

DAXOR CORP  
Form 10-Q  
November 14, 2011

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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, 2011  
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:  
(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 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.

Large Accelerated filer

Accelerated Filer

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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	4,212,612 OUTSTANDING AT November 9, 2011
PAR VALUE: \$.01 per share	

DAXOR CORPORATION AND SUBSIDIARY

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**DAXOR CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	UNAUDITED September 30, 2011	December 31, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 29,711	\$ 57,741
Receivable from broker	30,961,894	32,382,439
Available-for-sale securities, at fair value	52,316,506	53,876,071
Accounts receivable, net of allowance for doubtful accounts of \$125,402 in 2011 and \$125,402 in 2010	189,612	178,820
Inventory	313,494	363,634
Prepaid expenses and other current assets	338,333	130,560
<b>Total Current Assets</b>	<b>84,149,550</b>	<b>86,989,265</b>
Property and equipment, net	4,065,934	4,168,992
Other assets	37,158	37,158
<b>Total Assets</b>	<b>\$ 88,252,642</b>	<b>\$ 91,195,415</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 971,146	\$ 436,542
Margin loans payable	7,841,832	4,638,197
Income taxes payable	742,579	2,986,800
Mortgage payable, current portion	57,230	46,798
Put and call options, at fair value	11,777,529	4,330,069
Securities borrowed, at fair value	26,171,717	22,406,036
Deferred revenue	52,529	51,920
Deferred income taxes	2,757,226	9,003,946
<b>Total Current Liabilities</b>	<b>50,371,788</b>	<b>43,900,308</b>
<b>LONG TERM LIABILITIES</b>		
Mortgage payable, less current portion	258,802	300,063
<b>Total Liabilities</b>	<b>50,630,590</b>	<b>44,200,371</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.01 par value, Authorized - 10,000,000 shares Issued - 5,316,530 shares Outstanding - 4,216,643 and 4,226,137 shares at September 30, 2011 and December 31, 2010, respectively	53,165	53,165
Additional paid in capital	10,680,860	10,675,228
Accumulated other comprehensive income	11,931,796	14,890,272
Retained earnings	26,651,971	32,980,341

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Treasury stock, at cost, 1,099,887 and 1,090,413 shares at September 30, 2011 and December 31, 2010, respectively	(11,695,740)	(11,603,962)
Total Stockholders' Equity	37,622,052	46,995,044
Total Liabilities and Stockholders' Equity	\$ 88,252,642	\$ 91,195,415

See accompanying notes to unaudited condensed consolidated financial statements.

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

	September 30, 2011	September 30, 2010
<b>REVENUES:</b>		
Operating Revenues – equipment sales and related services	\$ 260,231	\$ 368,201
Operating Revenues – cryobanking and related services	80,676	85,080
<b>Total Revenues</b>	<b>340,907</b>	<b>453,281</b>
<b>Cost of Sales:</b>		
Cost of equipment sales and related services	136,166	174,014
Cost of cryobanking and related services	13,210	11,728
<b>Total Cost of Sales</b>	<b>149,376</b>	<b>185,742</b>
<b>Gross Profit</b>	<b>191,531</b>	<b>267,539</b>
<b>OPERATING EXPENSES:</b>		
<b>Research and development expenses:</b>		
Research and development-equipment sales and related services	591,043	642,143
Research and development-cryobanking and related services	46,008	52,587
<b>Total Research and Development Expenses</b>	<b>637,051</b>	<b>694,730</b>
<b>Selling, General &amp; Administrative Expenses:</b>		
Selling, general, and administrative- equipment sales and related services	639,894	651,639
Selling, general, and administrative- cryobanking and related services	175,658	206,035
<b>Total Selling, General &amp; Administrative Expenses</b>	<b>815,552</b>	<b>857,674</b>
<b>Total Operating Expenses</b>	<b>1,452,603</b>	<b>1,552,404</b>
<b>Loss from Operations</b>	<b>(1,261,072)</b>	<b>(1,284,865)</b>
<b>Other Income (Expenses):</b>		
Dividend income-investment portfolio	645,792	635,678
Realized gains on sale of securities and options, net	253,505	2,370,510
Mark to market adjustments on short sales of options	(6,608,910)	2,735,102

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Other revenues		3,093		3,041
Interest expense		(29,769)		(20,323)
Administrative expense relating to portfolio investments		(31,444)		(35,227)
Total Other (Loss) Income		(5,767,733)		5,688,781
(Loss) Income before Income Taxes		(7,028,805)		4,403,916
Income Tax (Benefit) Expense		(2,845,136)		1,799,112
Net (Loss) Income	\$	(4,183,669)	\$	2,604,804
Comprehensive Loss:				
Net Income (Loss)	\$	(4,183,669)	\$	2,604,804
Unrealized (Loss )Gain on Securities Held for Sale, Net of Deferred Income Taxes		(3,710,012)		3,829,575
Comprehensive (Loss) Income	\$	(7,893,681)	\$	6,434,379
Weighted average number of shares outstanding – basic and diluted		4,219,026		4,232,691
Net (Loss) Income per common equivalent share – basic and diluted	\$	(0.99)	\$	0.62
Dividends paid per common share	\$	—	\$	0.25

See accompanying notes to unaudited condensed consolidated financial statements.



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

	September 30, 2011	September 30, 2010
<b>REVENUES:</b>		
Operating Revenues – equipment sales and related services	\$ 841,158	\$ 958,929
Operating Revenues – cryobanking and related services	235,357	258,956
<b>Total Revenues</b>	<b>1,076,515</b>	<b>1,217,885</b>
<b>Cost of Sales:</b>		
Cost of equipment sales and related services	445,453	516,304
Cost of cryobanking and related services	30,104	26,626
<b>Total Cost of Sales</b>	<b>475,557</b>	<b>542,930</b>
<b>Gross Profit</b>	<b>600,958</b>	<b>674,955</b>
<b>OPERATING EXPENSES:</b>		
<b>Research and development expenses:</b>		
Research and development-equipment sales and related services	1,853,350	2,166,121
Research and development-cryobanking and related services	143,074	155,143
<b>Total Research and Development Expenses</b>	<b>1,996,424</b>	<b>2,321,264</b>
<b>Selling, General &amp; Administrative Expenses:</b>		
Selling, general, and administrative- equipment sales and related services	2,903,796	1,950,852
Selling, general, and administrative- cryobanking and related services	481,544	534,930
<b>Total Selling, General &amp; Administrative Expenses</b>	<b>3,385,340</b>	<b>2,485,782</b>
<b>Total Operating Expenses</b>	<b>5,381,764</b>	<b>4,807,046</b>
<b>Loss from Operations</b>	<b>(4,780,806)</b>	<b>(4,132,091)</b>
<b>Other Income (Expenses):</b>		
Dividend income-investment portfolio	1,719,345	1,722,944
Realized gains on sale of securities and options, net	6,277,552	9,936,557
Mark to market adjustments on short sales of options	(12,764,473)	(2,355,785)

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Other revenues	9,281	9,124
Interest expense	(141,677)	(35,506)
Administrative expense relating to portfolio investments	(101,153)	(101,244)
Total Other (Loss) Income	(5,001,125)	9,176,090
(Loss) Income before Income Taxes	(9,781,931)	5,043,999
Income Tax (Benefit) Expense	(4,087,480)	2,343,258
Net (Loss) Income	\$ (5,694,451)	\$ 2,700,741
Comprehensive Loss(Income):		
Net (Loss) Income	\$ (5,694,451)	\$ 2,700,741
Unrealized Loss on Securities Held for Sale, Net of Deferred Income Taxes	(2,958,476)	(292,161)
Comprehensive (Loss) Income	\$ (8,652,927)	\$ 2,408,580
Weighted average number of shares outstanding – basic and diluted	4,223,504	4,240,753
Net (Loss) Income per common equivalent share – basic and diluted	\$ (1.35)	\$ 0.64
Dividends paid per common share	\$ 0.15	\$ 0.35

See accompanying notes to unaudited condensed consolidated financial statements.

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

	September 30, 2011	September 30, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (Loss) Income	\$ (5,694,451)	\$ 2,700,741
Adjustment to reconcile net (loss) income to net cash used in operating activities:		
Depreciation	219,508	222,737
Non-cash compensation expense associated with employee stock compensation plans	5,839	—
Deferred income taxes	(4,652,095)	(1,282,320)
Bad debt allowance	—	20,366
Gain on sale of fixed assets	—	(52,533)
Loss on disposal of fixed assets	—	285
Realized gains on sale of securities and options, net	(6,277,552)	(9,936,557)
Non-cash dividend income	(7,028)	—
Mark to market adjustments on short sales of options	12,764,473	2,355,785
Change in operating assets and liabilities:		
Increase in accounts receivable	(10,792)	(67,535)
Increase in prepaid expenses & other current assets	(207,773)	(69,364)
Decrease in inventory	50,140	72,453
Increase in accounts payable and accrued liabilities	534,604	29,700
(Decrease) Increase in income taxes payable	(2,244,221)	2,131,173
Increase in deferred revenue	609	20,260
Net cash used in operating activities	(5,518,739)	(3,854,809)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(118,450)	(289,703)
Proceeds from sale of fixed assets	—	65,000
Proceeds from sale of property and equipment	2,000	—
Increase in receivable due from broker	(4,957,939)	(5,176,245)
Increase in securities borrowed, at fair market value	3,765,681	4,861,094
Purchases of put and call options	(2,149,747)	(419,080)
Proceeds from sales of put and call options	8,794,637	14,344,491
Acquisition of available for sale securities	(14,276,361)	(21,818,503)
Proceeds from sale of available for sale securities	5,605,503	11,383,466
Net cash (used in) provided by investing activities	(3,334,676)	2,950,520
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from margin loan payable	25,213,762	29,622,601
Repayment of margin loan payable	(15,631,644)	(27,137,287)
Purchase of treasury stock	(91,778)	(236,744)
Dividends paid	(633,919)	(1,482,076)

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Repurchase and retirement of Common Stock	(207)	—
Repayment of mortgage payable	(30,829)	(32,250)
Net cash provided by financing activities	8,825,385	734,244
Net decrease in cash and cash equivalents	(28,030)	(170,045)
Cash and cash equivalents at beginning of period	57,741	277,088
Cash and cash equivalents at end of period	\$ 29,711	\$ 107,043
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 142,961	\$ 37,340
Income taxes	\$ 2,997,342	\$ 1,556,483

See accompanying notes to unaudited condensed consolidated financial statements.

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2011  
(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.

SEC ADMINISTRATIVE PROCEEDING

In 2005 and 2007, the Company and Dr. Joseph Feldschuh, 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. Feldschuh 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. Feldschuh to make a new Wells submission based upon more recent operations and results. The Company and Dr. Feldschuh responded to the staff’s invitation on December 20, 2009.

The Company disclosed in its Form 10-Q for September 30, 2010, Form 10-K for December 31, 2010 and Form 10-Q’s for March 31, 2011 and June 30, 2011 that the SEC instituted administrative proceedings pursuant to the Investment Company Act of 1940 on September 17, 2010. The New York City staff of the Enforcement Division of the SEC claimed that Daxor is primarily an investment company and not primarily an operating company.

The Company has disclosed in previous public filings that it is dependent upon earnings from its investment portfolio to fund operations and that a single individual, Dr. Joseph Feldschuh, makes all investment decisions.

The administrative proceeding took place from March 7, 2011 through March 9, 2011 in New York City. The Company feels strongly that the extensive documentation of its history of operations presented at the administrative proceeding demonstrated that it is primarily an operating medical instrumentation and biotechnology company and not primarily an investment company.

On August 31, 2011, an Administrative Law Judge of the SEC issued his decision finding Daxor to be an Investment Company as defined by the Investment Company Act of 1940. A major factor in the decision was his opinion that we are in the business of investing and more than 40% of our assets are comprised of investment securities.

The management of the Company believes the additional disclosures that would be necessary if Daxor were to become an Investment Company would not materially affect investment policies and practices currently in place.

As disclosed in our press release of September 1, 2011, the Board of Directors and the Management of Daxor are considering different options. We may register as an Investment Company, appeal the decision or take the Company private. The management of the Company believes that if we register or take the Company private, our operations and

ongoing research efforts will not be materially affected.

## 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, 2010 and 2009, included in Daxor Corporation's Annual Report and Form 10-K for the fiscal year ended December 31, 2010 which was filed on March 29, 2011. The December 31, 2010 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, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

These condensed consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("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 8-03 of Regulation S-X.

Management has evaluated subsequent events through the date of this filing.

### 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.

### Fair Value Measurements

The Company accounts for its investments under the provision of FASB ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value under GAAP and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as 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 on the measurement date. ASC 820 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair values which are discussed below.

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets include corporate-owned key person life insurance policies.



DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2011 (Continued)  
(Unaudited)

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category includes auction rate securities where independent pricing information was not able to be obtained.

The Company's marketable securities are valued using Level 1 observable inputs utilizing quoted market prices in active markets. These marketable securities are summarized in Note 2, Available-for-Sale Securities.

On January 1, 2010, the Company adopted the provisions of FASB ASU No. 2010-06, "Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"). This update provides amendments to Subtopic 820-10 that requires new disclosure as follows: 1) Transfers in and out of Levels 1 and 2. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. 2) Activity in Level 3 fair value measurements. In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). This update provides amendments to Subtopic 820-10 that clarify existing disclosures as follows: 1) Level of disaggregation. A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities. 2) Disclosures about inputs and valuation techniques. A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of the ASU 2010-06 did not have an impact on the Company's financial statements.

#### 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 FASB ASC 320 - Accounting for Certain Investments in Debt and Equity Securities ("ASC 320"). 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 FASB 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.

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2011 (Continued)  
(Unaudited)

Receivable from Broker

The Receivable from Brokers includes cash proceeds from the sales of securities and dividends. These proceeds are invested in dividend bearing money market accounts. The securities loaned are shares loaned to UBS to cover short positions held by other customers of the broker. UBS pays the Company interest for the loan of these securities. The restricted cash is held by the brokers to satisfy margin requirements.

The following table summarizes Receivable from Broker at September 30, 2011 and December 31, 2010:

Description	(Unaudited)	
	September 30, 2011	December 31, 2010
Money Market Accounts	\$ 3,737,314	\$ 10,115,798
Securities Loaned	187,386	—
Restricted Cash	27,037,194	22,266,641
Total Receivable from Broker	\$ 30,961,894	\$ 32,382,439

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2011 (Continued)  
(Unaudited)

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.

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 20% of the Company’s portfolio without any specific action because of changes in valuation, but should not exceed this amount. The Company’s investment policy is to maintain a minimum of 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 usually does not exceed 10% of the value 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 short 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.

DAXOR CORPORATION AND SUBSIDIARY  
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It is possible that the market value of a stock may go below our cost after we purchase it even though we considered the stock to be undervalued relative to the market at the time we purchased it. When that occurs, we follow the provisions of SEC Staff Accounting Bulletin: Codification of Staff Accounting Bulletins, Topic 5-M (“SAB 5-M”): Miscellaneous Accounting, Other Than Temporary Investments in Debt and Equity Securities in determining whether an investment is other than temporarily impaired.

#### 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.

#### 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 loss per share calculations for the three months ended September 30, 2011 and September 30, 2010:

	Three months ended September 30, 2011	Three months ended September 30, 2010
Basic and diluted shares	4,219,026	4,232,691
Net (Loss) Income	\$ (4,183,669)	\$ 2,604,804
Basic and diluted (loss) income per share	\$ (0.99)	\$ 0.62

Certain stock options were not included in the computation of the earnings per share due to their anti-dilutive effect. The number of anti-dilutive options totaled 52,800 and 54,800 for the three months ended September 30, 2011 and 2010, respectively.

The following table summarizes the loss per share calculations for the nine months ended September 30, 2011 and September 30, 2010:

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Basic and diluted shares	4,223,504	4,240,753
Net (Loss) Income	\$ (5,694,451)	\$ 2,700,741
Basic and diluted (loss) income per share	\$ (1.35)	\$ 0.64

Certain stock options were not included in the computation of the earnings per share due to their anti-dilutive effect. The number of anti-dilutive options totaled 52,800 and 54,800 for the nine months ended September 30, 2011 and 2010, respectively.



DAXOR CORPORATION AND SUBSIDIARY  
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### Dividends

In 2008, Management instituted a policy of paying dividends when funds are available.

The Company paid a dividend of \$0.15 per share on June 16, 2011. The Company paid a total dividend of \$0.25 and \$0.35 per share during the three and nine months ended September 30, 2010.

On November 8, 2011 the Company announced plans to pay a dividend of \$0.10 per share on November 30, 2011 to shareholders of record on November 18, 2011.

### Stock Based Compensation

The Company records compensation expense associated with stock options and other forms of equity compensation in accordance with FASB ASC 718, "Compensation – Stock Compensation." Under the fair value recognition provision of FASB ASC Topic 718, stock-based compensation cost is estimated at the grant date based on the fair value of the award. The Company estimates the fair value of stock options granted using the Black-Scholes-Merton option pricing model.

### Reclassifications

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

### (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:

#### Summary of Available for Sale Securities as of September 30, 2011 (Unaudited)

Type of Security	Market Value	Cost of Securities	Net Unrealized Gain	Unrealized Gains	Unrealized Losses
Common Stock	\$50,440,956	\$32,389,878	\$18,051,078	\$25,019,410	\$(6,968,332)
Preferred Stock	1,875,550	1,571,618	303,932	363,630	(59,698)
Total Equity Securities	\$52,316,506	\$33,961,496	\$18,355,010	\$25,383,040	\$(7,028,030)

#### Summary of Unrealized Losses of Available for Sale Securities as of September 30, 2011 (Unaudited)

	Less Than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Marketable Equity Securities	\$ 6,956,028	\$ 5,203,441	\$ 1,901,917	\$ 1,824,589	\$ 8,857,945	\$ 7,028,030

Summary of Unrealized Gains on Available for Sale Securities as of September 30, 2011 (Unaudited)

	Less Than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Unrealized Gains	Fair Value	Unrealized Gains	Fair Value	Unrealized Gains
Marketable Equity Securities	\$ 67,700	\$ 4,990	\$ 43,390,861	\$ 25,378,050	\$ 43,458,561	\$ 25,383,040



DAXOR CORPORATION AND SUBSIDIARY  
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## Summary of Available for Sale Securities as of December 31, 2010

Type of Security	Market Value	Cost of Securities	Net Unrealized Gain	Unrealized Gains	Unrealized Losses
Common Stock	\$ 51,808,717	\$ 29,341,744	\$ 22,466,973	\$ 23,044,040	\$ (577,067)
Preferred Stock	2,067,354	1,626,215	441,139	454,032	(12,893)
Total Equity Securities	\$ 53,876,071	\$ 30,967,959	\$ 22,908,112	\$ 23,498,072	\$ (589,960)

Daxor Corporation  
Summary of Unrealized Losses on Available for Sale Securities  
As at December 31, 2010

	Less Than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Marketable Equity Securities	\$ 8,263,313	\$ 74,480	\$ 2,216,443	\$ 515,480	\$ 10,479,756	\$ 589,960

Daxor Corporation  
Summary of Unrealized Gains on Available for Sale Securities  
As at December 31, 2010

	Less Than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Unrealized Gains	Fair Value	Unrealized Gains	Fair Value	Unrealized Gains
Marketable Equity Securities	\$ 2,423,702	\$ 384,011	\$ 40,972,613	\$ 23,114,061	\$ 43,396,315	\$ 23,498,072

Our investment policy calls for a minimum of 80% of the value of our portfolio of Available for Sale Securities to be maintained in utility stocks. This percentage may be temporarily decreased to 70% if deemed necessary by management. Operating under this policy, Management's investment strategy is to purchase utility stocks which it considers to be undervalued relative to the market in anticipation of an increase in the market price.

At September 30, 2011 and December 31, 2010, available for sale securities consisted mostly of preferred and common stocks of utility companies. At September 30, 2011 and December 31, 2010, 96.37% and 96.16% of the market value of the Company's available for sale securities was made up of common stock, respectively.

The Company's portfolio value is exposed to fluctuations in the general value of electric utilities. An increase of interest rates could put downward pressure on the valuation of utility stocks.

Electric utilities operate in an environment of federal, state and local regulations, and they may disproportionately affect an individual utility. The Company believes that its exposure to regulatory risk is mitigated due to the diversity of holdings consisting of 86 separate common and preferred stocks. As of September 30, 2011 there were five

holdings of common stock which comprised 47.54% of the total market value of the available for sale investments. These five holdings are Entergy, Exelon, First Energy, Bank of America, and National Grid.

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2011 (Continued)  
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It is possible that the market value of a stock may go below our cost after we purchase it even though we considered the stock to be undervalued relative to the market at the time we purchased it. When that occurs, we follow the provisions of SEC Staff Accounting Bulletin: Codification of Staff Accounting Bulletins, Topic 5-M (“SAB 5-M”): Miscellaneous Accounting, Other Than Temporary Investments in Debt and Equity Securities in determining whether an investment is other than temporarily impaired. The factors we review and/or consider include the following:

The extent to which the market value has been less than cost.

An evaluation of the financial condition of an issuer including a review of their profit and loss statements for the most recent completed fiscal year and the preceding two years.

The examination of the general market outlook of the issuer. This could include but is not limited to the issuer having a unique product or technology which would appear likely to have a positive impact on future earnings.

A review of the general market conditions.

Our intent and ability to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

Specific adverse conditions related to the financial health of, and business outlook for, the issuer.

Changes in technology in the industry and its affect on the issuer.

Changes in the issuer’s credit rating.

#### Unrealized Losses on Available for Sale Securities

At September 30, 2011, 82.82% or \$5,820,878 of the total unrealized losses of \$7,028,030 was comprised of the following three securities: \$3,631,118 for Bank of America, \$823,789 for Citigroup Inc. and \$1,365,971 for USEC.

#### Bank of America

At September 30, 2011, Daxor owned 560,295 shares of Bank of America with a cost basis of \$12.60 per share and a market value of \$6.12 per share. On October 31, 2011, the market value was \$6.83 per share which is \$5.77 or 46% lower than our cost basis of \$12.60 per share. As of September 30, 2011, the book value of the Company was \$20.80 per share which is substantially more than the current market price and the cost basis of the shares owned by Daxor.

Revenue, net of interest expense for the quarter ended September 30, 2011 increased to \$28.4 billion from \$26.7 billion during the quarter ended September 30, 2010.

The Company took advantage of its strong liquidity position during the quarter ended September 30, 2011 and reduced short term debt by \$17 billion and long term debt by \$28 billion.

On October 18, 2011, Bank of America reported net income of \$6.2 billion for the quarter ended September 30, 2011 versus a net loss of \$7.3 billion for the same period in 2010.

In order to be “well capitalized” under federal bank regulatory agency definitions, a bank holding company must have a Tier 1 Capital Ratio of at least 6%, a Total Capital Ratio of at least 10%, and a Leverage ratio of at least 3% not to be subject to a Federal Reserve Board directive to maintain higher capital levels. At September 30, 2011, the Tier 1 Capital Ratio was 11.48%, the Total Capital Ratio was 15.86% and the leverage ratio was 7.11%. Bank of America is considered “well capitalized” under the federal regulatory agency definitions at September 30, 2011.

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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After considering the available positive and negative evidence in addition to the ability of Daxor to hold the stock until the market price exceeds our cost as it did at March 31, 2011, management has determined that an impairment charge is not necessary at September 30, 2011 on Bank of America.

#### Citigroup

At September 30, 2011, Daxor owned 38,440 shares of Citigroup with a cost basis of \$47.05 per share and a market value of \$25.62. On October 31, 2011, the market value was \$31.59 per share which is \$15.46 or 33% lower than our cost basis of \$47.05 per share. During the first quarter of 2009, the stock was at \$10.00 per share and as of October 31, 2011, was trading at \$31.59 per share. The stock price has decreased by 5% from January 1, 2010 through October 31, 2011 going from \$33.10 per share to \$31.59 per share. As of September 30, 2011, the book value of the Company was \$60.56 which is substantially more than the current market price and the shares owned by Daxor.

Citigroup reported net income of \$3.8 billion for the quarter ended September 30, 2011 versus net income of \$2.1 billion for the quarter ended September 30, 2010. Revenue was \$20.8 billion during the current quarter versus \$20.7 billion for the same period in 2010.

Citigroup has increased headcount to 267,000 at September 30, 2011 from 260,000 at March 31, 2011. This is still less than the peak level of 375,000 from 2007. Total Operating Expenses were 8% higher during the nine months ended September 30, 2011 as compared to the same period in 2010.

During 2009, Citigroup repaid \$20 billion of TARP (Troubled Asset Relief Program) trust preferred securities and exited a loss sharing agreement. As a result of these transactions, effective in 2010, Citigroup is no longer deemed to be a beneficiary of "exceptional financial assistance" under TARP.

In order to be "well capitalized" under federal bank regulatory agency definitions, a bank holding company must have a Tier 1 Capital Ratio of at least 6%, a Total Capital Ratio of at least 10% , and a Leverage ratio of at least 3%, and not be subject to a Federal Reserve Board directive to maintain higher capital levels. At September 30, 2011, the Tier 1 Capital Ratio was 13.5%, Total Capital Ratio was 16.9% and the Leverage Ratio was 7.0%. Citigroup is considered "well capitalized" under the federal regulatory agency definitions at June 30, 2011 and all of these percentages have improved since December 31, 2010.

The operating environment for Citigroup continues to be difficult but the stock price has mostly been trending upward since the first quarter of 2010. Citigroup has now recorded a profit for seven consecutive quarters versus a loss for the year ended December 31, 2009. Citigroup is no longer deemed to be a beneficiary of "exceptional financial assistance" under TARP and is considered to be "well capitalized" under the federal regulatory agency definitions at September 30, 2011.

After considering the available positive and negative evidence in addition to the ability of Daxor to hold the stock until the market price exceeds our cost, management has determined that an impairment charge is not necessary at September 30, 2011 on Citigroup.

#### USEC

At September 30, 2011, Daxor owned 422,400 shares of USEC with a cost basis of \$4.84 per share and a market value of \$1.61 per share. On October 31, 2011 the market value of USEC was \$2.10 per share which is \$2.74 or 57% less than our cost basis of \$4.84 per share.

The stock price has decreased by 65% from January 1, 2011 through October 31, 2011, going from \$5.99 per share to \$2.10 per share. As of September 30, 2011, the Book Value of the Company was approximately \$10.93 per share. This is substantially more than the current market price and the cost basis of the shares owned by Daxor.

USEC Inc., together with its subsidiaries, supplies low enriched uranium (LEU) to commercial nuclear power plants in the United States and internationally. It also performs contract work for the U.S. Department of Energy (DOE) and DOE contractors at the Paducah and Portsmouth gaseous diffusion plants. USEC Inc's contract work includes support services and the maintenance of Portsmouth gaseous diffusion plant in a state of cold shutdown. In addition, the company provides nuclear energy solutions and services, including the design, fabrication, and implementation of spent nuclear fuel technologies; nuclear materials transportation and storage systems; and nuclear fuel cycle and energy consulting services.

USEC reported a net loss of \$44.7 million for the nine months ended September 30, 2011, versus a net loss of \$1.5 million for the same period in 2010. Revenue for the current nine month period was \$1.209 billion which is a 12% increase from 2010. The Gross Profit Margin was 6.1% during the nine months ended September 30, 2011 versus 8.0% for the nine months ended September 30, 2010.

Electricity makes up approximately 70% of USEC's production cost. The Company is focused on negotiations with their major power supplier and other utilities in order to obtain lower cost power with less volatility in pricing after their current contract expires in 2012.

In their news release of November 4, 2011, the Company reaffirmed expected revenue of approximately \$1.7 billion for 2011 and a gross profit of approximately \$100 million.

After considering the available positive and negative evidence in addition to the ability of Daxor to hold the stock until the market price exceeds our cost, management has determined that an impairment charge is not necessary at September 30, 2011 on USEC.

Daxor Corporation  
Summary of Unrealized Losses on Bank of America, Citigroup and USEC  
As of September 30, 2011

Security	Total Cost	Less Than Twelve Months		Twelve Months or Greater		Total	
		Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Bank of America	\$ 7,060,123	\$ 3,077,105	\$ 3,198,236	\$ 351,900	\$ 432,882	\$ 3,429,005	\$ 3,631,118
Citigroup	1,808,429	550,723	244,864	433,918	578,925	984,641	823,789
USEC	2,046,036	377,223	690,565	302,841	675,406	680,064	1,365,971
Total	\$ 10,914,588	\$ 4,005,051	\$ 4,133,665	\$ 1,088,659	\$ 1,687,213	\$ 5,093,710	\$ 5,820,878

DAXOR CORPORATION AND SUBSIDIARY  
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## (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.

The following table summarizes the results of each segment described above for the three months ended September 30, 2011 (unaudited).

	September 30, 2011			Total
	Equipment Sales & Related Services	Cryobanking & Related Services	Investment Activity	
Revenues	\$ 260,231	\$ 80,676	\$ —	\$ 340,907
Expenses				
Cost of sales	136,166	13,210	—	149,376
Research and development expenses	591,043	46,008	—	637,051
Selling, general and administrative expenses	639,894	175,658	—	815,552
Total Expenses	1,367,103	234,876	—	1,601,979
Operating loss	(1,106,872)	(154,200)	—	(1,261,072)
Investment loss, net	—	—	(5,741,057)	(5,741,057)
Other income (expense)				
Interest expense, net	(5,412)	—	(24,357)	(29,769)
Other income	3,093	—	—	3,093



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Total Other Expense	(2,319)	—	(24,357)	(26,676)
Loss before income taxes	(1,109,191)	(154,200)	(5,765,414)	(7,028,805)
Income tax expense (benefit)	(10,806)	470	(2,834,800)	(2,845,136)
Net Income (loss)	\$ (1,098,385)	\$ (154,670)	\$ (2,930,614)	\$ (4,183,669)
Total assets	\$ 4,842,613	\$ 131,629	\$ 83,278,400	\$ 88,252,642

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DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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The following table summarizes the results of each segment described above for the three months ended September 30, 2010 (unaudited).

	September 30, 2010			
	Equipment Sales & Related Services	Cryobanking & Related Services	Investment Activity	Total
Revenues	\$ 368,201	\$ 85,080	\$ —	\$ 453,281
Expenses				
Cost of sales	174,014	11,728	—	185,742
Research and development expenses	642,143	52,587	—	694,730
Selling, general and administrative expenses	651,639	206,035	—	857,674
Total Expenses	1,467,796	270,350	—	1,738,146
Operating loss	(1,099,595)	(185,270)	—	(1,284,865)
Investment income, net	—	—	5,706,063	5,706,063
Other income (expense)				
Interest expense, net	(6,896)	—	(13,427)	(20,323)
Other income	3,041	—	—	3,041
Total Other Income (expense)	(3,855)	—	(13,427)	(17,282)
Income (loss) before income taxes	(1,103,450)	(185,270)	5,692,636	4,403,916
Income tax expense	75,403	—	1,723,709	1,799,112
Net Income (loss)	\$ (1,178,853)	\$ (185,270)	\$ 3,968,927	\$ 2,604,804
Total assets	\$ 5,052,684	\$ 162,402	\$ 81,032,990	\$ 86,248,076

DAXOR CORPORATION AND SUBSIDIARY  
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September 30, 2011 (Continued)  
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The following table summarizes the results of each segment described above for the nine months ended September 30, 2011 (unaudited).

	September 30, 2011			
	Equipment Sales & Related Services	Cryobanking & Related Services	Investment Activity	Total
Revenues	\$ 841,158	\$ 235,357	\$ —	\$ 1,076,515
Expenses				
Cost of sales	445,453	30,104	—	475,557
Research and development expenses	1,853,350	143,074	—	1,996,424
Selling, general and administrative expenses	2,903,796	481,544	—	3,385,340
Total Expenses	5,202,599	654,722	—	5,857,321
Operating loss	(4,361,441)	(419,365)	—	(4,780,806)
Investment loss, net	—	—	(4,868,729)	(4,868,729)
Other income (expense)				
Interest expense, net	(28,004)	—	(113,673)	(141,677)
Other income	9,281	—	—	9,281
Total Other Expense	(18,723)	—	(113,673)	(132,396)
Loss before income taxes	(4,380,164)	(419,365)	(4,982,402)	(9,781,931)
Income tax expense (benefit)	112,176	470	(4,200,126)	(4,087,480)
Net Income (loss)	\$ (4,492,340)	\$ (419,835)	\$ (782,276)	\$ (5,694,451)
Total assets	\$ 4,842,613	\$ 131,629	\$ 83,278,400	\$ 88,252,642

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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The following table summarizes the results of each segment described above for the nine months ended September 30, 2010 (unaudited).

	September 30, 2010			
	Equipment Sales & Related Services	Cryobanking & Related Services	Investment Activity	Total
Revenues	\$ 958,929	\$ 258,956	\$ —	\$ 1,217,885
Expenses				
Cost of sales	516,304	26,626	—	542,930
Research and development expenses	2,166,121	155,143	—	2,321,264
Selling, general and administrative expenses	1,950,852	534,930	—	2,485,782
Total Expenses	4,633,277	716,699	—	5,349,976
Operating loss	(3,674,348)	(457,743)	—	(4,132,091)
Investment income, net	—	—	9,202,472	9,202,472
Other income (expense)				
Interest expense, net	(21,142)	296	(14,660)	(35,506)
Other income	9,124	—	—	9,124
Total Other Income (Expense)	(12,018)	296	(14,660)	(26,382)
Income (loss) before income taxes	(3,686,366)	(457,447)	9,187,812	5,043,999
Income tax expense	111,403	—	2,231,855	2,343,258
Net Income (loss)	\$ (3,797,769)	\$ (457,447)	\$ 6,955,957	\$ 2,700,741
Total assets	\$ 5,052,684	\$ 162,402	\$ 81,032,990	\$ 86,248,076

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2011 (Continued)  
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(4) LOANS AND MORTGAGE PAYABLE

LOANS PAYABLE

Short-term debt to brokers (margin debt) is secured by the Company's marketable securities and totaled \$7,841,832 at September 30, 2011 and \$4,638,197 at December 31, 2010. The interest rate on the Company's margin debt at September 30, 2011 ranged from 1.074% to 1.075%.

MORTGAGE PAYABLE

Daxor financed the purchase of the land and two buildings in Oak Ridge, Tennessee with a \$500,000 mortgage, with the first five years fixed at 7.49%. There was a balloon payment of \$301,972 for the remaining principal and interest on the mortgage due on January 2, 2012.

On July 19, 2011, the Company signed a new five year mortgage agreement for the remaining principal balance of \$319,927 plus interest. As of September 30, 2011, the remaining principal balance was \$316,032. The interest rate is fixed at 5.75% and the first payment was made on September 2, 2011 and the last payment is due August 2, 2016.

(5) 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, 2011, the Company recorded a loss from marking put and call options to market of (\$7,819,900). For the three months ended September 30, 2010, the Company recorded a gain from marking put and call options to market of \$3,945,415. 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, 2011, the Company recorded a loss from marking put and call options to market of (\$11,555,109). For the nine months ended September 30, 2010, the Company recorded a loss from marking put and call options to market of (\$1,416,884). 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, 2011 (unaudited) and December 31, 2010:

Put and Call Options	Selling Price	Fair Market Value	Unrealized (Loss) Gain
September 30, 2011	\$ 5,753,963	\$ 11,777,529	\$ (6,023,566)
December 31, 2010	\$ 9,896,627	\$ 4,330,069	\$ 5,566,558

#### (6) 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 \$26,171,717 and \$22,406,036 as of September 30, 2011 and December 31, 2010.

**DAXOR CORPORATION AND SUBSIDIARY**  
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(Unaudited)

**(7) STOCK OPTIONS**

On May 11, 2011, the Company issued five-year options to various employees to purchase up to 9,000 shares of the Company's common stock at an exercise price of \$11.91 per share. The options will be fully vested in May 2012 and expire in May 2016

Total share-based compensation expense recognized in the Statement of Operations aggregated \$3,893 for the three months ended September 30, 2011 and \$0 for the same period in 2010. The total share-based compensation expense for the nine months ended September 30, 2011 was \$5,839 versus \$0 for the same period in 2010.

To calculate the option-based compensation, the Company used the Black-Scholes option-pricing model. The Company's determination of fair value of option-based awards on the date of grant using the Black-Scholes model is affected by the Company's stock price as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, risk-free interest rate, and the expected life of the options. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected life of the stock options. The expected volatility, holding period, and forfeitures of options are based on historical experience.

**(8) INCOME TAXES**

The Company accrues income taxes in interim periods based upon its estimated annual effective tax rate.

The current income tax (benefit) expense for the three months ended September 30, 2011 and 2010 (unaudited) is comprised of the following:

	September 30, 2011	September 30, 2010
Regular tax and Alternative Minimum Tax (AMT)	\$ (486,127)	\$ 707,389
Personal Holding Company Tax (PHC)	(60,000)	80,943
State Franchise Taxes	(12,240)	75,403
Total Current Income Tax (Benefit) Provision	(558,367)	863,735
Deferred Income Taxes	(2,286,769)	935,377
Total Income Tax (Benefit) Expense	\$ (2,845,136)	\$ 1,799,112

The current income tax (benefit) expense for the nine months ended September 30, 2011 and 2010 (unaudited) is comprised of the following:

	September 30, 2011	September 30, 2010
Regular tax and Alternative Minimum Tax (AMT)	\$ 375,003	\$ 2,643,679
Personal Holding Company Tax (PHC)	80,000	870,496
State Franchise Taxes	109,612	111,403
Total Current Income Tax Provision	564,615	3,625,578
Deferred Income Taxes	(4,652,095)	(1,282,320)

Total Income Tax (Benefit) Expense	\$ (4,087,480)	\$ 2,343,258
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DAXOR CORPORATION AND SUBSIDIARY  
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The deferred income tax liability is computed at the federal statutory rate of 35% and comprised of the following:

	(unaudited) September 30, 2011	December 31, 2010
Deferred Tax Liabilities:		
Fair value adjustment for available-for-sale securities	\$ 6,424,254	\$ 8,017,839
Mark to market short positions	(3,761,831)	856,641
Property and equipment	94,803	168,941
Other	—	(39,475)
	\$ 2,757,226	\$ 9,003,946

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 the accumulated other comprehensive income account which is in the stockholders' equity section of the balance sheet.

#### (9) 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, 2011 stocks representing 97.83% 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 are 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, at September 30, 2011, the fair market value of securities in excess of the SIPC insured limit is \$1,882,656 and the cash on deposit in excess of the insured limit is \$2,355,040.

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For the three months ended September 30, 2011, the sales of Blood Volume Kits accounted for 64.92% of the Company's total consolidated operating revenue. There were four customers (hospitals) that accounted for 66.82% of the Company's sales of Blood Volume Kits.

For the three months ended September 30, 2010, the sales of Blood Volume Kits accounted for 62.23% of the Company's total consolidated operating revenue. There were four customers (hospitals) that accounted for 61.52% of the Company's sales of Blood Volume Kits.

For the nine months ended September 30, 2011, the sales of Blood Volume Kits accounted for 67.43% of the Company's total consolidated operating revenue. There were four customers (hospitals) that accounted for 62.19% of the Company's sales of Blood Volume Kits.

For the nine months ended September 30, 2010, the sales of Blood Volume Kits accounted for 62.76% of the Company's total consolidated operating revenue. There were four customers (hospitals) that accounted for 60.17% 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 our 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. As a result of this policy change, diagnostic radiopharmaceuticals such as Daxor's Volumex are no longer separately reimbursable by Medicare for outpatient services. At this time, it is still unclear if this policy change will also be implemented by private third party health insurance companies.

The reimbursement policy for hospital outpatients through December 31, 2007 included payment for both the cost of the procedure to perform a blood volume analysis (BVA) and the radiopharmaceutical (Daxor's Volumex radiopharmaceutical). CMS's policy now only includes the reimbursement for the procedure and would require the hospital to absorb the cost of the radiopharmaceutical. There will be an upward adjustment for the procedure code to include some of the costs of the radiopharmaceutical. However, this upward adjustment does not entirely cover the costs associated with the procedure and the radiopharmaceutical.

In response to Medicare's change in its reimbursement policy for diagnostic radiopharmaceuticals, Daxor has lobbied CMS both individually and as a member of the Society of Nuclear Medicine's APC Task Force, which is a select group of representatives from industry and healthcare that represents the more than 16,000 nuclear medicine professionals in the United States. One of the missions of the APC Task Force is to work directly with the CMS in an attempt to amend the current policy limiting the reimbursement of diagnostic radiopharmaceuticals for outpatient diagnostic services. There is no guarantee that the APC task force will be successful in their efforts to persuade the CMS to amend their policy of limiting the reimbursement of diagnostic radiopharmaceuticals for outpatient diagnostic services. This change in Medicare's reimbursement policy was still in effect at September 30, 2011.

On March 21, 2010, the U.S. House of Representatives passed The “Patient Protection and Affordable Care Act (H.R.3590).” This legislation was signed into law by President Obama on March 23, 2010. The goal of this legislation is to make health care more accessible to Americans. At this time, we are unable to quantify how this legislation will affect our operating income. Although it is possible that increased coverage could lead to greater access to our products and services if the reimbursement rate is lower, this would limit the benefit to Daxor and could have a negative effect on our operating results and our business.

The Company’s Volumex syringes are filled by an FDA approved radiopharmaceutical 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.

From time to time, the Company is the subject of legal proceedings arising in the ordinary course of business. The Company does not believe that any proceedings currently pending or threatened will have a material adverse effect on its business or results of operations.

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(10) 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, 2011 and September 30, 2010 was \$3,093 and \$3,041.

The amount of rental income received from the President of the Company for the nine months ended September 30, 2011 and September 30, 2010 was \$9,281 and \$9,124.

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, 2010 and 2009. Jonathan Feldschuh is expected to provide a limited amount of consultative help in the filing of the additional patents in 2011.

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(11) RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

On January 1, 2011, the Company adopted Accounting Statement Update (ASU) 2009-13, "Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements," which eliminates the residual method of allocation, and instead requires companies to use the relative selling price method when allocating revenue in a multiple deliverable arrangement. When applying the relative selling price method, the selling price for each deliverable shall be determined using vendor specific objective evidence of selling price, if it exists, otherwise using third-party evidence of selling price. If neither vendor specific objective evidence nor third-party evidence of selling price exists for a deliverable, companies shall use their best estimate of the selling price for that deliverable when applying the relative selling price method. The Company has elected to adopt this guidance prospectively for all revenue arrangements entered into or materially modified after the date of adoption. The adoption of the provisions of ASU 2009-13 did not have a material effect on the financial position, results of operations or cash flows of the Company.

On January 1, 2011, the Company adopted ASU 2010-06, "Improving Disclosures about Fair Value Measurements," to require additional disclosures related to activity within Level 3 of the fair value hierarchy. The adoption of ASU 2010-06 did not have a a material effect on the financial position, results of operations or cash flows of the Company.

In April 2011, the FASB issued Accounting Standards Update 2010-04 (ASU 2011-04), Fair Value Measurement (Topic 820): Amendments to achieve common fair value measurement and disclosure requirements in U.S. GAAP and IFRS. The amendments in this Update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the Board does not intend for the amendments in this Update to result in a change in the application of the requirements in Topic 820. The amendments in this Update should be applied prospectively and are effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2011. Early application is not permitted. The Company does not expect the provisions of ASU 2011-04 to have a material effect on the financial position, results of operations or cash flows of the Company.

In June 2011, the FASB issued Accounting Standards Update 2010-05 (ASU 2011-05), Comprehensive Income (Topic 220): Presentation of Comprehensive Income. The amendments require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The amendments in this Update should be applied retrospectively and are effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2011. Early adoption is permitted, because compliance with the amendments is already permitted. The Company does not expect the provisions of ASU 2011-05 to have a material effect on the financial position, results of operations or cash flows of the Company.

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.



## ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The following discussion of the 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, 2010. 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, which are intended to identify the negative 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.

### SEC ADMINISTRATIVE PROCEEDING

On August 31, 2011, an Administrative Law Judge of the SEC issued his decision finding Daxor to be an Investment Company as defined by the Investment Company Act of 1940. A major factor in the decision was his opinion that we are in the business of investing and more than 40% of our assets are comprised of investment securities.

The management of the Company believes the additional disclosures that would be necessary if Daxor were to become an Investment Company would not materially affect investment policies and practices currently in place.

As disclosed in our press release of September 1, 2011, the Board of Directors and the Management of Daxor are considering different options. We may register as an Investment Company, appeal the decision or take the Company private. The management of the Company believes that if we register or take the Company private, our operations and ongoing research efforts will not be materially affected.

See Part II, Item 1 Legal Proceedings for a full discussion of the SEC Administrative Proceeding.

### RECENT DEVELOPMENTS

Blood volume derangements are associated with a variety of medical and surgical conditions. It is well established that clinical assessments of blood volume using physical examination or simple blood tests are frequently inadequate to determine total blood volume. Daxor is therefore actively supporting blood volume research in several strategic areas including Heart Failure, Critical Care/Trauma, and Transfusion Decisions during Surgery. These therapeutic areas are ones in which patient diagnosis and/or treatment may be greatly improved by the information obtained from a blood volume analysis, as outlined below.

#### Heart Failure

Heart failure, a major cause of morbidity and mortality among the elderly, is a serious public health problem. Expenditures related to the care of heart failure patients approach \$38 billion annually, which makes congestive heart failure the most expensive condition covered by Medicare. The majority of patients treated for heart failure must be treated with medications which produce drastic changes in their blood volumes.



Daxor has previously sponsored several studies to assess the benefits of blood volume analysis in heart failure patients. One landmark study, conducted by Dr. Stuart Katz when he was an Investigator at the Columbia Presbyterian Medical Center, categorized patients as hypervolemic (volume expanded), normovolemic (having a normal blood volume), or hypovolemic (volume contracted) and recorded their outcomes over time. At the end of one year, 39% of the hypervolemic patients had died or received an urgent heart transplant. In contrast, none of the normovolemic or hypovolemic patients died or received an urgent transplant. At the end of two years, 55% of hypervolemic patients had died or received an urgent heart transplant, while the normovolemic patients continued to have a 0% mortality rate. This study showed a remarkable correlation between blood volume and outcome and suggested that effectively treating patients to normovolemia may dramatically improve their outcomes.

This study also examined the accuracy of clinical assessment of volume status in these patients. Experienced cardiologists assessed patients' blood volume status using standard laboratory tests and physical examination. When choosing between three possible choices—decreased, normal, or increased blood volume—specialists were correct only 51% of the time in categorizing these severely ill cardiac patients relative to the direct measurement results provided by the BVA-100. This study was cited in the American College of Cardiology/American Heart Association guidelines for the treatment of chronic heart failure in support of the recommendation to assess blood volume status of heart failure patients at every doctor's visit.

Daxor recently began to enroll patients in a multi-center study which is a follow-up to this earlier study. The TEAM-HF (Treatment to Euvolemia/Normovolemia by Assessment and Measured Blood Volume in Heart Failure) Study will enroll a total of 300 patients from thirteen (13) participating medical centers. The TEAM-HF Study will compare heart failure management strategies based on clinical assessment of volume status versus direct measurement of blood volume using the BVA-100 to determine whether use of blood volume data leads to decreases in re-hospitalization and mortality, and improved function and quality of life for heart failure patients. Dr. Stuart Katz, who is now the Director of the Heart Failure Program at New York University, is extending his previous research by serving as the National Principal Investigator for this study. Data collection and management for the TEAM-HF Study is being performed by an independent Data Collection Center – the Nathan S. Kline Institute for Psychiatric Research. Daxor has also retained the services of three statisticians, two of whom are faculty members at New York University, to assist with data analysis for the TEAM-HF Study.

In addition, Daxor is currently supporting a study which will determine whether use of blood volume measurement to help guide fluid removal by ultrafiltration (UF) in patients hospitalized with decompensated Heart Failure (HF) leads to improved outcomes. The 50 patients who enroll in this interventional study will undergo 4 blood volume measurements: (1) immediately before UF, (2) 30 minutes after UF is complete, (3) at 30-day follow-up and (4) at 90-day follow-up. Patients will be randomized into two groups: in the experimental group, the physician will be given the BVA-100 results, which – in conjunction with continuous hematocrit monitoring – will guide fluid removal during UF. In the control group, the physician will not be given the BVA-100 results. In this case, fluid removal will be based upon physicians' clinical assessment. Some of the outcomes that will be compared between the two groups include survival, rehospitalization, the incidence of decreased kidney function, and the need for long-term hemodialysis. This study is currently in progress, and 25 patients have enrolled to date. The Principal Investigator for this study is Dr. Mitchell Saltzberg, the Medical Director of the Heart Failure program at the Christiana Care Health System.

Daxor also provided support – along with Medtronic, Inc. – for a clinical study to assess whether the OptiVol® implantable cardiac device is able to provide an accurate estimate of patients' blood volume status. At the present time, it is difficult to accurately identify increases in blood volume that may predict which patients are likely to experience a worsening of symptoms and future heart failure events. One invasive method that is sometimes used to identify early blood volume increases is Medtronic's OptiVol® system, which continuously monitors the thoracic fluid status of heart failure patients. The objective of this study is to determine whether there is a correlation between

intrathoracic impedance, as measured by Medtronic's OptiVol<sup>®</sup> system, and total blood and plasma volume as measured by Daxor's non-invasive BVA-100. This study, which is being led by Dr. Adrian Van Bakel, the Medical Director of the Heart Failure and Cardiac Transplant Program of the Medical University of South Carolina, was recently completed and the data is currently being analyzed.

#### Critical Care/Trauma

Optimal management of fluid status is an essential component of critical care medicine. At the present time, physicians rely on imprecise clinical signs and symptoms to guide their fluid resuscitation decisions. Direct blood volume measurement can be used to take the guesswork out of volume assessment and to enable more precise and appropriate treatment.

Dr. Mihae Yu and colleagues at the Queen's Medical Center in Honolulu, Hawaii, have been studying the use of blood volume measurement in the critical care unit. They have performed blood volume measurement in the surgical intensive care unit and recorded how the results have influenced their treatment decisions. Some of their results were published in the February 2009 issue of the American Journal of Surgery . The findings were based on 86 blood volume measurements from 40 patients, and showed that blood volume measurement results led to a change in treatment plan 36% of the time. Among patients who received a pulmonary artery catheter (PAC) for hemodynamic measurements, treatment would have been changed 50% of the time if blood volume data had been available to treating physicians. Among patients who did not receive PAC measurement, treatment would have changed 33% of the time if the blood volume data had been available.

Dr. Yu completed a major study, partially funded by Daxor, in which blood volume measurement was conducted in the intensive care unit. The purpose of the study was to determine whether survival and length of hospital stay could be improved by incorporating blood volume measurement into treatment decisions in the intensive care unit. They found that use of the BVA-100 to guide fluid and red blood cell management led to a significant improvement in mortality in critically ill surgical patients with septic shock, severe sepsis, severe respiratory failure and/or cardiovascular collapse. Patients in the control group, whose resuscitation was guided by findings from pulmonary artery catheterization (PAC) demonstrated statistically significant untreated volume abnormalities and red blood cell deficiencies more often than patients in the group who were resuscitated based on blood volume measurement data (48% vs. 37% and 33% vs. 16%, respectively). This correlated with significantly greater mortality for patients in the control group (24% mortality) than for patients in the blood volume measurement group (8% mortality; P=0.03). These findings indicate that blood volume analysis permits more accurate assessment of patients' volume status and more precise fluid resuscitation and saves lives. Their most recent findings were published in the March 2011 issue of the medical journal Shock .

Daxor also supported a second study of blood volume analysis in critically injured trauma patients. This study, which assessed blood volume changes over a three-day period, was led by Dr. Marty Schreiber, Chief of Trauma at the Oregon Health and Science University. They found that the peripheral hematocrit – which is traditionally used as a marker for blood loss – does not provide an adequate estimate of red blood cell volume in critically ill patients who have been fluid resuscitated. Although the peripheral hematocrit was relatively accurate in patients with normal or contracted blood volumes, based on comparison to the results of direct blood volume measurement, it was quite inaccurate in patients with expanded blood volumes. In fact, the peripheral hematocrit led to overdiagnosis of anemia in 46.7% of critically ill patients with expanded blood volumes. These findings were published in the March 2011 issue of The Journal of Trauma .

#### Transfusion Decisions During Surgery

Effective volume management during surgery requires accurate assessment of a patient's need for transfusions. The decision to transfuse a patient depends on appropriately balancing the benefits vs. risks of transfusion for each patient at any given time. Blood volume measurement, by quantifying a patient's blood volume prior to surgery, can provide important information about how much blood loss a patient can safely sustain.

Daxor recently sponsored a study of blood volume changes throughout cardiac surgery as measured by the BVA-100. This study was led by Principal Investigator Dr. Mark Nelson at the Virginia Commonwealth University. Three sequential blood volume analyses were conducted: (1) before surgery; (2) immediately after surgery; (3) and 2 hours after transfer to the intensive care unit. The hypothesis was that red cell volume would be well conserved as a result of cell salvage and transfusion practices employed in the operating room. The preliminary findings from this study demonstrated a greater than anticipated loss of red cells and total blood volume during and after surgery. These results were presented at the 2010 Society of Cardiovascular Anesthesiologists meeting and are expected to be published in the near future.

#### RESULTS OF OPERATIONS

Three months ended September 30, 2011 as compared with three months ended September 30, 2010:

##### Operating Revenues and Expenses

For the three months ended September 30, 2011, consolidated operating revenues decreased to \$340,907 from \$453,281 for the same period in 2010, a decrease of \$112,374 or 24.8%. The main reasons for this decrease are: