

Edgar Filing: DAXOR CORP - Form 10-Q/A

DAXOR CORP
Form 10-Q/A
April 18, 2005

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

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

FOR QUARTER ENDED SEPTEMBER 30, 2004
Commission File Number 0-12248

DAXOR CORPORATION
(Exact Name as Specified in its Charter)

New York
(State or Other Jurisdiction of
Incorporation or Organization)

13-2682108
(I.R.S. Employer
Identification No.)

350 Fifth Ave
Suite 7120
New York, New York 10118
(Address of Principal Executive Offices & Zip Code)

Registrant's Telephone Number:
(Including Area Code)

(212) 244-0555

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

| CLASS | OUTSTANDING AT September 30, 2004 |
|--|-----------------------------------|
| COMMON STOCK PAR VALUE: \$.01 per share | 4,609,826 |

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

| | Page |
|---|------|
| | ---- |
| Condensed Consolidated Balance Sheets as at September 30, 2004 and December 31, 2003 | F-1 |
| Condensed Consolidated Statements of Income for the Three and Nine Months ended September 30, 2004 and 2003 | F-2 |

Edgar Filing: DAXOR CORP - Form 10-Q/A

| | |
|---|---------|
| Condensed Consolidated Statement of Cash Flows for the Nine Months ended September 30, 2004 and 2003 | F-3 |
| Notes to Condensed Consolidated Financial Statements | F-4&5 |
| ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 3-4 |
| PART II. OTHER INFORMATION | |
| ITEM 1. Legal Proceedings | 4 |
| ITEM 2. Exhibits and Reports on Form 8-k | 4 |
| Signatures | 5-7 |
| Exhibit Index | 4-7 |

DAXOR CORPORATION CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DAXOR CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS

| | September 30, 2004 ---- | December 31, 2003 ---- |
|---|-------------------------------|------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 64,107 | \$ 3,324 |
| Available-for-sale securities | 51,134,384 | 47,399,159 |
| Accounts receivable | 177,756 | 137,008 |
| Inventory | 146,185 | 146,185 |
| Other current assets | 280,854 | 242,215 |
| | ----- | ----- |
| Total Current Assets | 51,803,286 | 47,927,891 |
| PROPERTY AND EQUIPMENT | | |
| Machinery and equipment | 745,418 | 727,689 |
| Furniture and fixtures | 329,050 | 325,635 |
| Leasehold improvements | 295,530 | 295,530 |
| | ----- | ----- |
| | 1,369,998 | 1,348,854 |
| Less: Accumulated depreciation and amortization | 1,081,111 | 1,045,481 |
| | ----- | ----- |
| Property and equipment, net | 288,887 | 303,373 |
| Other Assets | 69,268 | 69,268 |
| Total Assets | \$ 52,161,441 | \$ 48,300,532 |

Edgar Filing: DAXOR CORP - Form 10-Q/A

| | ===== | ===== |
|---|---------------|---------------|
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 101,280 | \$ 183,052 |
| Loans payable | 4,394,365 | 2,502,106 |
| Other Liabilities | 565,127 | 667,123 |
| Deferred Taxes | 9,523,003 | 8,531,081 |
| | ----- | ----- |
| Total Liabilities | 14,583,775 | 11,883,362 |
| STOCKHOLDERS' EQUITY | | |
| Common stock, \$.01 par value | | |
| Authorized - 10,000,000 shares | | |
| Issued - 5,309,750 | | |
| Outstanding - 4,609,826 and | | |
| 4,640,026, respectively | | |
| | 53,097 | 53,097 |
| Additional Paid in capital | 9,808,526 | 9,801,548 |
| Unrealized holding gains | | |
| on available-for-sale securities , net of tax | 18,485,830 | 16,560,334 |
| Retained earnings | 14,869,302 | 15,169,967 |
| | ----- | ----- |
| Treasury stock, at cost, 699,924 and 670,724 | | |
| shares, respectively | (5,639,08) | (5,167,776) |
| | ----- | ----- |
| Total Stockholders' Equity | 37,577,666 | 36,417,170 |
| Total Liabilities and Stockholders' Equity | \$ 52,161,441 | \$ 48,300,532 |
| | ===== | ===== |

See accompanying notes to condensed consolidated financial statements

(F-1)

DAXOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| | THREE MONTHS ENDED | | NIN |
|---|--------------------|------------|--------|
| | September 30, | | |
| | 2004 | 2003 | 200 |
| | ---- | ---- | ---- |
| REVENUES: | | | |
| Operating revenues | \$ 277,975 | \$ 301,816 | \$ 940 |
| | ----- | ----- | ----- |
| Total Operating Revenues | 277,975 | 301,816 | 940 |
| | ----- | ----- | ----- |
| COSTS AND EXPENSES | | | |
| Operations of Laboratories & Cost of Production | 298,281 | 463,432 | 1,015 |
| Selling, General, and Administrative | 845,257 | 595,780 | 2,401 |
| | ----- | ----- | ----- |

Edgar Filing: DAXOR CORP - Form 10-Q/A

| | | | |
|--|-------------|--------------|----------|
| Total Costs and Expenses | 1,143,538 | 1,059,212 | 3,417 |
| Loss from operations | (865,563) | (757,396) | (2,476) |
| Other income (expense): | | | |
| Dividend income | 516,525 | 527,591 | 1,483 |
| Gains (losses) on sale of securities | 321,232 | 71,633 | 747 |
| Other revenues | 3,817 | 3,143 | 11 |
| Interest expense, net | (34,979) | (25,012) | (66) |
| Total Other Income | 806,595 | 577,355 | 2,175 |
| Net Loss Before Income Taxes | (58,96) | (180,04) | (300) |
| Provision for income taxes | 0 | 0 | |
| Net Loss | \$ (58,968) | \$ (180,041) | \$ (300) |
| Weighted Average Number of Shares Outstanding | 4,608,493 | 4,645,826 | 4,617 |
| Net Income of (Loss) per Common Equivalent Share | \$ (0.0) | \$ (0.0) | \$ |

See accompanying notes to condensed consolidated financial statements

F-2

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED

| | September 30, 2004 | September 30, 2003 |
|--|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (300,66) | \$ (702,28) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation & Amortization | 35,630 | 36,644 |
| (Gain) loss on sale of investments | (747,92) | (152,89) |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (40,74) | (69,54) |
| (Increase) decrease in other current assets | (38,63) | (8,15) |
| Increase (decrease) in accounts payable, accrued and other liabilities net of "short sales" | (76,87) | 87,392 |
| Total adjustments | (868,55) | (106,56) |
| Net cash used in operating activities | (1,169,222) | (808,84) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (21,14) | (40,46) |
| Proceeds from sale of equipment, net | | 45,000 |
| Purchase of investments, net | (733,34) | (548,03) |
| Net proceeds of loans from brokers used to purchase investments | 1,292,259 | 1,074,864 |
| Proceeds from "short sales" not closed | 556,570 | 285,766 |

Edgar Filing: DAXOR CORP - Form 10-Q/A

| | | |
|--|-----------|-----------|
| Net cash provided by investing activities | 1,094,340 | 817,133 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from bank loan | 600,000 | 200,000 |
| Purchase of treasury stock | (474,33) | (199,37) |
| Proceeds from sale of treasury stock | 10,000 | 30,736 |
| Net cash provided by or (used in) financing activities | 135,665 | 31,366 |
| Net increase (decrease) in cash and cash equivalents | 60,783 | 39,657 |
| Cash and cash equivalents at beginning of year | 3,324 | 13,035 |
| Cash and cash equivalents at end of period | \$ 64,107 | \$ 52,692 |

See accompanying notes to condensed consolidated financial statements

F-3

DAXOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(1) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements reflect all adjustments of a normal recurring nature, which are, in the opinion of management, necessary for a fair statement of the financial position and results of operations for the interim periods presented. The consolidated financial statements are unaudited and are subject to such year-end adjustments as may be considered appropriate and should be read in conjunction with the historical consolidated financial statements of Daxor Corporation years ended December 31, 2003, 2002 and 2001, included in Daxor Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2003. Operating results for the nine-month period ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

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

(2) MARKETABLE SECURITIES

Upon adoption of FASB No. 115, Accounting for Certain Investment in Debt and Equity Securities, management has determined that the company's portfolio is best characterized as "Available-For-Sale". SFAS No. 115 requires these securities to be recorded at their fair market values, with the offsetting unrealized holding gains or losses being recorded as Comprehensive Income (Loss) in the Equity section of the Balance Sheet. The adoption of this pronouncement has resulted in an increase in the carrying value of the company's available-for-sale securities, as of September 30, 2004 and December 31, 2003, of approximately 121.12 % and 112.48% respectively over its historical cost.

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

Edgar Filing: DAXOR CORP - Form 10-Q/A

realized. The Company uses the historical cost method in the determination of its realized and unrealized gains and losses.

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

| September 30, 2004 | | | | |
|--------------------|--------------|--------------|--------------------------|---------------------------|
| Type of security | Cost | Fair Value | Unrealized Holding gains | Unrealized holding losses |
| Equity | \$23,049,649 | \$51,104,834 | \$28,402,153 | \$ 346,968 |
| Debt | 75,902 | 29,550 | 3,370 | 49,722 |
| Total | \$23,125,551 | \$51,134,384 | \$28,405,523 | \$ 396,690 |

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

At September 30, 2004 the securities held by the Company had a market value of \$51,134,384 and a cost basis of \$23,125,551 resulting in a net unrealized gain of \$ 28,008,833 or 121.12% of cost.

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

At September 30, 2004 and December 31, 2003 marketable securities, primarily consisting of preferred and common stocks of utility companies, are valued at fair value. Debt securities, which consist of Bonds, are scheduled to mature in April 2006 and May 2008.

F-4

(3) INVENTORY

Inventory is stated at the lower of cost or market, using the first-in, first-out method (FIFO), and consists primarily of finished goods.

(4) OTHER ASSETS

Included in Other Assets is an intangible asset (Customer List) that was being amortized over its estimated useful life of 15 years. The asset was recorded at its original cost of \$35,000 and has accumulated amortization of \$6,222 at September 30, 2004 and December 31, 2003, respectively. Amortization expense was \$2,333 for the year ended December 31, 2003.

Edgar Filing: DAXOR CORP - Form 10-Q/A

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, management periodically reviews the asset's value for potential impairment. This review is currently underway for the current period and management has taken the position of suspending amortization of the asset until the review is completed.

(5) LOANS PAYABLE

As at September 30, 2004 and December 31, 2003, the Company has a note payable of \$1,500,000 and \$900,000, respectively, with a bank. The note matures each year, with an option to renew, and is classified as short term. The note balance is an aggregate of borrowings (loans) that renews as one note each year, but is subject to different interest rates depending on the individual amount of each borrowing.

The loans bear interest at approximately 3.0% and are secured by certain marketable securities of the Company.

Short term margin debt due to brokers, secured by the Companies marketable securities, totaled \$2,894,365 at September 30, 2004 and \$1,602,106 at December 31, 2003.

F-5

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

(6) STOCK OPTION PLAN

Effective July 6, 2004, the Company instituted the Daxor Corporation 2004 Stock Option Plan. This Plan was created to provide incentive to employees, officers, agents, consultants and independent contractors of the Company by offering proprietary interest in the Company. As at September 30, 2004, there have been no material issuances of stock through this Plan.

(7) SUBSEQUENT EVENTS (Unaudited)

The Company was involved in a dispute with its landlord in New York City. This dispute arose out of a rental rate dispute. In February 2005, the dispute was settled and the Company voluntarily agreed to pay the landlord approximately \$45,000 in additional rent. This \$45,000 liability was accrued for the purposes of this financial statement presentation and is listed in Accrued Expenses.

(8) SELECTED FINANCIAL DATA (Unaudited)

Selected Quarterly Financial Data

| | Quarter Ended | | |
|--------------------------------|--------------------|--------------------|--------------------|
| | Three Months | | Nine |
| | September 30, 2004 | September 30, 2003 | September 30, 2004 |
| Total operating revenues | \$ 277,975 | \$ 301,816 | \$ 940,958 |
| Total revenue and other income | \$ 1,119,549 | \$ 904,183 | \$ 3,183,314 |
| Gross profit (loss) | \$ (865,563) | \$ (757,396) | \$ (2,476,066) |
| Net income (loss) | \$ (58,968) | \$ (180,041) | \$ (300,665) |
| Net income (loss) per share | \$ (.01) | \$ (.04) | \$ (.07) |

Edgar Filing: DAXOR CORP - Form 10-Q/A

ITEM 2. RESULTS OF OPERATIONS

Three months ended September 30, 2004 as compared with three months ended September 30, 2003.

For the three months ended September 30, 2004 total revenues and other income were \$1,119,549 up from \$904,183 in 2003. Operating revenues were \$277,975 in 2004 down from \$301,816 in 2003. Dividend income was \$516,525 with a net interest expense of \$34,979 in 2004, as compared to dividend income of \$527,591 with a net interest expense of \$25,012 in 2003. In 2004, the Company had a net loss of \$(58,968) versus a net loss of \$(180,041) in 2003. Total cost and Expenses in 2004 increased to \$1,143,538 vs. \$1,059,212 in 2003. This was related to increased marketing efforts and research and development expenses. The Company has increased research expenses for additional features to the BVA-100. Operating revenues decreased by 9% from the comparable quarter in 2003. The Company's new sales team began marketing in the fourth quarter of 2003. The increase in operating revenues can be attributable to these sales efforts. The sales cycles from initial contact to a sale can be 6 to 12 months. As part of its sales and marketing expansion, the company will lend, at no cost, for a limited time period, or rent an instrument for a period of one year or less to a hospital for testing purposes. Under such an arrangement the company will only receive rental income for the instrument and income from the sale of kits. The Company anticipates that its sales of BVA-100 Blood Volume Analyzers and kits will become the major source of income for the Company. The Company is currently in the process of expanding its sales and marketing force.

Nine months ended September 30, 2004 as compared with nine months ended September 30, 2003.

For the nine months ended September 30, 2004 total revenues and other income were \$3,183,314 up from \$2,413,467 in 2003. Operating revenues in 2004 were \$940,958 up from \$810,910 in 2003. Selling and administrative expenses were \$2,401,695 in 2004, vs. \$1,912,779 in 2003. The increased expenses were related to the employment of additional sales and marketing personnel and increased research and development. In 2004, Dividend income was \$1,483,325 with a net interest expense of \$66,955 as compared to the dividend income of \$1,438,232 with a net interest expense of \$58,594 in 2003. In 2004, the Company had \$747,928 in capital gains vs. \$152,896 in 2003. In 2004, the Company had a net loss of \$(300,665) versus a net loss of \$(702,280) in 2003. The Company has adopted a policy that encourages leasing or renting of BVA-100 equipment to enable hospitals to obtain the equipment. This results in sales of kits but a slower recognition of operating income from BVA sales.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2004 the Company had total assets of \$52,161,441 with shareholders' equity of \$37,577,666. The Company has a net pre-taxed unrealized gain of \$28,008,833 and \$18,485,830 of net after tax unrealized capital gains on available-for-sale securities in its portfolio. This amount is included in the calculation of Total Shareholders' Equity. The Company's stock portfolio had a market value of \$51,134,384 with short-term loans of \$ 4,394,365 with 4,610,826 shares outstanding. The Company has no long term debt. The Company has current liabilities of \$14,583,775. Included in these liabilities are deferred taxes of \$9,523,003. These deferred taxes would occur if the Company chose to sell its entire portfolio. Current liabilities minus these deferred taxes equals \$5,060,772.

Edgar Filing: DAXOR CORP - Form 10-Q/A

The Company has adequate resources for the current marketing level of its Blood Volume Analyzer as well as capital to sustain its localized semen and blood banking services. The Company anticipates hiring additional regional managers to the existing sales/marketing team.

It is the goal of the marketing team to develop an individual sales team for each regional manager. The Company is also expanding its support services personnel. The decision to develop the marketing team was partially based on the anticipation of new publications in peer reviewed medical journals by current users of the Blood Volume Analyzer.

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

The Company has an instrument loaner reagent plan which requires use of the Company's reserves. The equipment loaner reagent plan permits a user to make a minimal initial capital commitment. This results in a slower return on capital expenditure for the Company. The Company has established a private label leasing program called Daxor Capital through De Lage Landen. With this arrangement Daxor receives the net present value of the lease upon the signed completion of the installation of the equipment.

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

Part II OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Exhibits and Reports on Form 8-K

(a) Exhibits

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

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

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

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

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

Edgar Filing: DAXOR CORP - Form 10-Q/A

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

DATE: April 15, 2005

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

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

DATE: April 15, 2005

By: /s/ STEPHEN FELDSCHUH

STEPHEN FELDSCHUH
Vice President of Operations
And Chief Financial Officer