

DAXOR CORP  
Form 10-Q  
May 11, 2010

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UNITED STATES

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 March 31, 2010  
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

Accelerated Filer

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filer

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

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

|                            |                                      |
|----------------------------|--------------------------------------|
| CLASS                      | 4,246,418 OUTSTANDING AT May 7, 2010 |
| COMMON STOCK               |                                      |
| PAR VALUE: \$.01 per share |                                      |

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DAXOR CORPORATION AND SUBSIDIARY

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

|  | UNAUDITED<br>March 31, 2010 | December 31, 2009    |
|--|-----------------------------|----------------------|
| <b>ASSETS</b>  |                             |                      |
| <b>CURRENT ASSETS</b>  |                             |                      |
| Cash and cash equivalents  | \$ 73,898                   | \$ 277,088           |
| Receivable from broker (held in money market accounts)   | 6,150,154                   | 6,062,298            |
| Available-for-sale securities, at fair value   | 52,328,692                  | 53,270,726           |
| Securities sold, not received, at fair value   | 23,397,636                  | 10,567,129           |
| Accounts receivable, net of allowance for doubtful accounts of \$92,421 in 2010 and \$92,421 in 2009   | 212,976                     | 240,615              |
| Inventory  | 448,846                     | 454,407              |
| Prepaid expenses and other current assets  | 129,537                     | 104,431              |
| <b>Total Current Assets</b>  | <b>82,741,739</b>           | <b>70,976,694</b>    |
| Property and equipment, net  | 4,219,088                   | 4,173,138            |
| Other assets   | 37,158                      | 37,158               |
| <b>Total Assets</b>  | <b>\$ 86,997,985</b>        | <b>\$ 75,186,990</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                             |                      |
| <b>CURRENT LIABILITIES</b>   |                             |                      |
| Accounts payable and accrued liabilities   | \$ 377,097                  | \$ 533,631           |
| Loans payable  | 401,252                     | —                    |
| Income taxes payable   | 2,522,671                   | 943,075              |
| Mortgage payable, current portion  | 44,238                      | 43,431               |
| Put and call options, at fair value  | 4,674,322                   | 4,249,123            |
| Securities borrowed, at fair value   | 23,803,986                  | 10,771,279           |
| Deferred revenue   | 37,572                      | 46,902               |
| Deferred income taxes  | 8,164,673                   | 10,627,351           |
| <b>Total Current Liabilities</b>   | <b>40,025,811</b>           | <b>27,214,792</b>    |
| <b>LONG TERM LIABILITIES</b>   |                             |                      |
| Mortgage payable, less current portion   | 335,403                     | 346,861              |
| <b>Total Liabilities</b>   | <b>40,361,214</b>           | <b>27,561,653</b>    |
| <b>STOCKHOLDERS' EQUITY</b>  |                             |                      |
| Common stock, \$.01 par value, Authorized - 10,000,000 shares Issued – 5,316,550 shares Outstanding – 4,246,418 and 4,250,318 shares at March 31, 2010 and December 31, 2009, respectively | 53,165                      | 53,165               |
| Additional paid in capital   | 10,675,228                  | 10,675,228           |

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|  |               |               |
|--|---------------|---------------|
| Accumulated other comprehensive income   | 15,163,433    | 16,016,375    |
| Retained earnings  | 32,149,178    | 32,241,597    |
| Treasury stock, at cost, 1,070,132 and 1,066,232 shares<br>at March 31, 2010 and December 31, 2009, respectively | (11,404,233 ) | (11,361,028 ) |
| Total Stockholders' Equity   | 46,636,771    | 47,625,337    |
| Total Liabilities and Stockholders' Equity   | \$ 86,997,985 | \$ 75,186,990 |

See accompanying notes to unaudited condensed consolidated financial statements.

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

|   | March 31,<br>2010  | March 31,<br>2009   |
|---|--------------------|---------------------|
| <b>REVENUES:</b>  |                    |                     |
| Operating Revenues – equipment sales and related services                 | \$316,385          | \$344,963           |
| Operating Revenues – cryobanking and related services                     | 79,887             | 89,074              |
| <b>Total Revenues</b>   | <b>396,272</b>     | <b>434,037</b>      |
| <b>Cost of Sales:</b>   |                    |                     |
| Cost of equipment sales and related services                              | 185,961            | 140,039             |
| Cost of cryobanking and related services                                  | 5,816              | 12,429              |
| <b>Total Cost of Sales</b>  | <b>191,777</b>     | <b>152,468</b>      |
| <b>Gross Profit</b>   | <b>204,495</b>     | <b>281,569</b>      |
| <b>OPERATING EXPENSES:</b>  |                    |                     |
| <b>Research and development expenses:</b>                                 |                    |                     |
| Research and development-equipment sales and related services             | 836,863            | 565,178             |
| Research and development-cryobanking and related services                 | 55,102             | 47,379              |
| <b>Total Research and Development Expenses</b>                            | <b>891,965</b>     | <b>612,557</b>      |
| <b>Selling, General &amp; Administrative Expenses:</b>                    |                    |                     |
| Selling, general, and administrative-equipment sales and related services | 481,744            | 613,784             |
| Selling, general, and administrative-cryobanking and related services     | 172,942            | 169,724             |
| <b>Total Selling, General &amp; Administrative Expenses</b>               | <b>654,686</b>     | <b>783,508</b>      |
| <b>Total Operating Expenses</b>   | <b>1,546,651</b>   | <b>1,396,065</b>    |
| <b>Loss from Operations</b>   | <b>(1,342,156)</b> | <b>(1,114,496 )</b> |
| <b>Other Income (Expenses):</b>   |                    |                     |
| Dividend income-investment portfolio                                      | 568,408            | 987,097             |
| Realized gains on sale of securities, net                                 | 6,076,382          | 5,124,034           |
| Mark to market of short positions   | (4,772,764)        | (6,318,524 )        |
| Other revenues  | 3,041              | 2,963               |
| Interest expense, net of interest income of \$1,119 and \$6,526           | (6,264 )           | (67,699 )           |

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|   |              |                 |
|---|--------------|-----------------|
| Administrative expense relating to portfolio investments                  | (34,974 )    | (31,886 )       |
| Total Other Income (Loss)   | 1,833,829    | (304,015 )      |
| Income (Loss) before Income Taxes   | 491,673      | (1,418,511 )    |
| Income Tax Expense  | 584,092      | 124,774         |
| Net Loss  | \$(92,419 )  | \$( 1,543,285 ) |
| Comprehensive Loss:   |              |                 |
| Net Loss  | \$(92,419 )  | \$(1,543,285 )  |
| Unrealized Loss on Securities Held for Sale, Net of Deferred Income Taxes | (852,942 )   | (9,845,569 )    |
| Comprehensive Loss  | \$(945,361 ) | \$(11,388,854)  |
| Weighted average number of shares outstanding – basic and diluted         | 4,247,285    | 4,285,685       |
| Net loss per common equivalent share – basic and diluted                  | \$(0.02 )    | \$(0.36 )       |

See accompanying notes to unaudited condensed consolidated financial statements.



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

|   | March 31,<br>2010 | March 31,<br>2009 |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                    |                   |                   |
| Net loss  | \$(92,419 )       | \$(1,543,285 )    |
| Adjustment to reconcile net income to net cash used in operating activities:    |                   |                   |
| Depreciation  | 73,726            | 73,573            |
| Non-cash compensation expense associated with employee stock compensation plans | —                 | 8,672             |
| Deferred income taxes   | (2,003,401 )      | (2,192,726 )      |
| Realized gains on sale of investments   | (6,076,382 )      | (5,070,441 )      |
| Mark to market adjustments on options & short sales                             | 4,772,764         | 6,264,931         |
| Change in operating assets and liabilities:                                     |                   |                   |
| Decrease (Increase) in accounts receivable                                      | 27,639            | (8,554 )          |
| Increase in prepaid expenses & other current assets                             | (25,106 )         | (21,485 )         |
| Decrease (Increase) in inventory  | 5,561             | (24,633 )         |
| Decrease in accounts payable and accrued liabilities                            | (156,534 )        | (60,271 )         |
| Increase (Decrease) in income taxes payable                                     | 1,579,596         | (382,500 )        |
| Decrease in deferred revenue  | (9,330 )          | (9,503 )          |
| Net cash used in operating activities   | (1,903,886 )      | (2,966,222 )      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                    |                   |                   |
| Purchase of property and equipment  | (119,676 )        | (987,725 )        |
| Increase in securities sold, not received at fair market value                  | (12,830,507)      | (74,881 )         |
| Increase in securities borrowed, at fair market value                           | 13,032,707        | 9,987             |
| Purchases of put and call options   | (46,866 )         | (2,619,217 )      |
| Proceeds from sales of put and call options                                     | 5,116,310         | 6,751,777         |
| Acquisition of available for sale securities                                    | (6,465,841 )      | (21,746,211)      |
| Proceeds from sale of available for sale securities                             | 2,755,031         | 11,230,002        |
| Net cash provided by (used in) investing activities                             | 1,441,158         | (7,436,268 )      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                    |                   |                   |
| Proceeds from margin loan payable   | 8,549,797         | 29,891,560        |
| Repayment of margin loan payable  | (8,236,403 )      | (21,496,989)      |
| Repayment of bank loan  | —                 | (685,000 )        |
| Proceeds from bank loan   | —                 | 250,000           |
| Purchase of treasury stock  | (43,205 )         | (54,607 )         |
| Repayment of mortgage payable   | (10,651 )         | (9,902 )          |
| Net cash provided by financing activities                                       | 259,538           | 7,895,062         |
| Net decrease in cash and cash equivalents                                       | (203,190 )        | (2,507,428 )      |
| Cash and cash equivalents at beginning of period                                | 277,088           | 2,545,040         |

|  |             |             |
|--|-------------|-------------|
| Cash and cash equivalents at end of period         | \$73,898    | \$37,612    |
| Supplemental Disclosures of Cash Flow Information: |             |             |
| Cash paid during the period for:                   |             |             |
| Interest   | \$7,383     | \$74,225    |
| Income taxes                                       | \$1,013,017 | \$2,707,010 |

See accompanying notes to unaudited condensed consolidated financial statements.

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2010  
(Unaudited)

(1) BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

BUSINESS

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

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements reflect all adjustments of a normal recurring nature, which are, in the opinion of management, necessary for a fair statement of the financial position and results of operations for the interim periods presented. The condensed consolidated financial statements are unaudited and are subject to such year-end adjustments as may be considered appropriate and should be read in conjunction with the historical consolidated financial statements of Daxor Corporation for the years ended December 31, 2009, 2008 and 2007, included in Daxor Corporation’s Annual Report and Form 10-K for the fiscal year ended December 31, 2009. The December 31, 2009 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 month period ended March 31, 2010 is not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

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

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 utilizes the provisions of FASB ASC 820 - Fair Value Measurements (“ASC 820”) for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. ASC 820 establishes the framework for measuring fair value and expands related disclosures. Broadly, the ASC 820 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between

market participants. ASC 820 establishes market or observable inputs as the preferred source of values, followed by unobservable inputs or assumptions based on hypothetical transactions in the absence of market inputs.

Level 1, is defined as observable inputs being quoted prices in active markets for identical assets;

Level 2, is defined as observable inputs including quoted prices for similar assets; and

Level 3, is defined as unobservable inputs in which little or no market data exists, therefore requiring assumptions based on the best information available.

Effective January 1, 2009, the Company adopted the provisions of FASB ASC 820-10 with respect to non-financial assets and liabilities. This pronouncement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The adoption of FASB ASC 820-10 did not have any impact on the Company's consolidated financial statements as of and for the three months ended March 31, 2010.

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2010 (Continued)  
(Unaudited)

On January 1, 2010, the Company adopted the new provisions of ASU No. 2010-06 - Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements (the "ASU"). The ASU amended standards require disclosures about inputs and valuation techniques used to measure fair value as well as disclosures about significant transfers, beginning in the first quarter of 2010. The impact on the Company's disclosures was not significant. Additionally, these amended standards require presentation of disaggregated activity within the reconciliation for fair value measurements using significant unobservable inputs (Level 3), beginning in the first quarter of 2011. We do not expect these new standards to significantly impact our consolidated 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.

#### Receivable from Broker

The Receivable from Broker represents cash proceeds from sales of securities and dividends. These proceeds are kept in dividend bearing money market accounts.

#### Securities borrowed at fair value

When a call option that has been sold short is exercised, this creates a short position in the related common stock. The recorded cost of these short positions is the amount received on the sale of the stock plus the proceeds received from the underlying call option. These positions are shown on the Balance Sheet as “Securities borrowed at fair value” and the carrying value is reduced or increased at the end of each quarter by the mark to market adjustment which is recorded in accordance with ASC 320.

Securities sold, not yet received at fair value

Some of the financial institutions who hold our securities do not increase our account with the cash proceeds on the sale of a short stock. In lieu of cash, our account receives a credit for the proceeds of the short sale. Cash is added to or subtracted from our account weekly based on the market value of our short positions. These securities are recorded by the Company as received but not delivered and are valued at their quoted market price.

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2010 (Continued)  
(Unaudited)

Investment Goals, Strategies and Policies

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

1. The Company's investment goals are capital preservation, maintaining returns on capital with a high degree of safety and generating income from dividends and option sales to help offset operating losses.
2. In order to achieve these goals, the Company maintains a diversified securities portfolio comprised primarily of electric utility common and preferred stocks. The Company also sells covered calls on portions of its portfolio and also sells puts on stocks it is willing to own. It also sells uncovered calls and may have net short positions in common stock up to 15% of the value of the portfolio. The Company's net short position may temporarily rise to 15% of the Company's portfolio without any specific action because of changes in valuation, but should not exceed this amount. The Company's investment policy is to maintain a minimum of 80% of its portfolio in electric utilities. The Board of Directors has authorized this minimum to be temporarily lowered to 70% when Company management deems it to be necessary. Investments in utilities are primarily in electric companies. Investments in non-utility stocks will generally not exceed 20% of the value of the portfolio.
3. Investment in speculative issues, including short sales, maximum of 15%.
4. Limited use of options to increase yearly investment income.
  - a. The use of "Call" Options. Covered options can be sold up to a maximum of 20% of the value of the portfolio. This provides extra income in addition to dividends received from the Company's investments. The risk of this strategy is that investments may be called away, which the Company may have preferred to retain. Therefore, a limitation of 20% is placed on the amount of stock on which options can be written. The amount of the portfolio on which options are actually written is usually between 3-10% of the portfolio. The historical turnover of the portfolio is such that the average holding period is in excess of five years for available for sale securities.
  - b. The use of "Put" options. Put options are written on stocks which the Company is willing to purchase. While the Company does not have a high rate of turnover in its portfolio, there is some turnover; for example, due to preferred stocks being called back by the issuing Company, or stocks being called away because call options have been written. If the stock does not go below the put exercise price, the Company records the proceeds from the sale as income. If the put is exercised, the cost basis is reduced by the proceeds received from the sale of the put option. There may be occasions where the cost basis of the stock is lower than the market price at the time the option is exercised.
  - c. Speculative Short Sales/Short Options. The Company normally limits its speculative transactions to no more than 15% of the value of the portfolio. The Company may sell uncovered calls on certain stocks. If the stock price does not rise to the price of the call, the option is not exercised and the Company records the proceeds from the sale of the call as income. If the call is exercised, the Company will have a short position in the

related stock. The Company then has the choice of covering the short position, or selling a put against it. If the put is exercised, then the short position is covered. The Company's current accounting policy is to mark to the market at the end of each quarter any short positions, and include it in the income statement. While the Company may have so-called speculative positions equal to 15% of its accounts, in actual practice the net short stock positions usually account for less than 10% of the assets of the Company.

5. In the event of a merger, the Company will elect to receive shares in the new company if this is an option. If the proposed merger is a cash only offer, the Company will receive cash and be forced to sell the stock.



DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2010 (Continued)  
(Unaudited)

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.

#### Reclassifications

Certain reclassifications have been made to the Company’s March 31, 2009 condensed consolidated statement of operations to conform to the March 31, 2010 presentation.

#### 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.

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The following table summarizes the earnings per share calculations for the three months ended March 31, 2010 and March 31, 2009:

|                                  | Three months ended<br>March 31, 2010 |   | Three months ended<br>March 31, 2009 |
|----------------------------------|--------------------------------------|---|--------------------------------------|
| Basic and diluted shares         | 4,247,285                            |   | 4,285,685                            |
| Loss from operations             | \$ (92,419                           | ) | \$ (1,543,285                        |
| Basic and diluted loss per share | \$ (0.02                             | ) | \$ (0.36                             |

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 61,800 and 107,800 for the three months ended March 31, 2010 and 2009, respectively

#### Dividends

On May 10, 2010, the Company declared a dividend of \$0.10 per share. The dividend will be payable on June 16, 2010 to shareholders of record on June 1, 2010. The Company paid a total dividend of \$1.35 per share in 2009.

In 2008, Management instituted a policy of paying dividends when funds are available. The goal of management is to follow a similar policy in 2010.

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2010 (Continued)  
(Unaudited)

## (2) AVAILABLE-FOR-SALE SECURITIES

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

## Summary of Available for Sale Securities as at March 31, 2010 (Unaudited)

| Type of Security        | Market Value  | Cost of Securities | Net Unrealized Gain | Unrealized Gains | Unrealized Losses |
|-------------------------|---------------|--------------------|---------------------|------------------|-------------------|
| Common Stock            | \$ 50,093,752 | \$ 27,021,070      | \$ 23,072,682       | \$ 25,064,479    | \$ (1,991,797 )   |
| Preferred Stock         | 2,234,940     | 1,979,264          | 255,676             | 456,714          | (201,038 )        |
| Total Equity Securities | \$ 52,328,692 | \$ 29,000,334      | \$ 23,328,358       | \$ 25,521,193    | \$ (2,192,835 )   |

## Summary of Unrealized Losses of Available for Sale Securities as at March 31, 2010 (Unaudited)

|                              | Less Than Twelve Months |           | Twelve Months or Greater |             | Total       |             |
|------------------------------|-------------------------|-----------|--------------------------|-------------|-------------|-------------|
|                              | Unrealized              |           | Unrealized               |             | Unrealized  |             |
|                              | Fair Value              | Loss      | Fair Value               | Loss        | Fair Value  | Loss        |
| Marketable Equity Securities | \$3,576,762             | \$476,625 | \$2,628,241              | \$1,716,210 | \$6,205,003 | \$2,192,835 |

## Summary of Unrealized Gains on Available for Sale Securities as at March 31, 2010 (Unaudited)

|                              | Less Than Twelve Months |           | Twelve Months or Greater |              | Total        |              |
|------------------------------|-------------------------|-----------|--------------------------|--------------|--------------|--------------|
|                              | Unrealized              |           | Unrealized               |              | Unrealized   |              |
|                              | Fair Value              | Gains     | Fair Value               | Gains        | Fair Value   | Gains        |
| Marketable Equity Securities | \$2,584,670             | \$329,088 | \$43,539,019             | \$25,192,105 | \$46,123,689 | \$25,521,193 |

## Summary of Available for Sale Securities at December 31, 2009

| Type of Security        | Market Value  | Cost of Securities | Net Unrealized Gain | Unrealized Gains | Unrealized Losses |
|-------------------------|---------------|--------------------|---------------------|------------------|-------------------|
| Common Stock            | \$ 51,207,654 | \$ 26,673,055      | \$ 24,534,599       | \$ 26,771,744    | \$ (2,237,145 )   |
| Preferred Stock         | 2,063,072     | 1,957,094          | 105,978             | 370,187          | (264,209 )        |
| Total Equity Securities | \$ 53,270,726 | \$ 28,630,149      | \$ 24,640,577       | \$ 27,141,931    | \$ (2,501,354 )   |

## Summary of Unrealized Losses of Available for Sale Securities at December 31, 2009

|  | Less Than Twelve Months |      | Twelve Months or Greater |      | Total      |      |
|--|-------------------------|------|--------------------------|------|------------|------|
|  | Unrealized              |      | Unrealized               |      | Unrealized |      |
|  | Fair Value              | Loss | Fair Value               | Loss | Fair Value | Loss |

|                              |             |             |             |             |             |             |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Marketable Equity Securities | \$2,874,316 | \$1,451,436 | \$1,917,505 | \$1,049,918 | \$4,791,821 | \$2,501,354 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|

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DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2010 (Continued)  
(Unaudited)

## Summary of Unrealized Gains on Available for Sale Securities as at December 31, 2009

|                                 | Less Than Twelve Months |                     | Twelve Months or Greater |                     | Total         | Unrealized<br>Gains |
|---------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------|---------------------|
|                                 | Fair Value              | Unrealized<br>Gains | Fair Value               | Unrealized<br>Gains | Fair Value    |                     |
| Marketable Equity<br>Securities | \$ 4,025,079            | \$ 696,783          | \$ 44,453,826            | \$ 26,445,148       | \$ 48,478,905 | \$ 27,141,931       |

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 March 31, 2010 and December 31, 2009, available for sale securities consisted mostly of preferred and common stocks of utility companies. At March 31, 2010, 95.73% of the market value of the Company's available for sale securities is made up of common stock.

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's exposure to regulatory risk is mitigated due to the diversity of holdings consisting of 80 separate common and preferred stocks. As of March 31, 2010 there were three holdings of common stock which comprised 37.82% of the total market value of the available for sale investments. These three holdings are FirstEnergy, Exelon and Entergy.

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.

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2010 (Continued)  
(Unaudited)

Unrealized Losses on Available for Sale Securities

At March 31, 2010, 73.9% or \$1,621,069 of the total unrealized losses of \$2,192,835 was comprised of the following two securities: \$993,447 for Dynegy, Inc. (“Dynegy”) and \$627,622 for Citigroup Inc. (“Citigroup”).

Dynegy, Inc.

At March 31, 2010, Daxor owned 932,700 shares of Dynegy with a cost basis of \$2.33 per share and a market value of \$1.26 per share. On May 10, 2010, the market price of Dynegy was \$1.35 per share which is \$0.98 or 42% lower than our cost basis of \$2.33 per share.

The book value of Dynegy at March 31, 2010 is \$5.13 per share which is more than double our cost basis of \$2.33 per share. The stock price of Dynegy has a record of historical volatility, being at \$8.11 per share in February 2008, as low as \$1.05 in March 2009 before going back to \$2.42 per share in October 2009.

Dynegy’s liquidity improved from \$1.9 billion at December 31, 2009 to \$2.3 billion at March 31, 2010. The liquidity at March 31, 2010 consisted of \$802 million in cash on hand and marketable securities and \$1.5 billion in unused availability under the company’s credit facility. Dynegy’s current ratio improved from \$140 million at December 31, 2009 to \$1.06 billion at March 31, 2010.

As of May 3, 2010, the liquidity remained at approximately \$2.3 billion, which consisted of \$746 million in cash on hand, and marketable securities and \$1.5 billion in unused availability under the company’s credit facility.

In 2009, Dynegy was able to repurchase approximately \$830 million of bonds due in 2011 and 2012 which largely eliminated near term bond maturities until 2015.

Dynegy reported net income of \$145 million for the quarter ended March 31, 2010 versus a loss of \$335 million for the quarter ended March 31, 2009. The loss in the first quarter of 2009 is largely due to assets which were sold at a loss.

According to Dynegy management, the results for the first quarter of 2010 were impacted by lower demand. However, they still see an emerging economic recovery which will result in demand growth and more favorable pricing in the future.

Dynegy recently reported that they spent \$600 million to cut emissions of pollutants at its power plants in Illinois and that the total investment for this project should be approximately \$1 billion. This work has been completed at five out of its eight coal-fired units in Illinois. Dynegy is also switching to low sulfur coal and expects their coal fired plants in Illinois to cut emissions of nitrogen oxides, sulfur dioxide and mercury by approximately 90%.

Dynegy has low cost power generation plants spread across seven states which use coal, oil and natural gas. The generating capacity is geographically diverse with 43% in the Midwest, 32% in the West and 25% in the Northeast. This geographic diversity prevents the Company from becoming too dependent on one part of the Country.

The generating capacity is also diverse with 34% from natural gas-fired combined-cycle capacity, 25% from natural gas-fired peaking capacity, 31% from baseload coal/oil capacity and 10% from dual fuel capacity. This diversity of generating capacity helps to minimize the impact of any potential volatility in commodity prices.

Daxor management has determined that an impairment charge is not necessary at March 31, 2010 on Dynegy after taking the recent decline in the stock price into account because Dynegy is a geographically diverse low cost producer of electricity with a diverse generating capacity. These two factors protect the Company from being overly dependent on one region of the country or one type of commodity.

The stock price of Dynegy has increased by 7% from April 1, 2010 through May 10, 2010, going from \$1.26 per share to \$1.35 per share. The stock price has a history of volatile fluctuations and it was trading as high as \$2.42 in October of 2009. The recent market price is well below the book value of \$5.13 per share at March 31, 2010 which would seem to indicate that the stock is strongly undervalued. The recent repurchase of bonds and improved liquidity position have also helped to strengthen Dynegy's balance sheet.



DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2010 (Continued)  
(Unaudited)

Citigroup Inc.

At March 31, 2010, Daxor owned 299,807 shares of Citigroup with a cost basis of \$6.14 per share and a market value of \$4.05 per share. On May 10, 2010, the market value of Citigroup was \$4.22 per share which is \$1.92 or 31% less than our cost basis of \$6.14 per share.

During the first quarter of 2009, the stock was at \$1.00 per share and as of May 10, 2010, was trading at \$4.22 per share. The stock price has increased by 27% from January 1, 2010 through May 10, 2010, going from \$3.31 per share to \$4.22 per share.

Citigroup reported net income of \$4.4 billion in the first quarter of 2010 versus \$1.6 billion in the first quarter of 2009. Their provision for credit losses and benefits declined to \$8.6 billion which is the lowest level since the first quarter of 2008. The growth in net income is attributable to improved revenues, continued monitoring of expenses and a decline in the cost of credit.

Citigroup has reduced headcount to 263,000 at March 31, 2010 versus 375,000 at the peak level in 2007. Operating expenses during the first quarter of 2010 were \$11.5 billion versus \$11.7 billion in the first quarter of 2009 and \$12.3 billion in the fourth quarter of 2009.

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. As of December 31, 2009, the United States Treasury Department owned 27% of Citigroup's stock.

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 March 31, 2010, the Tier 1 Capital was 11.2%, Total Capital was 14.8% and Leverage was 6.2%. Citigroup is considered "well capitalized" under the federal regulatory agency definitions at March 31, 2010.

The operating environment for Citigroup continues to be difficult but the stock price has been trending upward since the first quarter of 2009 and the profit of the core business more than doubled in 2009 versus 2008. Management at Citigroup has substantially reduced operating expenses and headcount which should help operating results in future periods. 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 March 31, 2010.

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 March 31, 2010 on Citigroup.

Daxor Corporation  
Summary of Unrealized Losses on Dynege, Inc and Citigroup, Inc.  
As at March 31, 2010

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| Security           | Total<br>Cost | Less Than Twelve Months |                    | Tweleve Months or Greater |                    | Total        |                    |
|--------------------|---------------|-------------------------|--------------------|---------------------------|--------------------|--------------|--------------------|
|                    |               | Fair Value              | Unrealized<br>Loss | Fair Value                | Unrealized<br>Loss | Fair Value   | Unrealized<br>Loss |
| Dynege,<br>Inc.    | \$ 2,168,649  | \$ 649,782              | \$ 232,328         | \$ 525,420                | \$ 761,119         | \$ 1,175,202 | \$ 993,447         |
| Citigroup,<br>Inc. | 1,841,841     | 546,750                 | 188,396            | 667,468                   | 439,226            | 1,214,218    | 627,622            |
| Total              | \$ 4,010,490  | \$ 1,196,532            | \$ 420,724         | \$ 1,192,888              | \$ 1,200,345       | \$ 2,389,420 | \$ 1,621,069       |

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DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2010 (Continued)  
(Unaudited)

## (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 March 31, 2010 (unaudited).

|  | March 31, 2010                              |                                      |                        | Total        |
|--|---|--------------------------------------|------------------------|--------------|
|  | Equipment<br>Sales &<br>Related<br>Services | Cryobanking<br>& Related<br>Services | Investment<br>Activity |              |
| Revenues                                     | \$316,385                                   | \$ 79,887                            | \$—                    | \$396,272    |
| Expenses                                     |   |                                      |                        |              |
| Cost of sales                                | 185,961                                     | 5,816                                | —                      | 191,777      |
| Research and development expenses            | 836,863                                     | 55,102                               | —                      | 891,965      |
| Selling, general and administrative expenses | 481,744                                     | 172,942                              | —                      | 654,686      |
| Total Expenses                               | 1,504,568                                   | 233,860                              | —                      | 1,738,428    |
| Operating loss                               | (1,188,183)                                 | (153,973 )                           | —                      | (1,342,156 ) |
| Investment income, net                       | —   | —                                    | 1,837,052              | 1,837,052    |
| Other income (expense)                       |   |                                      |                        |              |
| Interest expense, net                        | (7,146 )                                    | 314                                  | 568                    | (6,264 )     |
| Other income                                 | 3,041                                       | —                                    | —                      | 3,041        |
| Total Other Income (Expense)                 | (4,105 )                                    | 314                                  | 568                    | (3,223 )     |
| Income (loss) before income taxes            | (1,192,288)                                 | (153,659 )                           | 1,837,620              | 491,673      |
| Income tax expense                           | 36,000                                      | —                                    | 548,092                | 584,092      |

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|                   |               |              |              |              |
|-------------------|---------------|--------------|--------------|--------------|
| Net (loss) income | \$(1,228,288) | \$(153,659 ) | \$1,289,528  | \$(92,419 )  |
| Total assets      | \$4,914,496   | \$ 207,007   | \$81,876,482 | \$86,997,985 |

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DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2010 (Continued)  
(Unaudited)

The following table summarizes the results of each segment described above for the three months ended March 31, 2009 (unaudited).

|  | March 31, 2009                              |                                      |                        | Total          |
|--|---|--------------------------------------|------------------------|----------------|
|  | Equipment<br>Sales &<br>Related<br>Services | Cryobanking<br>& Related<br>Services | Investment<br>Activity |                |
| Revenues                                     | \$344,963                                   | \$ 89,074                            | \$—                    | \$434,037      |
| Expenses                                     |   |                                      |                        |                |
| Cost of sales                                | 140,039                                     | 12,429                               | —                      | 152,468        |
| Research and development expenses            | 565,178                                     | 47,379                               | —                      | 612,557        |
| Selling, general and administrative expenses | 613,784                                     | 169,724                              | —                      | 783,508        |
| Total Expenses                               | 1,319,001                                   | 229,532                              | —                      | 1,548,533      |
| Operating loss                               | (974,038 )                                  | (140,458 )                           | —                      | (1,114,496 )   |
| Investment loss, net                         | —   | —                                    | (239,279 )             | (239,279 )     |
| Other income (expense)                       |   |                                      |                        |                |
| Interest expense, net                        | (7,895 )                                    | —                                    | (59,804 )              | (67,699 )      |
| Other income                                 | 2,963                                       | —                                    | —                      | 2,963          |
| Total Other Income (Expense)                 | (4,932 )                                    | —                                    | (59,804 )              | (64,736 )      |
| Loss before income taxes                     | (978,970 )                                  | (140,458 )                           | (299,083 )             | (1,418,511 )   |
| Income tax expense                           | 7,500                                       | —                                    | 117,274                | 124,774        |
| Net loss                                     | \$(986,470 )                                | \$ (140,458 )                        | \$(416,357 )           | \$(1,543,285 ) |
| Total assets                                 | \$3,925,788                                 | \$ 190,667                           | \$58,247,300           | \$62,363,755   |

DAXOR CORPORATION AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2010 (Continued)  
(Unaudited)

## (4) LOANS AND MORTGAGE PAYABLE

## LOANS PAYABLE

Short-term debt to brokers (margin debt), is secured by the Company's marketable securities, and totaled \$401,252 at March 31, 2010 and \$0 at December 31, 2009. The interest rate on the Company's margin debt at March 31, 2010 was 0.988%

## MORTGAGE PAYABLE

Daxor financed the purchase of the land and buildings in Oak Ridge, Tennessee with a \$500,000 10-year mortgage, with the first five years fixed at 7.49%. On January 2, 2012, there is a single payment of \$301,972 for the remaining principal and interest on the mortgage. The Company has the option of making this payment or refinancing the mortgage for an additional five year term at a fixed rate of interest that would be set on January 2, 2012.

## (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 March 31, 2010, the Company recorded a loss from marking put and call options to market of (\$1,974,287). For the three months ended March 31, 2009, the Company recorded losses from marking put and call options to market of (\$6,261,025). 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 March 31, 2010 (unaudited) and December 31, 2009:

| Put and Call Options | Selling Price | Fair Market Value | Unrealized Gain |
|----------------------|---------------|-------------------|-----------------|
| March 31, 2010       | \$ 8,056,389  | \$ 4,674,322      | \$ 3,382,067    |
| December 31, 2009    | 9,605,476     | 4,249,123         | 5,356,353       |

## (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 \$23,803,986 and \$10,771,279 as of March 31, 2010 and December 31, 2009.

**DAXOR CORPORATION AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
 March 31, 2010 (Continued)  
 (Unaudited)

**(7) CURRENT INCOME TAXES**

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

The current income tax expense for the three months ended March 31, 2010 and 2009(unaudited) is comprised of the following:

|   | March 31, 2010 | March 31, 2009 |
|---|----------------|----------------|
| Regular tax and Alternative Minimum Tax (AMT) | \$ 1,784,468   | \$ 1,645,000   |
| Personal Holding Company Tax (PHC)            | 767,025        | 665,000        |
| State Franchise Taxes                         | 36,000         | 7,500          |
| Total Current Income Tax Provision            | 2,587,493      | 2,317,500      |
| Deferred Income Taxes                         | (2,003,401 )   | (2,192,726 )   |
| Total Income Tax Expense                      | \$ 584,092     | \$ 124,774     |

**(8) DEFERRED INCOME TAXES**

The deferred income tax liability is comprised of the following:

|  | March 31, 2010<br>(unaudited) | December 31, 2009 |
|--|-------------------------------|-------------------|
| <b>Deferred Tax Liabilities (Assets):</b>                        |                               |                   |
| Fair market value adjustment for available -for -sale securities | \$ 8,164,925                  | \$ 8,624,202      |
| Mark to market on short positions                                | (128,678 )                    | 1,874,723         |
| Property and Equipment   | 128,426                       | 128,426           |
|  | \$ 8,164,673                  | \$ 10,627,351     |

The deferred tax liability that results from the marketable securities does not flow through the Statement of Operations due to the classification of the marketable securities as available-for-sale. Instead, any increase or decrease in the deferred tax liability is recorded as an adjustment to Accumulated Other Comprehensive Income which is in the Stockholders' Equity section of the Balance Sheet.

**(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 March 31, 2010, stocks representing 99.97% 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, as at March 31, 2010 the fair market value of securities in excess of the SIPC insured limit is \$2,010,368 and the cash on deposit in excess of the insured limit is \$4,318,125.

DAXOR CORPORATION AND SUBSIDIARY  
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For the three months ended March 31, 2010, the sales of Blood Volume Kits accounted for 67.81% of the Company's total consolidated operating revenue. There were four customers (hospitals) that accounted for 56.65% of the Company's sales of Blood Volume Kits.

For the three months ended March 31, 2009, the sales of Blood Volume Kits accounted for 73.95% of the Company's total consolidated operating revenue. There were four customers (hospitals) that accounted for 64.27% 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.

On March 23, 2010, the "Patient Protection and Affordable Care Act" was signed into law by President Obama. 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.

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.

The Company has no material legal proceedings pending. 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.

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. The Company has not received a closing notice or other substantive response from the SEC to either of these submissions. No conclusions regarding disposition of our cash management policy should be drawn from the lack of a closing notice or other substantive response to our submissions to the SEC in response to the Wells Notices.

DAXOR CORPORATION AND SUBSIDIARY  
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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 has not received a closing notice or other substantive response from the SEC to this submission. No conclusions regarding disposition of our cash management policy should be drawn from the lack of a closing notice or other substantive response to our submission to the SEC in response to the Wells Notice.

(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 March 31, 2010 and March 31, 2009 was \$3,041 and \$2,963.

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, 2009 and 2008. Jonathan Feldschuh is expected to provide a limited amount of consultative help in the filing of the additional patents in 2010.

(11) RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

In February 2010, the FASB issued an amendment to accounting standards related to subsequent events. The amendment exempts Securities and Exchange Commission registrants from the requirement to disclose the date through which it has evaluated subsequent events for either original or restated financial statements. The standard is effective February 2010. The Company adopted this standard in February 2010. The adoption did not impact the Company's consolidated financial position or results of operations, other than additional reporting requirements.

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, 2009. 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 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.

### 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. The majority of patients treated for heart failure must be treated with drugs which drastically change 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.

The study also reported on the accuracy of clinical assessment of volume status in these patients. Physicians who were trained in cardiology assessed patients' blood volume statuses using standard laboratory tools and physical

examination. When choosing between three possible choices—decreased, normal, or increased blood volume—specialists were correct only 51% of the time in evaluating these severely ill cardiac patients when compared to the direct measurement results provided by the BVA-100. This study was cited in the most recent revision of the American College of Cardiology/American Heart Association 2005 guidelines for the treatment of chronic heart failure.

Daxor is now preparing to conduct a large-scale, multi-center study as a follow-up to this earlier study. The TEAM-HF (Treatment to Euvolemia by Assessment and Measured Blood Volume in Heart Failure) Study will enroll a total of 300 patients from eleven (11) participating medical centers. TEAM-HF will investigate whether use of blood volume data, in addition to current standards of care, will lead to decreases in re-hospitalization and mortality, and improve quality of life in heart failure patients. Dr. Stuart Katz, who is now the Director of the Heart Failure Program at New York University, will extend his previous research by serving as the National Principal Investigator for this study. Data collection and management for the TEAM-HF Study will be performed by an independent organization – 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. We anticipate that this study will begin enrollment in the third quarter of 2010.

In addition, Daxor is supporting a study which will determine whether using 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 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. Outcomes that will be assessed include rehospitalization for HF and for all causes, changes in serum creatinine and blood urea nitrogen (BUN), mortality, need for long-term hemodialysis, Lasix equivalent dose at end-of-study, and changes in B-type natriuretic peptide (BNP) levels. 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 is also providing support for a clinical study – along with Medtronic, Inc. – 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 the 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 main objective of this observational study is to determine whether there is a correlation between intrathoracic impedance as measured by Medtronic's OptiVol® system and total blood and plasma volume as measured by Daxor's BVA-100. This study 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.

#### 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. Their most recent 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 were available to treating physicians. Among patients who did not receive PAC measurement, treatment would have been changed 33% of the time if blood volume data had been available.

Dr. Yu is now engaged in a major study, partially funded by Daxor, which involves blood volume measurement in the intensive care unit. The purpose of the study will be to determine specifically whether clinical outcomes and length of hospital stays can be improved by incorporating blood volume measurement as a routine clinical tool in the intensive care unit. Some of the preliminary findings from this study were presented at the Society for Critical Care Medicine annual meeting in January 2010.



Daxor is also supporting a second study of blood volume analysis in critically injured trauma patients. This study, which assesses blood volume changes over a three-day period, is being led by Dr. Marty Schreiber, Chief of Trauma at the Oregon Health and Science University. The purpose of this study is to determine whether measurement of blood volume with Daxor's BVA-100 leads to a change in outcomes, as well as the number of tests and interventions that are conducted, relative to current standards of care for patients in the Intensive Care Unit. This study will also compare blood volume results to other hemodynamic measurements such as heart rate, blood pressure, urine output, and central venous or pulmonary artery catheter measurements. The preliminary results from this study were presented at the Western Trauma Association meeting in March 2010.

#### 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 is currently sponsoring a study of blood volume changes using the BVA-100 throughout cardiac surgery. This study is being led by Principal Investigator Dr. Mark Nelson at the Virginia Commonwealth University. Three blood volume analyses are being 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 recent Society of Cardiovascular Anesthesiologists meeting and are expected to be published in the winter of 2010.

#### RESULTS OF OPERATIONS

Three months ended March 31, 2010 as compared with three months ended March 31, 2009:

##### Operating Revenues and Expenses

For the three months ended March 31, 2010, consolidated operating revenues decreased to \$396,272 from \$434,037 for the same period in 2009, a decrease of \$37,765 or 8.70%. This was mainly due to a decrease in revenue from Blood volume kit sales of \$36,844 or 11.90% from \$309,452 to \$272,608. The number of kits sold decreased by 11.12% from 971 to 863 during the current period.

There were 55 Blood Volume Analyzers placed at March 31, 2010 versus 53 at March 31, 2009. For the three months ended March 31, 2010, the Company provided 107 Volumex doses free of charge to facilities utilizing the BVA-100 for research versus 105 during the same period in 2009.

The following tables provide gross margin information on Equipment Sales & Related Services for the three months ended March 31, 2010 and March 31, 2009:

|   | Kit Sales<br>Three Months Ended<br>March 31, 2010 | Equipment Sales and Other<br>Three Months Ended<br>March 31, 2010 | Total<br>Three Months Ended<br>March 31, 2010 |
|---|---|---|---|
| Equipment Sales and<br>Related Services:<br>Revenue | \$ 272,608  | \$ 43,777   | \$ 316,385                                    |
| Cost of Goods Sold                                  | 135,178   | 50,783  | 185,961                                       |
| Gross Profit (Loss)                                 | \$ 137,430  | \$ (7,006 )   | \$ 130,424                                    |

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|                                   |      |   |       |    |      |   |
|-----------------------------------|------|---|-------|----|------|---|
| Gross Profit (Loss)<br>Percentage | 50.4 | % | (16.0 | )% | 41.2 | % |
|-----------------------------------|------|---|-------|----|------|---|

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| Equipment Sales and Related Services: | Kit Sales                            | Equipment Sales and Other            |        | Total                                |         |   |
|---------------------------------------|--------------------------------------|--------------------------------------|--------|--------------------------------------|---------|---|
|                                       | Three Months Ended<br>March 31, 2009 | Three Months Ended<br>March 31, 2009 |        | Three Months Ended<br>March 31, 2009 |         |   |
| Revenue                               | \$ 309,452                           | \$                                   | 35,511 | \$                                   | 344,963 |   |
| Cost of Goods Sold                    | 107,415                              |                                      | 32,624 |                                      | 140,039 |   |
| Gross Profit                          | \$ 202,037                           | \$                                   | 2,887  | \$                                   | 204,924 |   |
| Gross Profit Percentage               | 65.2                                 | %                                    | 8.1    | %                                    | 59.4    | % |

A major reason for the decrease in gross profit percentage on kit sales during the current quarter was price increases of between 4%-10% on various items used in production of blood volume kits. These additional costs were not passed on to our customers, contributing to a reduction in our gross profit percentage on kit sales.

The additional revenues for Equipment Sales and Other during the current and previous quarter consist almost entirely of shipping charges and service contract revenue.

The Company had a gross loss of (\$7,006) on Equipment Sales and other for the three months ended March 31, 2010 versus a gross profit for the three months ended March 31, 2009 of \$2,887. A major reason for this is that the Company still incurs costs for items such as convenience kit production and related supplies even if no Blood Volume Analyzers are sold.

The decline in gross profit percentage for equipment sales and related services for the current quarter is mostly attributable to the following factors:

- A difference of \$30,194 in inventory valuation adjustments between the current and previous quarter.
- \$34,000 removed from Cost of Goods Sold and capitalized during the quarter ended March 31, 2009 versus \$17,000 during the current quarter.
- Price increases of between 4%-10% on various items used in production of blood volume kits which were not passed on to our customers.

Total S,G&A (selling, general and administrative) and R&D (Research and Development) costs for Equipment Sales and Related Services were \$1,318,607 for the three months ended March 31, 2010 versus \$1,178,962 for the same period in 2009, for an increase of \$139,645 or 11.84%.

Research & Development expenses for Equipment Sales and Related Services were \$836,863 for the three months ended March 31, 2010 versus \$565,178 for the same period in 2009 for an increase of \$271,685 or 48.07%. Daxor is committed to making Blood Volume Analysis a standard of care in at least three different disease states. In order to achieve this goal, we are continuing to spend time and money in research and development to get the best product to the market. We are still working on the following three projects: 1) GFR: Glomerular Filtration Rate, 2) Total Body Albumin Analysis, and 3) Wipes tests for radiation contamination/detection. We are also progressing on the next version of the delivery device for the radioactive dose Volumex. The current version is the "Max-100" which has a patent. The next version, the "Max-200" will be without a needle and should afford the company extended protection with a second patent when it is completed.

Operating revenues for the Cryobanking segment, which includes both blood banking and semen banking, decreased to \$79,887 in 2010 from \$89,074 in 2009, for a decrease of \$9,187 or 10.31%. The main reason for this was a decrease in Semen Storage and Analysis and other related fees of \$6,824 for the three months ended March 31, 2010 as compared to 2009.

Total S,G&A (selling, general and administrative) and R&D (Research and Development) costs for the Cryobanking and related services segment were \$228,044 for the three months ended March 31, 2010 versus \$217,103 for the same period in 2009, for an increase of \$10,941 or 5.04%. The main reason for this was an increase of \$8,367 in professional fees.

#### Consolidated Operating Expenses

The total consolidated operating expenses for the first quarter of 2010 were \$1,546,651 versus \$1,396,065 in 2009 for an increase of \$150,586 or 10.79%. The main reason for this increase was the increase in Research and Development Expenses from \$612,557 in 2009 to \$891,965 during the current period,

## INVESTING SEGMENT

### Unrealized Losses on Available for Sale Securities

At March 31, 2010, 73.9% or \$1,621,069 of the total unrealized losses of \$2,192,835 was comprised of the following two securities: \$993,447 for Dynegey, Inc. (“Dynegey”) and \$627,622 for Citigroup Inc. (“Citigroup”).

#### Dynegey, Inc.

At March 31, 2010, Daxor owned 932,700 shares of Dynegey with a cost basis of \$2.33 per share and a market value of \$1.26 per share. On May 10, 2010, the market price of Dynegey was \$1.35 per share which is \$0.98 or 42% lower than our cost basis of \$2.33 per share.

The book value of Dynegey at March 31, 2010 is \$5.13 per share which is more than double our cost basis of \$2.33 per share. The stock price of Dynegey has a record of historical volatility, being at \$8.11 per share in February 2008, as low as \$1.05 in March 2009 before going back to \$2.42 per share in October 2009.

Dynegey’s liquidity improved from \$1.9 billion at December 31, 2009 to \$2.3 billion at March 31, 2010. The liquidity at March 31, 2010 consisted of \$802 million in cash on hand and marketable securities and \$1.5 billion in unused availability under the company’s credit facility. Dynegey’s current ratio improved from \$140 million at December 31, 2009 to \$1.06 billion at March 31, 2010.

As of May 3, 2010, the liquidity remained at approximately \$2.3 billion, which consisted of \$746 million in cash on hand, and marketable securities and \$1.5 billion in unused availability under the company’s credit facility.

In 2009, Dynegey was able to repurchase approximately \$830 million of bonds due in 2011 and 2012 which largely eliminated near term bond maturities until 2015.

Dynegey reported net income of \$145 million for the quarter ended March 31, 2010 versus a loss of \$335 million for the quarter ended March 31, 2009. The loss in the first quarter of 2009 is largely due to assets which were sold at a loss.

According to Dynegey management, the results for the first quarter of 2010 were impacted by lower demand. However, they still see an emerging economic recovery which will result in demand growth and more favorable pricing in the future.

Dynegey recently reported that they spent \$600 million to cut emissions of pollutants at its power plants in Illinois and that the total investment for this project should be approximately \$1 billion. This work has been completed at five out of its eight coal-fired units in Illinois. Dynegey is also switching to low sulfur coal and expects their coal fired plants in Illinois to cut emissions of nitrogen oxides, sulfur dioxide and mercury by approximately 90%.

Dynegey has low cost power generation plants spread across seven states which use coal, oil and natural gas. The generating capacity is geographically diverse with 43% in the Midwest, 32% in the West and 25% in the Northeast. This geographic diversity prevents the Company from becoming too dependent on one part of the Country.

The generating capacity is also diverse with 34% from natural gas-fired combined-cycle capacity, 25% from natural gas-fired peaking capacity, 31% from baseload coal/oil capacity and 10% from dual fuel capacity. This diversity of generating capacity helps to minimize the impact of any potential volatility in commodity prices.

Daxor management has determined that an impairment charge is not necessary at March 31, 2010 on Dynege after taking the recent decline in the stock price into account because Dynege is a geographically diverse low cost producer of electricity with a diverse generating capacity. These two factors protect the Company from being overly dependent on one region of the country or one type of commodity.

The stock price of Dynege has increased by 7% from April 1, 2010 through May 10, 2010, going from \$1.26 per share to \$1.35 per share. The stock price has a history of volatile fluctuations and it was trading as high as \$2.42 in October of 2009. The recent market price is well below the book value of \$5.13 per share at March 31, 2010 which would seem to indicate that the stock is strongly undervalued. The recent repurchase of bonds and improved liquidity position have also helped to strengthen Dynege's balance sheet.

Citigroup Inc.

At March 31, 2010, Daxor owned 299,807 shares of Citigroup with a cost basis of \$6.14 per share and a market value of \$4.05 per share. On May 10, 2010, the market value of Citigroup was \$4.22 per share which is \$1.92 or 31% less than our cost basis of \$6.14 per share.

During the first quarter of 2009, the stock was at \$1.00 per share and as of May 10, 2010, was trading at \$4.22 per share. The stock price has increased by 27% from January 1, 2010 through May 10, 2010, going from \$3.31 per share to \$4.22 per share.

Citigroup reported net income of \$4.4 billion in the first quarter of 2010 versus \$1.6 billion in the first quarter of 2009. Their provision for credit losses and benefits declined to \$8.6 billion which is the lowest level since the first quarter of 2008. The growth in net income is attributable to improved revenues, continued monitoring of expenses and a decline in the cost of credit.

Citigroup has reduced headcount to 263,000 at March 31, 2010 versus 375,000 at the peak level in 2007. Operating expenses during the first quarter of 2010 were \$11.5 billion versus \$11.7 billion in the first quarter of 2009 and \$12.3 billion in the fourth quarter of 2009.

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. As of December 31, 2009, the United States Treasury Department owned 27% of Citigroup's stock.

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 March 31, 2010, the Tier 1 Capital was 11.2%, Total Capital was 14.8% and Leverage was 6.2%. Citigroup is considered "well capitalized" under the federal regulatory agency definitions at March 31, 2010.

The operating environment for Citigroup continues to be difficult but the stock price has been trending upward since the first quarter of 2009 and the profit of the core business more than doubled in 2009 versus 2008. Management at Citigroup has substantially reduced operating expenses and headcount which should help operating results in future periods. 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 March 31, 2010.

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 March 31, 2010 on Citigroup.

Daxor Corporation  
Summary of Unrealized Losses on Dynegy, Inc and Citigroup, Inc.  
As at March 31, 2010

| Security           | Total<br>Cost | Less Than Twelve Months |                    | Tweleve Months or Greater |                    | Total        |                    |
|--------------------|---------------|-------------------------|--------------------|---------------------------|--------------------|--------------|--------------------|
|                    |               | Fair Value              | Unrealized<br>Loss | Fair Value                | Unrealized<br>Loss | Fair Value   | Unrealized<br>Loss |
| Dynegy,<br>Inc.    | \$ 2,168,649  | \$ 649,782              | \$ 232,328         | \$ 525,420                | \$ 761,119         | \$ 1,175,202 | \$ 993,447         |
| Citigroup,<br>Inc. | 1,841,841     | 546,750                 | 188,396            | 667,468                   | 439,226            | 1,214,218    | 627,622            |
| Total              | \$ 4,010,490  | \$ 1,196,532            | \$ 420,724         | \$ 1,192,888              | \$ 1,200,345       | \$ 2,389,420 | \$ 1,621,069       |

#### Dividend Income

Dividend income earned on the Company's security portfolio for the three months ended March 31, 2010 was \$568,408 versus \$987,097 for the same period in 2009 for a decrease of \$418,689 or 42.42%. The main reason for this decrease was the receipt of a onetime special dividend of \$282,425 on a stock which was in the Company's investment portfolio at March 31, 2009.

#### Investment Gains (Losses)

Gains on the sale of investments were \$6,076,382 for the three months ended March 31, 2010 versus \$5,124,034 for the same period in 2009 for an increase of \$952,348 or 18.59%. For the current quarter, the Company had a loss from the marking to the market of short positions of stocks and put and call options of (\$4,772,764) versus a loss of (\$6,318,524) for the same period in 2009. Interest expense net of interest income was \$6,264 for the three months ended March 31, 2010 versus \$67,699 for the three months ended March 31, 2009. Administrative expenses relating to portfolio investments were \$34,974 in 2010 versus \$ 31,886 for the same period in 2009.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's management has pursued a policy of maintaining sufficient liquidity and capital resources in order to assure continued availability of necessary funds for the viability and projected growth of all ongoing projects.

As of March 31, 2010, cash and cash equivalents totaled \$73,898 versus \$277,088 at December 31, 2009. Cash used in operating activities was \$1,903,886 for the three month period ended March 31, 2010. The decrease was primarily due to funding the operating loss for the current three month period.

Cash provided by investing activities was \$1,441,158 for the three months ended March 31, 2010. This increase is mainly attributable to the proceeds from sales of put and calls options of \$5,116,310 and available for sale securities of \$2,755,031 which were offset by the acquisition of available for sale securities of \$6,465,841.

A total of \$259,538 of cash was provided during the current three month period in financing activities and this was primarily due to the receipt of proceeds from margin loans payable.



The Company's investment portfolio has been a critical source of supplemental income to partially offset the continuing losses from operations. Without the income from the investment portfolio, the Company would have needed to raise additional operating funds through either debt or equity financing or a combination of the two. The Company's portfolio has maintained a net value above historical cost for each of the past 101 consecutive quarters.

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

1. The Company's investment goals are capital preservation, maintaining returns on capital with a high degree of safety and generating income from dividends and option sales to help offset operating losses.
2. In order to achieve these goals, the Company maintains a diversified securities portfolio comprised primarily of electric utility common and preferred stocks. The Company also sells covered calls on portions of its portfolio and also sells puts on stocks it is willing to own. It also sells uncovered calls and may have net short positions in common stock up to 15% of the value of the portfolio. The Company's net short position may temporarily rise to 15% of the Company's portfolio without any specific action because of changes in valuation, but should not exceed this amount. The Company's investment policy is to maintain a minimum of 80% of its portfolio in electric utilities. The Board of Directors has authorized this minimum to be temporarily lowered to 70% when Company management deems it to be necessary. Investments in utilities are primarily in electric companies. Investments in non-utility stocks will generally not exceed 20% of the value of the portfolio.
3. Investment in speculative issues, including short sales, maximum of 15%.
4. Limited use of options to increase yearly investment income.
  - a. The use of "Call" Options. Covered options can be sold up to a maximum of 20% of the value of the portfolio. This provides extra income in addition to dividends received from the Company's investments. The risk of this strategy is that investments may be called away, which the Company may have preferred to retain. Therefore, a limitation of 20% is placed on the amount of stock on which options can be written. The amount of the portfolio on which options are actually written is usually between 3-10% of the portfolio. The historical turnover of the portfolio is such that the average holding period is in excess of five years for available for sale securities.
  - b. The use of "Put" options. Put options are written on stocks which the Company is willing to purchase. While the Company does not have a high rate of turnover in its portfolio, there is some turnover; for example, due to preferred stocks being called back by the issuing Company, or stocks being called away because call options have been written. If the stock does not go below the put exercise price, the Company records the proceeds from the sale as income. If the put is exercised, the cost basis is reduced by the proceeds received from the sale of the put option. There may be occasions where the cost basis of the stock is lower than the market price at the time the option is exercised.
  - c. Speculative Short Sales/Short Options. The Company normally limits its speculative transactions to no more than 15% of the value of the portfolio. The Company may sell uncovered calls on certain stocks. If the stock price does not rise to the price of the call, the option is not exercised and the Company records the proceeds from the sale of the call as income. If the call is exercised, the Company will have a short position in the related stock. The Company then has the choice of covering the short position, or selling a put against it. If the put is exercised, then the short position is covered. The Company's current accounting policy is to mark to the market at the end of each quarter any short positions, and include it in the income statement. While the Company may have so-called speculative positions equal to 15% of its accounts, in actual practice the net short stock positions usually account for less than 10% of the assets of the Company.

5. In the event of a merger, the Company will elect to receive shares in the new company if this is an option. If the proposed merger is a cash only offer, the Company will receive cash and be forced to sell the stock.

The income derived from these investments has been essential to help offset the research, operating and marketing expenses of developing the Blood Volume Analyzer. The Company has followed a conservative policy of assuring adequate liquidity so that it can expand its marketing and research and development without the sudden necessity of raising additional capital. The securities in the Company's portfolio are selected to provide stability of both income and capital. The Company has been able to achieve financial stability because of these returns, which have covered a significant portion of the Company's continuing losses from operations. The Company's investment policy is reviewed at least once yearly by the Board of Directors and the Audit Committee. Individual investment decisions are made solely by the Company's CEO, Dr. Joseph Feldschuh.

The Company currently has adequate resources for the current level of marketing and research and development expenses for the BVA-100 Blood Volume Analyzer as well as capital to sustain its localized semen and blood banking services. The Company may not, at the present time, have adequate resources to expand its marketing force to all areas of the country. The Company is simultaneously expanding its research and development efforts to develop additional instrumentation for renal function testing, specifically glomerular filtration testing. The Company recently explored the potential for raising additional capital but the terms would have been disadvantageous to existing shareholders. The current primary focus is on the BVA-100 Blood Volume Analyzer with respect to expenditure of resources. The Company anticipates hiring additional regional managers to the existing sales/marketing team. It is the goal of the marketing team to develop an individual sales team for each regional manager. The Company is also expanding its support services personnel.

#### CRITICAL ACCOUNTING POLICIES

The consolidated financial statements and accompanying footnotes included in this report have been prepared in accordance with accounting principles generally accepted in the United States with certain amounts based on management's best estimates and judgments. To determine appropriate carrying values of assets and liabilities that are not readily available from other sources, management uses assumptions based on historical results and other factors that they believe are reasonable. Actual results could differ from those estimates.

Our critical accounting policies, are described in our Annual Report on Form 10-K for the year ended December 31, 2009. There have been no material changes to our critical accounting policies as of and for the three month period ended March 31, 2010.

#### CODE OF ETHICS AND BUSINESS CONDUCT

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

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 15% of the value of the company's portfolio and have never exceeded 15% of the company's portfolio value.

The Company will, at times, sell naked or uncovered calls, as well as, engage in short sales as part of a strategy to mitigate risk. Such short sales are usually less than 15% of the company's portfolio value.

Puts, calls and short sales, collectively referred to as short positions, are all marked to market for each reporting period and any gain or loss is recognized through the Statement of Operations and labeled as "Mark to market of short positions".

The Company's investment strategy is reviewed at least once a year, and more frequently as needed, at board meetings. The Company's investing policy permits investment in non-electric utilities for up to 20% of the corporate portfolio value. This percentage may be temporarily increased to 30% if deemed necessary by management.

At March 31, 2010 and December 31, 2009, available for sale securities consisted mostly of preferred and common stocks of utility companies. At March 31, 2010, 95.73% of the market value of the Company's available for sale securities is made up of common stock.

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

Because of the size of the unrealized gains in the company's portfolio, the Company does not anticipate any changes which could reduce the value of the Company's utility portfolio below historical cost. Electric utilities operate in an environment of federal, state and local regulations, and they may disproportionately affect an individual utility. The Company's exposure to regulatory risk is mitigated due to the diversity of holdings consisting of 80 separate common and preferred stocks. As of March 31, 2010 there were three holdings of common stock which comprised 37.82% of the total market value of the available for sale investments. These three holdings are FirstEnergy, Exelon and Entergy.

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

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

Summary of Available for Sale Securities as at March 31, 2010 (Unaudited)

| Type of Security | Total Fair Market Value | Total Cost    | Total Net Unrealized Gain (Loss) |
|------------------|-------------------------|---------------|----------------------------------|
| Common Stock     | \$ 50,093,752           | \$ 27,021,070 | \$ 23,072,682                    |
| Preferred Stock  | 2,234,940               | 1,979,264     | 255,676                          |
| Total Portfolio  | \$ 52,328,692           | \$ 29,000,334 | \$ 23,328,358                    |

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Summary of Unrealized Losses of Available for Sale Securities as at March 31, 2010 (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 | \$ 3,576,762            | \$ 476,625      | \$ 2,628,241             | \$ 1,716,210    | \$ 6,205,003 | \$ 2,192,835    |

Summary of Unrealized Gains on Available for Sale Securities as at March 31, 2010 (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 | \$ 2,584,670            | \$ 329,088       | \$ 43,539,019            | \$ 25,192,105    | \$ 46,123,689 | \$ 25,521,193    |

Summary of Proceeds Received and Market Valuation as at 3/31/10 (Unaudited)

Put and Call Options

| Total Proceeds Received on open positions at 1/1/10 | Sale of Options from 1/1/10-3/31/10 | Expirations and Assignments of Options from 1/1/10-3/31/10 | Proceeds Received on open positions at 3/31/10 | Market Value at 3/31/10 | Unrealized Appreciation at 3/31/10 |
|---|-------------------------------------|--|--|-------------------------|------------------------------------|
| \$ 9,605,476  | \$ 5,116,310                        | \$ 6,665,397   | \$ 8,056,389                                   | \$ 4,674,322            | \$ 3,382,067                       |

Summary of Available for Sale Securities as at December 31, 2009

| Type of Security | Total Fair Market Value | Total Cost    | Total Net Unrealized Gain |
|------------------|-------------------------|---------------|---------------------------|
| Common Stock     | \$ 51,207,654           | \$ 26,673,055 | \$ 24,534,599             |
| Preferred Stock  | 2,063,072               | 1,957,094     | 105,978                   |
| Total Portfolio  | \$ 53,270,726           | \$ 28,630,149 | \$ 24,640,577             |

Summary of Proceeds Received and Market Valuation as at 12/31/09

Put and Call Options

| Total Proceeds Received on open positions at 1/1/09 | Sale of Options from 1/1/09-12/31/09 | Expirations and Assignments of Options from 1/1/09-12/31/09 | Proceeds Received on open positions at 12/31/09 | Market Value at 12/31/09 | Unrealized Appreciation at 12/31/09 |
|---|--------------------------------------|---|---|--------------------------|-------------------------------------|
| \$ 13,811,975                                       | \$ 26,044,493                        | \$ 30,250,992   | \$ 9,605,476                                    | \$ 4,249,123             | \$ 5,356,353                        |

## Summary of Unrealized Losses on Available for Sale Securities as at December 31, 2009

|                              | Less Than Twelve Months |                 | Twelve Months or Greater |                 | Total        |                 |
|------------------------------|-------------------------|-----------------|--------------------------|-----------------|--------------|-----------------|
|                              | Fair Value              | Unrealized Loss | Fair Value               | Unrealized Loss | Fair Value   | Unrealized Loss |
| Marketable Equity Securities | \$ 2,874,316            | \$ 1,451,436    | \$ 1,917,505             | \$ 1,049,918    | \$ 4,791,821 | \$ 2,501,354    |

## Summary of Unrealized Gains on Available for Sale Securities as at December 31, 2009

|                              | Less Than Twelve Months |                  | Twelve Months or Greater |                  | Total         |                  |
|------------------------------|-------------------------|------------------|--------------------------|------------------|---------------|------------------|
|                              | Fair Value              | Unrealized Gains | Fair Value               | Unrealized Gains | Fair Value    | Unrealized Gains |
| Marketable Equity Securities | \$ 4,025,079            | \$ 696,783       | \$ 44,453,826            | \$ 26,445,148    | \$ 48,478,905 | \$ 27,141,931    |

## Item 4T. Controls and Procedures

As of March 31, 2010, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer, Chief Financial Officer and Treasurer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 under the Securities and Exchange Act of 1934, as amended. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the quarter ended September 30, 2009 in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in its periodic SEC filings. During the quarter ended March 31, 2010, there were no significant changes in internal controls or in other factors that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

The Company's management and board of directors are fully committed to the review and evaluation of the procedures and policies designed to assure effective internal control over financial reporting.

## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

The Company has no material legal proceedings pending. 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.

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. The Company has not received a closing notice or other substantive response from the SEC to either of these submissions. No conclusions regarding disposition of our cash management policy should be drawn from the lack of a closing notice or other substantive response to our submissions to the SEC in response to the Wells Notices.



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 has not received a closing notice or other substantive response from the SEC to this submission. No conclusions regarding disposition of our cash management policy should be drawn from the lack of a closing notice or other substantive response to our submission to the SEC in response to the Wells Notice.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 as filed with the Securities and Exchange Commission on March 29, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

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

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

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SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATE: May 11, 2010

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