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DAXOR CORP  
Form 10-Q  
September 07, 2005

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 10-Q

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

FOR QUARTER ENDED JUNE 30, 2005  
Commission File Number 0-12248

DAXOR CORPORATION  
(Exact Name as Specified in its Charter)

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

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

350 Fifth Ave  
Suite 7120  
New York, New York 10118

(Address of Principal Executive Offices & Zip Code)

Registrant's Telephone Number: (212) 244-0555  
(Including Area Code)

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

Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12-b2 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	OUTSTANDING AT JULY 15, 2005
COMMON STOCK PAR VALUE: \$.01 per share	4,637,326

DAXOR CORPORATION AND SUBSIDIARY

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## DAXOR CORPORATION AND SUBSIDIARY

### PART I FINANCIAL INFORMATION

#### Item 1. Financial Statements (Unaudited)

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DAXOR CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DAXOR CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS [UNAUDITED]

	UNAUDITED June 30, 2005 -----	UNAUDITED Restated December 31, 2004 -----
-----		
ASSETS		
-----		
CURRENT ASSETS		
Cash and cash equivalents	\$ 0	\$ 5,079
Available-for-sale securities	61,594,741	54,806,400
Accounts receivable	180,062	202,649
Inventory	139,338	139,338
Prepaid expenses and other current assets	171,321	453,284
	-----	-----
Total Current Assets	62,085,462	55,606,750
PROPERTY AND EQUIPMENT, NET	383,000	290,572
Other assets	32,158	32,158
	-----	-----
Total Assets	\$ 62,500,620 =====	\$ 55,929,480 =====
-----		
LIABILITIES AND STOCKHOLDERS' EQUITY		
-----		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 119,711	\$ 89,162
Loans payable	6,543,041	4,113,285
Other liabilities	8,582	8,557
Deferred option premiums	1,105,102	974,161
Deferred revenue	169,218	121,083
Deferred taxes	12,852,447	10,845,531
	-----	-----
Total Current Liabilities	20,798,101	16,151,779
-----		
STOCKHOLDERS' EQUITY		
Common stock, \$.01 par value		
Authorized - 10,000,000 shares		
Issued - 5,309,750 shares		
Outstanding - 4,637,326 and 4,610,826 shares at June 30, 2005 and December 31, 2004, respectively	53,097	53,097
Additional paid in capital	10,296,551	9,821,563
Accumulated other comprehensive income	23,868,831	21,053,089
Retained earnings	13,043,306	14,486,081
Treasury stock, at cost, 672,424 and 698,924 shares, respectively	(5,559,266)	(5,636,129)
	-----	-----

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Total Stockholders' Equity	41,702,519	39,777,701
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 62,500,620	\$ 55,929,480
	=====	=====

See accompanying notes to condensed consolidated financial statements

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DAXOR CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS [UNAUDITED]

	THREE MONTHS ENDED JUNE 30	
	2005	Restated 2004
	-----	-----
Revenues:		
Operating Revenues - Equipment sales and related services	\$ 164,178	\$ 92,915
Operating Revenues - Cryobanking and related services	106,481	117,250
Total Revenues	270,659	210,165
	-----	-----
Costs and expenses:		
Costs of equipment sales and related services	287,220	263,865
Costs of cryobanking and related services	87,960	72,021
Selling, general, and administrative	1,117,225	830,480
Total costs and expenses	1,492,405	1,166,366
	-----	-----
Loss from operations	(1,221,746)	(956,201)
Other income (expenses):		
Dividend income	510,576	473,231
Gains/ (losses) on sale of securities	(307,276)	201,630
Other revenues	4,563	3,643
Interest expense, net	(63,299)	(12,533)
Administrative expenses relating to portfolio investments	(14,884)	(15,801)
Total other income	129,680	650,170
	-----	-----

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Net loss before income taxes	(1,092,066)	(306,031)
Provision for income taxes	0	0
Net loss	\$ (1,092,066)	\$ (306,031)
=====		
Weighted average number of shares outstanding - basic and diluted	4,637,326	4,611,993
Net loss per common equivalent share- Basic and diluted	\$ (0.24)	\$ (0.07)
=====		

See accompanying notes to condensed consolidated financial statements.

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

	JUNE 30, 2005	Restated JUNE 30, 2004
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,442,775)	\$ (404,591)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation & amortization	24,483	23,880
Gains on sale of investments	(81,760)	(426,696)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	22,587	(86,889)
Decrease in other current assets	281,963	11,652
Increase (decrease) in accounts payable, accrued and other liabilities	30,574	(34,915)
Increase in deferred income	48,135	162,894
	-----	-----
Net cash used in operating activities	(1,116,793)	(754,665)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(116,911)	(16,894)
Purchase of investments, net of sales	(2,858,083)	(831,035)
Proceeds from broker loans, net of repayments	2,429,756	937,759
Proceeds from "deferred option premiums" not closed	1,105,102	555,874
	-----	-----
Net cash provided by investing activities	559,864	645,704
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		

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Proceeds from bank loan	--	600,000
Purchase of treasury stock	--	(474,335)
Proceeds from sale of treasury stock	551,850	--
	-----	-----
Net cash provided by financing activities	551,850	125,665
	-----	-----
Net increase (decrease) in cash and cash equivalents	(5,079)	16,704
Cash and cash equivalents at beginning of period	5,079	3,324
	-----	-----
Cash and cash equivalents at end of period	\$ 0	\$ 20,028
	=====	=====

See accompanying notes to condensed consolidated financial statements

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DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004

(1) BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

BUSINESS

Daxor Corporation is a medical device manufacturing company that offers additional biotech services, such as cryobanking, through its wholly owned subsidiary Scientific Medical Systems Corp. The 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 consolidated financial statements reflect all adjustments of a normal recurring nature, which are, in the opinion of management, necessary for a fair statement of the financial position and results of operations for the interim periods presented. The consolidated financial statements are unaudited and are subject to such year-end adjustments as may be considered appropriate and should be read in conjunction with the historical consolidated financial statements of Daxor Corporation years ended December 31, 2004, 2003 and 2002, included in Daxor Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2004. Operating results for the three and six month periods ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

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

Principles of Consolidation

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

### Segment Reporting

The Company currently reports three business segments; Equipment Sales and Related Services, Cryobanking and Related Services, and Investment Portfolio Activity.

The Equipment Sales and Related Services segment encompasses the activity of the Blood Volume Analyzer equipment. This includes equipment sales, equipment rentals, equipment delivery fees, 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 and handling fees.

The Investment Portfolio segment reports the activity of the Company's Investments. This includes all earnings, realized gains and losses, and expenses relating to the Investment Portfolio.

### Available-for-Sale Securities

Available-for-sale securities represent investments in debt and equity securities (primarily common and preferred stock of utility companies) that management has determined meet the definition of available-for-sale under SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. Accordingly, these investments are stated at fair market value and all unrealized holding gains or losses are recorded in the Stockholders' Equity section as Accumulated Other Comprehensive Income (Loss). Conversely, all realized gains, losses and earnings are recorded in the Statement of Operations under Other Income (Expense).

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

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DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004 (Continued)

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.

### Revenue Recognition

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

The Company currently offers three different methods of purchasing the

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

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

When Blood Volume Analyzer equipment has been sold to a customer, the Company offers a one year warranty on the product, which covers all mechanical failures. This one year warranty is effective on the date of sale of the equipment. After the one year period expires, customers may purchase a service contract through the Company, which is usually offered in one-year increments. These service contracts are recorded by the Company as deferred revenue and are amortized into income in the period in which they apply. As at December 31, 2004 and 2003, deferred revenue pertaining to these service contracts was \$17,465 and \$0, respectively.

The storage fees associated with the cryobanked blood and semen samples are recognized as income in the period for which the fee applies. The Company invoices customers for storage fees for various time periods. These time periods range from one month up to one, two or three years. The Company will only recognize revenue for those storage fees that are earned in the current reporting period, and will defer the remaining revenues to the period in which they are earned. It is this revenue recognition policy that has necessitated the restatement of the 2004 reporting periods included in these financial statements.

### Income Taxes

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

### Comprehensive Income (Loss)

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



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DAXOR CORPORATION AND SUBSIDIARY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 JUNE 30, 2005 AND 2004 (Continued)

### Product Warrantees and Related Liabilities

The Company offers a one year warranty on the Blood Volume Analyzer equipment. This warranty is effective on the date of sale and covers all mechanical failures of the equipment. All major components of the equipment are purchased and warranted by the original 3rd party manufacturers.

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

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

### Stock Based Compensation

The Company applies the intrinsic-value-based method of accounting prescribed by Accounting Principles Board, or APB, Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations including Financial Accounting Standards Board, or FASB, Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25, issued in March 2000, to account for its stock options. Under this method, compensation expense is recorded on the date of the grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, Accounting for Stock Based Compensation, established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic-value-based method of accounting described above, and has adopted only the disclosure requirements of SFAS No. 123. The following table illustrates the effect on the net loss if the fair-value-based method has been applied to all outstanding and unvested awards in each period.

	Three Months Ended June 30		Six Months Ended June 30	
	2005	Restated 2004	2005	Resta 200
	-----	-----	-----	-----
Net loss, as reported	\$ (1,092,066)	\$ (306,031)	\$ (1,442,775)	\$ (404
Deduct total stock-based employee compensation expense determined under fair-value-based method, net of tax	(27,255)	(10,966)	(58,566)	(17
	-----	-----	-----	-----
Proforma net loss	\$ (1,119,321)	\$ (316,997)	\$ (1,501,341)	\$ (421
	=====	=====	=====	=====

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Pro forma net loss per common share: basic and diluted	\$ (0.24)	\$ (0.07)	\$ (0.32)	\$
	=====	=====	=====	=====

5,000 and 25,000 stock options were issued to employees in the three months ended June 30, 2005 and 2004, respectively, and a total of 18,000 and 25,000 were issued to employees in the six months ended June 30, 2005 and 2004, respectively. All of these options were issued under the Company's 2004 Stock Option Plan.

These fair values were estimated using the Black-Scholes option pricing model, based on the following assumptions:

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2005	2004	2005	2004
	-----		-----	
Dividend yield	0%	0%	0%	
Volatility	24.8%	22.2%-28.8%	24.8%-28.8%	22.2%-
Risk-free interest rate	3.39%	.98%-1.91%	.98%-5.81%	.98%-
Expected term of options (in years)	3	3	3	

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DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004 (Continued)

### Reclassifications

Certain reclassifications have been made to the Company's 2004 condensed consolidated financial statements to conform with the presentation of the 2005 condensed consolidated financial statements.

### Restatements

Restatements have been made to the 2004 financial statements to reflect a change in accounting principle pertaining to the revenues recognized on long term blood and semen storage (deferred revenues). The 2004 figures now reflect deferred revenues for those storage fees that were invoiced to customers in advance of services. The deferred revenues will be reclassified as income in the periods in which they are earned.

The effects of these changes on revenues, operating income, net income and earnings per share are summarized below.

	Three months ended	Six months ended
	June 30, 2004	June 30, 2004
Revenues	\$ (44,571)	\$ (162,894)
	=====	=====
Operating income	\$ (44,571)	\$ (162,894)
	=====	=====
Net income	\$ (44,571)	\$ (162,894)
	=====	=====

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EPS \$ (0.01) \$ (0.04)  
 =====

(2) AVAILABLE-FOR-SALE SECURITIES

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

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

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

Type of security	June 30, 2005			
	Cost	Fair Value	Unrealized Holding gains	Unrealized holding losses
Equity	\$24,641,638	\$61,376,003	\$37,018,917	\$ 284,552
Debt	231,824	218,738	36,167	49,253
Total	\$24,873,462	\$61,594,741	\$37,055,084	\$ 333,805

Type of security	December 31, 2004			
	Cost	Fair Value	Unrealized Holding gains	Unrealized holding losses
Equity	\$22,802,568	\$54,741,650	\$32,125,500	\$ 186,417
Debt	105,212	64,750	7,792	48,255
Total	\$22,907,780	\$54,806,400	\$32,133,292	\$ 234,672

At June 30, 2005 the securities held by the Company had a market value of \$61,594,741 and a cost basis of \$24,873,462 resulting in a net unrealized gain of \$36,721,279 or 147.6% of cost.

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

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At June 30, 2005 and December 31, 2004, marketable securities, primarily consisting of preferred and common stocks of utility companies, are valued at fair value. Debt securities consist of Corporate Bonds & Notes. As at June 30, 2005, these items, which have a cost of \$231,824 are scheduled to mature at various times thru February 2011. Two bonds, which have a combined cost of \$48,255 are currently in default, with maturity dates prior to December 31, 2004. Management is awaiting final settlement of the bonds, and is not yet able to determine the amount of loss, if any, that may occur. Accordingly, the Company has valued these bonds at zero and recorded an unrealized loss of the entire cost of the bonds.

### (3) SEGMENT ANALYSIS

The following table summarizes the results of each segment described in note (1) for the six months ending June 30, 2005

	Equipment sales and related services	Cryobanking and related services	Investment portfolio	
Revenues and income	\$ 336,396	\$ 220,176	\$ 1,130,456	\$
Other revenues	8,915			
<b>Total revenues and income</b>	<b>345,311</b>	<b>220,176</b>	<b>1,130,456</b>	
Costs of sales and services	666,942	162,627		
Selling-G & A expenses	2,091,434	82,826		
Expenses related to investment income			134,889	
<b>Total Costs &amp; expenses</b>	<b>2,758,376</b>	<b>245,453</b>	<b>134,889</b>	
<b>Segment income/(loss)</b>	<b>\$(2,413,065)</b>	<b>\$ (25,277)</b>	<b>\$ 995,567</b>	<b>\$</b>

The following table summarizes the results of each segment described in note (1) for the three months ended June 30, 2005

	Equipment sales and related services	Cryobanking and related services	Investment portfolio	
Revenues and income	\$ 164,178	\$ 106,481	\$ 203,300	\$
Other revenues	4,563			
<b>Total revenues and income</b>	<b>168,741</b>	<b>106,481</b>	<b>203,300</b>	
Costs of sales and services	287,220	87,960		
Selling-G & A expenses	1,083,831	33,394		
Expenses related to investment income			78,183	
<b>Total Costs &amp; expenses</b>	<b>1,371,051</b>	<b>121,354</b>	<b>78,183</b>	

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Segment income/(loss)	\$ (1,202,310)	\$ (14,873)	\$ 125,117	\$
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DAXOR CORPORATION AND SUBSIDIARY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 JUNE 30, 2005 AND 2004 (Continued)

The following table summarizes the results of each segment described in note (1) for the six months ending June 30, 2004

	Equipment sales and related services	Cryobanking and related services	Investment portfolio	
Revenues and income	\$ 259,071	\$ 241,018	\$ 1,393,496	\$
Other revenues	7,286			
<b>Total revenues and income</b>	<b>266,357</b>	<b>241,018</b>	<b>1,393,496</b>	
Costs of sales and services	583,028	134,020		
Selling-G & A expenses	1,405,251	119,585		
Expenses related to investment income			63,578	
<b>Total Costs &amp; expenses</b>	<b>1,988,279</b>	<b>253,605</b>	<b>63,578</b>	
<b>Segment income/(loss)</b>	<b>\$ (1,721,922)</b>	<b>\$ (12,587)</b>	<b>\$ 1,329,918</b>	<b>\$</b>

The following table summarizes the results of each segment described in note (1) for the three months ending June 30, 2004

	Equipment sales and related services	Cryobanking and related services	Investment portfolio	
Revenues and income	\$ 92,915	\$ 117,250	\$ 674,861	\$
Other revenues	3,643			
<b>Total revenues and income</b>	<b>96,558</b>	<b>117,250</b>	<b>674,861</b>	
Costs of sales and services	263,865	72,021		
Selling-G & A expenses	774,646	55,834		

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Expenses related to investment income			28,334	
-----				
Total Costs & expenses	1,038,511	127,855	28,334	
-----				
Segment income/(loss)	\$ (941,953)	\$ (10,605)	\$ 646,527	\$
=====				

(4) PROPERTY AND EQUIPMENT

Property and equipment as at June 30, 2005 and December 31, 2004, respectively, consist of:

	2005	2004
	-----	-----
Machinery and equipment	\$ 872,148	\$ 755,237
Furniture and fixtures	329,050	329,050
Leasehold improvements	295,530	295,530
	-----	-----
	1,496,728	1,379,817
Accumulated depreciation	(1,113,728)	(1,089,245)
	-----	-----
Property and equipment, net	\$ 383,000	\$ 290,572
	=====	=====

Depreciation expense for the three months ended June 30, 2005 and 2004 was \$14,040 and \$11,940, respectively. Depreciation expense for the six months ended June 30, 2005 and 2004, was \$24,483 and \$23,880, respectively.

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DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004 (Continued)

(5) LOANS PAYABLE

As at June 30, 2005 and December 31, 2004, the Company has a note payable of \$1,500,000 with a bank with an option to renew, and is classified as short term. The note balance is an aggregate of borrowings (loans) that renews as one note each year, but is subject to different interest rates depending on the individual amount of each borrowing.

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

Short term margin debt due to brokers, secured by the Company's marketable securities, totaled \$5,043,041 at June30, 2005 and \$2,613,285 at December 31, 2004.

(6) DEFERRED OPTION PREMIUMS

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. 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.

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The following summarizes deferred option premiums as of June 30, 2005 And December 31, 2004.

Deferred option premiums	Selling price	Fair Market value	Unrealized Gain/ (Loss)
June 30, 2005	\$1,105,102	\$1,005,323	\$ 99,779
December 31, 2004	\$ 974,161	\$ 591,482	\$ 382,679

### (7) CURRENT INCOME TAXES

The Company, due to current losses and loss carry forwards from previous years, has not accrued or paid taxes based on income. It has, however, paid State and City taxes which were assessed on its Capital Base. In accordance with SFAS No. 109, Accounting for Income Taxes, these Capital Base assessments were not classified as income taxes.

### (8) DEFERRED INCOME TAXES

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

The Company has net operating loss carryovers of \$10,200,803 expiring at various times from December 31, 2010 through December 31, 2024. Management does not anticipate an ability to utilize these losses in the near future.

While the company has deferred taxes on unrealized portfolio gains, at present it is not management's intention to liquidate it's holdings in order to utilize these loss carryovers

A valuation allowance has been recorded for the entire deferred tax asset as a result of uncertainties regarding the realization of the asset balance due to the history of losses and the variability of operating results.

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, the deferred tax liability is recorded against the Accumulated Other Comprehensive Income, in the Stockholders' Equity section of the Balance Sheet.

The deferred tax computations at June 30, 2005 and December 31, 2004, computed at federal statutory rates of 35%, are as follows:

	2005	2004
Deferred tax assets:		
Net operating loss carry forwards	\$ 10,200,803	\$ 4,907,369
Valuation allowance	(10,200,803)	(4,907,369)
	-----	-----
Total deferred tax assets	0	0
	=====	=====

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Deferred tax liabilities:

Fair market value adjustment		
for available-for-sale securities	\$ 12,852,447	\$ 10,845,531
	=====	=====

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

Three months ended June 30, 2005 as compared with three months ended June 30, 2004

For the three months ended June 30, 2005, operating revenues increased to \$270,659 vs. \$210,165 in 2004, an increase of 29%. The increase was due primarily to increased blood volume kit sales. The increase in kit sales can be attributed to the sales effort of our staff. Total cost and expenses were \$1,492,405 in 2005 vs. \$1,166,366 in 2004, for an increase of 28%. For the three months ended June 30, 2005 total operating revenues and other income decreased by 53% to \$400,339 from \$860,335 in 2004. In the three months ended June 30, 2005 there have been no sales of the BVA-100 blood volume analyzer, although a number of contracts were signed for instruments on a trial basis. A factor involved in lack of sales was a delay in the correction of Medicare reimbursement for hospitals. Medicare reimburses hospitals separately for the cost of the radiopharmaceutical kit, but did not issue a reimbursement number until July 2005 which will take effect January 2006. This error did not exist in 2004. Appropriate reimbursement is essential for marketing to hospitals which have Medicare patients. Although the company pointed out the error in multiple communications, the error was not corrected until July, 2005. The Company plans to continue expanding its sales and marketing force, which currently consists of 17 salesmen and 4 support personnel.

Six months ended June 30, 2005 as compared with six months ended June 30, 2004

For the six months ended June 30, 2005, operating revenues increased to \$556,572 vs. \$500,089 in 2004, an increase of 11%. The increase was due primarily to increased blood volume kit sales. Total cost and expenses were \$3,003,829 in 2005 vs. \$2,241,884 in 2004, for an increase of 34%. For the six months ended June 30, 2005, total operating revenues and other income decreased by 15% to \$1,561,054 from \$1,837,293 in 2004. There were net gains on sales of securities in 2005 of \$81,760 down from \$426,696 in 2004. Dividend income was \$1,048,696 with a net interest expense of \$103,712 in 2005, as compared to dividend income of \$966,800 with a net interest expense of \$31,976 in 2004. In 2005, the Company had a net loss of (\$1,442,775) versus a net loss of \$(404,591) in 2004. Total Costs and Expenses increased by 34% in 2005 to \$3,003,829 vs. \$2,241,884 in 2004. This was related to increased marketing efforts as well as research and development expenses. The Company has increased research expenses for additional features to the BVA-100. The Company has also expanded its manufacturing staff in Oak Ridge, Tennessee. The increase in kit sales can be attributed to these sales efforts. The sales cycles from initial contact to a sale can be 6 to 12 months, or occasionally longer. The Company anticipates that the sales of the BVA-100 Blood Volume Analyzers and kits will become the major source of income for the Company. In 2005 there have been no sales of the BVA-100 blood volume analyzer, although a number of contracts were signed for instruments on a trial basis. A factor involved in lack of sales was a delay in the correction of Medicare reimbursement for hospitals. Medicare reimburses hospitals separately for the cost of the radiopharmaceutical kit, but did not issue a reimbursement number for until July 2005 which will take effect January, 2006. This error did not exist in 2004. Appropriate reimbursement is essential for marketing to hospitals which have Medicare patients. Although the company



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pointed out the error in multiple communications, the error was not corrected until July, 2005. The Company plans to continue expanding its sales and marketing force, which currently consists of 17 salesmen and 4 support personnel.

The Company has initiated marketing for its blood banking services. The Company is attempting to develop a program with a specific hospital which would involve blood volume measurement and autologous frozen blood storage prior to elective orthopedic surgery. The program is called a Blood Optimization Program, and the Company has filed for trademark status.

The Company may also initiate a separate marketing program for its semen bank services. The Company will soon report on the details of the longest case of frozen semen resulting in a successful pregnancy and birth. The timing of the announcement will depend on approval by the medical journal which will publish the case report.

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### LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2005 the Company had total assets of \$62,500,620 with stockholders' equity of \$41,702,519 as compared to total assets of \$55,929,480 with stockholders' equity of \$39,777,701 at December 31, 2004. The Company has significantly increased its financial base as compared to one year ago. At June 30, 2005, the Company has a net pre-taxed unrealized gain of \$36,721,279 and \$23,868,831 of net after tax unrealized capital gains on available-for-sale securities in its portfolio. This amount is included in the calculation of Total Stockholders' Equity. The Company's stock portfolio had a market value of \$61,594,741 with short-term loans of \$6,543,041 with 4,637,326 shares outstanding. The Company has current liabilities of \$20,798,101. Included in these liabilities are deferred taxes of \$12,852,447. These deferred taxes would occur if the Company chose to sell its entire portfolio. Current liabilities less these deferred taxes is \$7,945,654. The Company's investment portfolio has been a critical source of supplemental income to partially offset the continuing losses from operations. Without this income, the Company would have been in a precarious financial situation because of its operating losses over the past 10 years. The Company's portfolio has maintained a net value above historical cost for each of the past 20 and one half years, or 82 consecutive quarters.

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. All sales to leasing companies are non-recourse leases, which are not guaranteed by the Company.

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

The Company sells, as well as offers to lease or rent the BVA-100 as part of the overall marketing plan. The Company also loans the instrument for a limited time period, however facilities evaluating the instrument must pay for the kits. A financing arrangement for customers was established through a

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relationship with De Lage Landen (DLL). The significance of this relationship is as sales through leases increases, Daxor will not have to diminish its capital outlay for equipment as DLL will fund the net present value of the lease upon installation of the equipment. In an effort to obtain the best rates for our clients, the Company will also work with other independent leasing firms. The Company will use its current financial reserves primarily for developing and marketing the Blood Volume Analyzer. The Company is evaluating various options to expand blood banking services in conjunction with the use of the Blood Volume Analyzer. Additional information on the Company is available on our website [www.daxor.com](http://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.

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

In addition to receiving income from dividends, the company also has an investment policy of selling puts on stocks that it is willing to own. Such options usually have a maturity of less than 1 year. The company will also sell covered calls on securities within its investment portfolio. Covered calls involve stocks, which usually do not exceed 10% 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 10% of the company's portfolio value, and have never exceeded 15% of the company's portfolio value. Unrealized gains or losses on short sales or naked calls are marked to the market. They may, therefore, cause a fluctuation in the reporting of total other income. This has occurred in the second quarter.

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 10% of the corporate portfolio value. The company's unrealized gains vs. unrealized losses are usually more than 10 to 1.

At the most recent second quarter computation, unrealized gains were \$37,055,083 and unrealized losses were \$333,805 for a ratio of 111 to 1 over the past 5 years. The results from option strategies are variable and within the past 5 years have represented from 2.1% to 33.2% of total investment income. Annual income from dividends has been relatively stable and has varied from \$1,842,583 to \$2,062,364.

Certain utility preferred stocks have call provisions which may enable them to be called away from the company. The call price, in all instances, is higher than the company's cost for the stock. The yields on such preferred stocks may be significantly higher than current available yields. Such stocks, therefore, could not be replaced with similar yields. Currently, approximately 2.3% of the company's portfolio falls into this category.

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The company's portfolio value is exposed to fluctuations in the general value of electric utilities. The largest holding value in the portfolio is Entergy stock, with a cost basis of \$2,079,000, with a current market value of \$10,426,530.73. This represents 16.92% of the company's portfolio. 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 exposure to regulator risk is mitigated due to it's diversity of holdings consisting of 70 separate stocks.

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### Summary information on Securities Portfolio

DESCRIPTION	% of Total Portfolio Shares	COST	MARKET	UNREALIZED GAINS	UNREALIZED LOSSES
<hr/>					
	% of Total				
Total Utilities Common Stocks	94.46%	\$23,494,732.43	\$59,901,126.64	\$36,586,119.71	\$ 179,725.50
Total Preferred Utility Stocks	2.18%	\$ 541,871.28	\$ 923,901.75	\$ 382,280.47	\$ 250.00
Total Preferred Non-Utilities Stocks	0.15%	\$ 37,254.00	\$ 40,005.00	\$ 3,696.00	\$ 945.00
Total Preferred Stocks	2.33%	\$ 579,125.28	\$ 963,906.75	\$ 385,976.47	\$ 1,195.00
Total General Stocks	2.28%	\$ 567,780.55	\$ 510,969.78	\$ 46,820.48	\$ 103,631.25
Total Bonds	0.93%	\$ 231,824.25	\$ 218,737.50	\$ 36,166.50	\$ 49,253.25
Portfolio Total		\$24,873,462.51	\$61,594,740.67	\$37,055,083.16	\$ 333,805.00

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#### Item 4. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as defined

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by the Securities and Exchange Commission (SEC), as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to information required to be included in our periodic Securities and Exchange Commission filings. There was no significant change in our internal control over financial reporting that occurred during the quarter ended June 30, 2005, that materially affected or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

### PART II. OTHER INFORMATION

#### Item 1. Legal Proceedings

None.

#### Item 2. 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.

#### Item 6. Exhibits and Reports on Form 8-K

##### (a) Exhibits

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

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

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

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

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

### SIGNATURES

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

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DATE: September 6, 2005

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

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

DATE: September 6, 2005

By: /s/ STEPHEN FELDSCHUH

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STEPHEN FELDSCHUH  
Vice President of Operations  
And Chief Financial Officer

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