282,425 on a stock which was not in the Company's investment portfolio at September 30, 2009.

Investment Gains (Losses)

Gains on the sale of investments were \$9,233,762 for the nine months ended September 30, 2009 versus \$18,262,577 for the same period in 2008 for a decrease of \$9,028,815 or 49.44%. For the current nine months, the Company had a gain from the marking to the market of short positions of stocks and put and call options of \$291,920 versus a gain of \$1,610,482 for the same period in 2008. Interest expense net of interest income was \$165,425 for the nine months ended September 30, 2009 versus \$78,003 for the nine months ended September 30, 2008. Administrative expenses relating to portfolio investments were \$109,286 in 2009 versus \$ 70,554 for the same period in 2008.

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.

Our critical accounting policies, are described in our Annual Report on Form 10-K for the year ended December 31, 2008. There have been no material changes to our critical accounting policies as of and for the three and nine month periods ended September 30, 2009.

CODE OF ETHICS AND BUSINESS CONDUCT

The Company has a Code of Ethics and Business Conduct which was approved by the Board of Directors in March 2005. The Code of Ethics and Business Conduct applies to all directors, officers, employees and other representatives of the Company including the Chief Executive Officer and Chief Financial Officer. A copy of the Code of Ethics and Business Conduct is available for free at www.daxor.com

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.

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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 20% of the corporate portfolio value. This percentage may be temporarily increased to 30% if deemed necessary by management.

At September 30, 2009, unrealized gains were \$26,096,740 and unrealized losses were (\$6,272,223) on available for sale securities for a ratio of 4.16 to 1.

At September 30, 2009, 96.56% 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 88 separate common and preferred stocks. As of September 30, 2009 there were two holdings of common stock which comprised 26.90% of the total market value of the available for sale investments.

The Company is not exposed to any foreign currency risk or commodity price risk through its holdings of equity securities and put and call options.

The Company is not exposed to any interest rate risk since it does not have any long term debt other than a fixed rate mortgage securing real property in Oak Ridge, Tennessee.

Daxor Corporation Summary of Available for Sale Securities As at September 30, 2009

| Type of Security | Total Fair Market Value | Total Cost | Total Net Unrealized Gain (Loss) |
|------------------------|----------------------------|----------------------|--|
| Common Stock | \$ 59,331,877 | \$ 39,605,433 | \$ 19,726,444 |
| Preferred Stock | 2,116,378 | 1,985,300 | 131,078 |
| Total Equities | \$ 61,448,255 | \$ 41,590,733 | \$ 19,857,522 |
| Bonds | — | 33,005 | (33,005) |
| Total Portfolio | \$ 61,448,255 | \$ 41,623,738 | \$ 19,824,517 |

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Summary of Proceeds Received and Market Valuation at 09/30/09
Put and Call Options

| Total Proceeds Received on open positions at 01/01/09 | Sale of Options from 01/01/09-09/30/09 | Expirations and Assignments of Options from 01/01/09-09/30/09 | Proceeds Received on open positions at 09/30/09 | Market Value at 09/30/09 | Unrealized Appreciation at 09/30/09 |
|---|--|---|---|--------------------------|-------------------------------------|
| \$ 13,811,975 | \$ 22,502,591 | \$ 23,793,038 | \$ 12,521,528 | \$ 6,721,208 | \$ 5,800,320 |

Daxor Corporation
Summary of Unrealized Losses of Available for Sale Securities
As at September 30, 2009

| | Less Than Twelve Months | | Twelve Months or Greater | | Total | |
|------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Marketable Equity Securities | \$ 4,652,557 | \$ 1,590,866 | \$ 4,105,278 | \$ 4,648,352 | \$ 8,757,835 | \$ 6,239,218 |
| Corporate Bonds | — | — | — | \$ 33,005 | — | 33,005 |
| Total | \$ 4,652,557 | \$ 1,590,866 | \$ 4,105,278 | \$ 4,681,357 | \$ 8,757,835 | \$ 6,272,223 |

Management has determined that an impairment charge is not needed for the Available for Sale Securities with losses twelve months or greater at September 30, 2009. An analysis of the Company's holdings indicates that the largest positions have traded above the Company's average costs and management believes they will do so again in the future. Based on the Company's investment history, management does not consider a security to be other than temporarily impaired until the cost has been below the market value for a continuous period of three years. At September 30, 2009 the Company has no material holdings in a continuous loss position for three years or more.

The total Unrealized Loss on Available for Sale Securities decreased from \$10,839,998 at December 31, 2008 to \$6,272,223 at September 30, 2009.

Daxor Corporation
Summary of Available for Sale Securities
As at December 31, 2008

| Type of Security | Total Fair Market Value | Total Cost | Total Net Unrealized Gain (Loss) |
|------------------------|-------------------------|----------------------|----------------------------------|
| Common Stock | \$ 65,910,988 | \$ 47,766,362 | \$ 18,144,626 |
| Mutual Funds | 165,500 | 172,710 | (7,210) |
| Preferred Stock | 2,262,655 | 2,737,524 | (474,869) |
| Total Equities | \$ 68,339,143 | \$ 50,676,596 | \$ 17,662,547 |
| Bonds | — | 33,005 | (33,005) |
| Total Portfolio | \$ 68,339,143 | \$ 50,709,601 | \$ 17,629,542 |

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Summary of Proceeds Received and Market Valuation at 12/31/08
Put and Call Options

| Total Proceeds Received on open positions at 01/01/08 | Sale of Options from 01/01/08-12/31/08 | Expirations and Assignments of Options from 01/01/08-12/31/08 | Proceeds Received on open positions at 12/31/08 | Market Value at 12/31/08 | Unrealized Appreciation at 12/31/08 |
|---|--|---|---|--------------------------|-------------------------------------|
| \$ 7,645,833 | \$ 34,377,992 | \$ 28,211,850 | \$ 13,811,975 | \$ 8,424,359 | \$ 5,387,616 |

Daxor Corporation
Summary of Unrealized Losses of Available for Sale Securities
As at December 31, 2008

| | Less Than Twelve Months | | Twelve Months or Greater | | Total | |
|------------------------------|-------------------------|-----------------|--------------------------|-----------------|---------------|-----------------|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Marketable Equity Securities | \$ 14,232,869 | \$ 7,675,656 | \$ 2,106,718 | \$ 3,131,337 | \$ 16,339,587 | \$ 10,806,993 |
| Corporate Bonds | — | — | — | \$ 33,005 | — | 33,005 |
| Total | \$ 14,232,869 | \$ 7,675,656 | \$ 2,106,718 | \$ 3,164,342 | \$ 16,339,587 | \$ 10,839,998 |

Item 4T. Controls and Procedures

As of September 30, 2009, 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. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the quarter ended September 30, 2009 in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in its periodic SEC filings. During the quarter ended September 30, 2009, there were no significant changes in internal controls or in other factors that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

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

The claim entitled Donovan v. Idant Laboratories was dismissed by U.S. District Court on August 5, 2009. The plaintiffs' have filed an appeal of the dismissal which the Company will aggressively and vigorously defend at the U.S. Circuit Court based on the legal and factual defenses found meritorious by the trial court.

In 2005 and 2007, the Company and Dr. Joseph Felschuh, its President and Chief Executive Officer, respectively, received Wells Notices from the Securities and Exchange Commission ("SEC") requesting their comments on the SEC Staff's view that the Company was in violation of Section 7(a) of the Investment Company Act in that it was operating as an unregistered investment company. The Company and Dr. Felschuh responded to those requests when made. In November 2009, the staff of the Northeast Regional Office of the SEC contacted the Company and invited both the Company and Dr. Felschuh to make a new Wells submission based upon more recent operations and results. The Company and Dr. Felschuh intend to respond to the staff's invitation.

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, 2008 as filed with the Securities and Exchange Commission on March 23, 2009.

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.

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Item 6. Exhibits to Quarterly Report on Form 10-Q

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

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: November 12, 2009

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

JOSEPH FELDSCHUH, M.D.,
President
Chief Executive Officer
Chairman of the Board of Directors
Principal Executive Officer

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Exhibit Index

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