

APOGEE TECHNOLOGY INC  
Form 10-Q  
August 13, 2010

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-10456

APOGEE TECHNOLOGY, INC.  
(Exact name of Small Business Issuer in its charger)

DELAWARE  
(State or other jurisdiction of incorporation  
or organization)

04-3005815  
(I.R.S. Employer Identification No.)

129 MORGAN DRIVE, NORWOOD, MASSACHUSETTS 02062  
(Address of principal executive offices)

(781) 551-9450  
(Registrant's telephone number, including area code)

NOT APPLICABLE  
(Former name, former address and former fiscal year,  
if changed since last report)  
Securities registered under Section 12(g) of the Exchange Act:  
Common Stock  
(Title of Class)

Indicate by check mark whether the registrant: (1) filed all reports required to be filed 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

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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 website, 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 proceeding 12 months (or such shorter periods that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting  
( Do not check if a      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

As of July 26, 2010, 13,123,454 of the registrant’s common stock were outstanding. See Note 1 Basis of Presentation, Going Concern for cessation of trading in our common stock on April 16, 2010.

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APOGEE TECHNOLOGY, INC.  
(A Development Stage Company)  
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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY  
(A Development Stage Company)  
CONSOLIDATED BALANCE SHEETS

|   | JUNE 30,<br>2010<br>(Unaudited) | DECEMBER 31,<br>2009<br>(Audited) |
|---|---------------------------------|-----------------------------------|
| <b>ASSETS</b>   |                                 |                                   |
| Current assets  |                                 |                                   |
| Cash  | \$ 5,938                        | \$ 4,704                          |
| Prepaid expenses and other current assets   | 2,198                           | 2,694                             |
| <b>Total current assets</b>   | <b>8,136</b>                    | <b>7,398</b>                      |
| Property and equipment, net   | 34,941                          | 44,042                            |
| Other assets  |                                 |                                   |
| Patents, net  | 175,903                         | 118,570                           |
|   | <b>\$ 218,980</b>               | <b>\$ 170,010</b>                 |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>   |                                 |                                   |
| Current liabilities   |                                 |                                   |
| Accounts payable and accrued expenses   | \$3,306,951                     | \$ 3,092,189                      |
| Officer loans and notes payable   | 1,380,759                       | 1,060,542                         |
| Shareholder loans and notes payable   | 1,245,762                       | 1,206,283                         |
| Other loans and notes payable   | 271,036                         | 796,320                           |
| <b>Total current liabilities</b>  | <b>6,204,508</b>                | <b>6,155,334</b>                  |
| Stockholders' deficiency  |                                 |                                   |
| Preferred stock, par value \$0.0001 per share; 5,000,000 shares authorized, none issued and outstanding   | —                               | —                                 |
| Common stock, \$0.01 par value; 40,000,000 shares authorized, 13,053,454 issued and outstanding at June 30, 2010 and 12,132,332 issued and outstanding at December 31, 2009 | 130,534                         | 121,323                           |
| Additional paid-in capital  | 19,617,143                      | 18,973,783                        |
| Accumulated deficit   | (21,891,704)                    | (21,891,704)                      |
| Accumulated deficit during development stage  | (3,841,501)                     | (3,188,726)                       |
| <b>Total stockholders' deficiency</b>   | <b>(5,985,528)</b>              | <b>(5,985,324)</b>                |

\$ 218,980      \$ 170,010

The accompanying notes are an integral part of these consolidated financial statements.

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APOGEE TECHNOLOGY, INC. AND SUBSIDIARY  
(A Development Stage Company)  
CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT  
(Unaudited)

|                                     | Three Months Ended June 30, |                 | Six Months Ended June 30, |                 | Cumulative<br>from<br>Re-entering<br>Development<br>Stage on<br>October 1,<br>2008 to June<br>30, 2010 |
|-------------------------------------|-----------------------------|-----------------|---------------------------|-----------------|--|
|                                     | 2010                        | 2009            | 2010                      | 2009            |  |
| <b>Revenues</b>                     |                             |                 |                           |                 |  |
| Product sales                       | \$ —                        | \$ —            | \$ —                      | \$ —            | \$ —   |
| Consulting                          | 15,000                      | —               | 15,000                    | —               | 15,000   |
|                                     | 15,000                      | —               | 15,000                    | —               | 15,000   |
| <b>Costs and expenses</b>           |                             |                 |                           |                 |  |
| Research and development            | 75,534                      | 159,072         | 198,105                   | 433,743         | 1,380,215  |
| Selling, general and administrative | 280,198                     | 272,752         | 486,456                   | 604,365         | 2,036,876  |
|                                     | 355,732                     | 431,824         | 684,561                   | 1,038,108       | 3,417,091  |
| Operating loss                      | (340,732 )                  | (431,824 )      | (669,561 )                | (1,038,108 )    | (3,402,091 )   |
| <b>Other income (expense)</b>       |                             |                 |                           |                 |  |
| Gain on extinguishment of debt      | 325,310                     | —               | 325,310                   | —               | 325,310  |
| Warrant Expense                     | (56,754 )                   | —               | (56,754 )                 | —               | (56,754 )  |
| Interest and other expense          | (124,784 )                  | (98,424 )       | (252,595 )                | (183,041 )      | (710,589 )   |
| Interest and other income           | 325                         | 1,000           | 825                       | 1,106           | 2,623  |
|                                     | 144,097                     | (97,424 )       | 16,786                    | (181,935 )      | (439,410 )   |
| Net loss                            | \$ (196,635 )               | \$ (529,248 )   | \$ (652,775 )             | \$ (1,220,043 ) | \$ (3,841,501 )  |
| Accumulated deficit - beginning     | \$ (25,536,571)             | \$ (23,571,874) | \$ (25,080,430)           | \$ (22,881,079) | \$ —   |
| Accumulated deficit - ending        | \$ (25,733,206)             | \$ (24,101,122) | \$ (25,733,205)           | \$ (24,101,122) | \$ (3,841,501 )  |

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|  |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|
| Basic and diluted loss per common share                        | \$ (0.02 ) | \$ (0.04 ) | \$ (0.05 ) | \$ (0.10 ) | \$ (0.32 ) |
| Weighted average common shares outstanding - basic and diluted | 12,336,460 | 12,132,332 | 12,234,960 | 12,132,332 | 12,161,447 |

The accompanying notes are an integral part of these consolidated financial statements.



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APOGEE TECHNOLOGY, INC. AND SUBSIDIARY  
(A Development Stage Company)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

|   | SIX MONTHS ENDED<br>JUNE 30, |                | Cumulative<br>from<br>Re-entering<br>Development<br>Stage on<br>OCTOBER 1,<br>2008<br>through<br>JUNE 30,<br>2010 |
|---|------------------------------|----------------|---|
|   | 2010                         | 2009           |   |
| Cash flows from operations  |                              |                |   |
| Net loss  | \$ (652,775)                 | \$ (1,220,043) | \$ (3,841,501)  |
| Adjustments to reconcile net loss to net cash used in operating activities: |                              |                |   |
| Provision for doubtful accounts   | —                            | —              | —   |
| Depreciation and amortization   | 34,897                       | 51,450         | 190,358   |
| Stock compensation expense for employees and directors                      | (46,302)                     | 45,471         | 45,352  |
| Original issue discount   | 65,219                       | 53,377         | 186,605   |
| Warrant Expenses  | 56,754                       |                | 56,754  |
| Patent impairment   | —                            | 17,267         | 205,674   |
| Disposal of sensor equipment  | —                            | —              | 3,731   |
| Gain on extinguishment of debt  | (325,310)                    | —              | (325,310)   |
| Changes in operating assets and liabilities:                                |                              |                |   |
| Accounts receivable   | —                            | —              | —   |
| Prepaid expenses and other current assets                                   | 495                          | (33,817)       | 32,915  |
| Accounts payable and accrued expenses                                       | 475,884                      | 383,543        | 1,661,716   |
| Net cash used in operating activities                                       | (391,138)                    | (702,752)      | (1,783,696)   |
| Cash flows from investing activities  |                              |                |   |
| Purchases of property and equipment   | —                            | —              | —   |
| Patent costs  | (83,128)                     | (9,212)        | (126,824)   |
| Net cash used by investing activities                                       | (83,128)                     | (9,212)        | (126,824)   |
| Cash flows from financing activities  |                              |                |   |
| Bank overdraft  | —                            | (24,936)       | —   |
| Proceeds for shareholder loans and notes payable                            | 30,000                       | 156,000        | 476,665   |
| Proceeds from officer loans and notes payable                               | 320,500                      | 130,900        | 629,400   |
| Proceeds from other loans and notes payable                                 | 75,000                       | 450,000        | 630,563   |
| Proceeds from sale of equity securities                                     | 50,000                       | —              | 184,114   |
| Net cash provided by financing activities                                   | 475,500                      | 711,964        | 1,920,742   |

|   |            |           |            |
|---|------------|-----------|------------|
| Increase in cash  | 1,234      | —         | 10,222     |
| Cash — beginning  | 4,704      | —         | (4,284)    |
| Cash— ending  | \$ 5,938   | \$ —      | 5,938      |
| Supplemental Cash Flow Information:                         |            |           |            |
| Cash paid for interest                                      | \$ —       | \$ —      | —          |
| Warrants issued in connection with notes payable – non-cash | \$ 103,060 | \$ 59,023 | \$ 238,364 |
| Conversion of notes payable – non –cash                     | \$ 585,000 | \$ —      | 485,000    |
| Conversion of interest payable – non-cash                   | \$ 286,122 | \$ —      | 252,008    |
| Income taxes  | \$ —       | \$ —      | —          |

The accompanying notes are an integral part of these consolidated financial statements

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APOGEE TECHNOLOGY, INC. AND SUBSIDIARY

(A Development Stage Company)

Notes to Unaudited Consolidated Financial Statements

June 30, 2010 and June 30, 2009

1. The Company and Basis of Presentation

The Company

The accompanying unaudited interim financial statements of Apogee Technology, inc., a Delaware corporation, have been prepared in accordance with accounting principles generally accepted in the United States of American and the rules of the Securities and Exchange Commission and should be read in conjunction with the audited financial statements and notes thereto contained in our last Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected therein. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

Apogee Technology, Inc., (“Apogee”, “we”, “us” or “our”) is developing PyraDerm™, a proprietary intradermal drug delivery system for vaccines and other pharmaceuticals that we intend to market to pharmaceutical and medical device companies. Until March 31, 2009, we were also engaged in the development of IntellaPAL™, a proprietary sensor-based health monitoring systems for the elderly care and other markets that we intended to manufacture and market to individuals and health organizations.

Our Life Science Group is developing PyraDerm, an advanced intradermal drug delivery system, to meet the needs of patients, health insurers, companies developing pharmaceuticals, as well as, governments and international health organizations. PyraDerm is designed to be a low-cost, effective, painless delivery system that can be self administered and easily stored while potentially providing pharmaceutical companies an extended patent position for their current drug formulations. We had previously demonstrated that PyraDerm system containing adjuvanted vaccine formulations is capable of improving the efficiency of immunization and providing a significant dose sparing effect in a relevant animal model. Technologies that reduce the required vaccine dose would allow faster and more efficient production of vaccines, which is especially important in case of vaccine shortages during epidemic emergencies, such as pandemic influenza. The results of these studies were published in 2009 in the Proceedings of the National Academy of Sciences of the USA serving as an important validation of our approach to intradermal vaccination. In 2009 we had to scale down research and development efforts due to financial constraints focusing on the proof-of-concept thermal stability studies of PyraDerm system and relevant formulations and certain efforts on the development of the production process. In these studies we have been able to demonstrate the advantages of some of its systems compared to commonly used solution formulations. We believe that these findings on improved thermal stability are important for future development of PyraDerm as better shelf-life and lower dependence on temperature controlled distribution chains can be one of the critical advantages of our technology. The Company also continued to pursue patent applications related to its technology. Upon completion of our studies, if successful, we intend to pursue licensing and partnership agreements for multiple product applications with pharmaceutical, and medical device companies, and government and world health organizations interested in drug delivery systems and technologies.

We have operated as a technology research and development stage company since October 1, 2008. We have not yet generated revenue from our principal operations. During the fiscal year ended December 31, 2009 and continuing in 2010, we invested our limited resources predominately in the development of our Life Science Group. As of March 31, 2009, we closed down operations of our Health Monitoring Products Group. Costs associated with the closing of this group, as well as the termination of related employees are not material. Our sole focus is and will remain on the

development and growth of our Life Science Group.

#### Basis of Presentation

#### Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has recurring operating losses, negative cash flows from operations, negative working capital of approximately \$6.2 million and stockholder's deficiency of approximately \$6.0 million, is in arrears with substantially all of its vendors, and is in default on a majority of its Promissory Notes. This raises substantial doubt about our ability to continue as a going concern. Net losses were approximately \$653,000 and negative cash flows from operations were approximately \$391,000 for the six months ended June 30, 2010. Given our current cash position, net losses and negative cash flows from operations and our outstanding current obligations, we will not be able to continue as a going concern without raising additional capital which is not assured.

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APOGEE TECHNOLOGY, INC. AND SUBSIDIARY  
(A Development Stage Company)  
Notes to Unaudited Consolidated Financial Statements  
June 30, 2010 and June 30, 2009

As of June 30, 2010, we had cash of approximately \$6,000. See Note 12 - Subsequent Events – Additional Financing. As of August 11, 2010, we had cash of approximately \$100,000.

The long-term success of Apogee is dependent upon our ability to raise additional funds to continue our operations, pay our outstanding liabilities and to successfully develop and market our technologies and products and to attain profitable operations. Although we have modified our business strategy to improve near-term financial performance, there can be no assurance that we will be able to obtain funds, to generate sufficient revenue, if any, or become profitable or that additional funds will be available to us on acceptable terms, if at all. Accordingly, we may be unable to implement current plans. In addition, if sufficient capital cannot be obtained, Apogee may be forced to cease operations. In the event that any future financing is affected, to the extent it includes equity securities; the holders of the common stock may experience additional dilution. In the event of a cessation of operations, there may not be sufficient assets to fully satisfy all creditors, in which case, the holders of securities may be unable to recoup any of their investment.

We are attempting to secure sufficient financing to meet our current obligations and to continue development of our technology. We have been working to obtain financing from outside investors for more than 24 months, but have not yet been successful. In the interim, short-term debt financing provided primarily by two of Apogee's significant shareholders, including our President, Chief Executive Officer and Chairman of the Board of Directors and Mr. David Spiegel, as well as Mr. Robert Schacter, et al and others, is being utilized to preserve our intellectual property, maintain our technical capabilities and know-how, and support our technology development in accordance with our licensing agreement. There is no assurance that this short-term debt financing will continue. Additionally, cost cutting measures, including deferral of salary for the CEO, deferral of capital expenditures, and reduced general spending were instituted during 2009.

Due to the early stages of development of our products, we cannot estimate at this time the amounts of cash or the length of time that will be required to bring our products under development to market. It is expected that such costs will be funded not only by external funding, if available, but also through partnership activities. Without additional financing, we will be unable to continue operations.

On October 28, 2009, the Company received a "Wells Notice" from the staff of the Securities and Exchange Commission, which states the staff's intent to recommend that the Commission institute a public administrative proceeding against the Company, alleging that it violated Section 13(a) of the Securities Exchange Act of 1934. In connection with the contemplated proceedings, the staff may seek a suspension or revocation of registration of each class of the Company's registered securities. Also, the staff may consider whether contempt proceedings in a federal district court are appropriate. The Company submitted a response to this letter on November 16, 2009. Should suspension or revocation of our stock occur, the Company's ability to raise additional funding may be severely impacted.

As noted elsewhere, the Company, on December 18, 2009, filed its delinquent financial report on Form 10-K for the year ended December 31, 2008. This report contained a Disclaimer of Opinion by its Independent Accountants due to significant uncertainty as to the Company's ability to be a going concern. On April 16, 2010 the SEC issued an Order for an Administrative Hearing based on a claim that the filing as well as Form 10-Q's for the first three quarters of 2009, which had been filed on January 15, 2010, were materially deficient due to the Disclaimer of Opinion and thus

the filings remained delinquent. The Disclaimer of Opinion was removed on a subsequent filing. The Company was also delinquent on its Form 10-K for the Year ended December 31, 2009. An Order of Suspension of trading in the Company's securities was enacted at that time. The Company also did not file its Form 10-Q for the quarter ended March 31, 2010.

The SEC and the Company subsequently entered into a Settlement agreement without the above mentioned Hearing, under which the Company would file all its delinquent filings with out a material deficiency by a mutually agreed date. Failure to do so would activate an Order to revoke the ability for the Company's securities to trade on an exchange.

#### Consolidated Financial Statements

The financial statements include the accounts of Apogee Technology, Inc. and its wholly owned inactive subsidiary, DUBLA, Inc. All significant intercompany transactions and accounts have been eliminated.

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APOGEE TECHNOLOGY, INC. AND SUBSIDIARY

(A Development Stage Company)

Notes to Unaudited Consolidated Financial Statements

June 30, 2010 and June 30, 2009

2.Summary of Significant Accounting Policies

Accounting Standards: On July 1, 2009, the Financial Accounting Standards Board (“FASB”) issued the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, also known as FASB Accounting Standards Codification (“ASC”) 105-10, General Accepted Accounting Principles (“ASC 105-10”). ASC 105-10 established the FASB Accounting Standards Codification (“Codification”) as the single source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards. All other non -grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative. Following the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates, which will serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification. GAAP was not intended to be changed as a result of the FASB’s Codification project, but it will change the way the guidance is organized and presented. As a result, these changes will have a significant impact on how companies reference GAAP in their financial statements and in their accounting policies for financial statements issued for interim and annual periods ending after September 15, 2009. Apogee has implemented the Codification in this quarterly report by providing references to the Codification topics, as appropriate.

Revenue Recognition

Consulting and licensing revenue is recognized as services are performed.

Product revenue will be recognized when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) the product has been shipped and the customer takes ownership and assumes the risk of loss; (3) the selling price is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured.

Royalty revenue will be recognized when earned in accordance with the underlying agreements.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Development Stage Company

Apogee follows the presentation and disclosure requirements of Accounting Standards Codification (“ASC”) ASC915 “Accounting and Reporting by Development Stage Enterprises” as we are in the development stage therein as defined since October 1, 2008 and for the year ended December 31, 2009.

#### Property and Equipment

Major replacements and betterments of equipment are capitalized. Cost of normal maintenance and repairs is charged to expense as incurred. Depreciation is provided over the estimated useful lives of the assets using accelerated methods.

#### Leasehold Improvements

Leasehold improvements are amortized over either the term of lease or the estimated useful life of the improvement.

#### Patents

Costs incurred to register and obtain patents are capitalized and amortized on a straight-line basis over five years, their estimated useful lives. Management performs analysis for impairment on a periodic basis.



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APOGEE TECHNOLOGY, INC. AND SUBSIDIARY  
(A Development Stage Company)  
Notes to Unaudited Consolidated Financial Statements  
June 30, 2010 and June 30, 2009

Impairment of Long-Lived Asset

We assess the carrying values of long-lived assets for possible impairment in accordance with the requirements of ASC 360-10. We conduct impairment tests when we identify events or when we believe that circumstances may have changed to indicate that the carrying amount of a long-lived asset may not be recoverable. Such events or changes in circumstances may include the discontinuation of a product or product line, a sudden or consistent decline in the forecast for a product, changes in technology or in the way an asset is being used, or an adverse change in legal factors or in the business climate. Our impairment review, to determine if a potential impairment charge is required, is based on an undiscounted cash flow analysis. This analysis requires judgment with respect to many factors, including future cash flows, changes in technology, the continued success of product lines and future volume and revenue and expense growth rates. It is possible that our estimates of these assumptions may change in the future, resulting in the need to reassess the carrying value of our long-lived assets for impairment.

Income Taxes

Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. Deferred taxes are recognized for the estimated taxes ultimately payable or recoverable based on enacted tax laws. Allowances are recorded if recovery is uncertain. See Note 10 – Income Taxes and Tax Loss Carryforwards.

Loss Per Share

Basic net loss per share is computed by dividing the net loss attributable to common stockholders for the period by the weighted average number of common stock outstanding during the period. Diluted net loss per share is computed based on the weighted average number of common stock and dilutive potential common stock outstanding. Potential common stock consists of incremental common stock issuable upon the exercise of stock options and common stock issuable upon the exercise of common stock warrants. The calculation of diluted net loss per share excludes potential common stock as the effect is anti-dilutive. The weighted average number of shares of common stock outstanding used to compute basic loss per share for the six months ended June 30, 2010 and 2009 was 12,234,960 and 12,131,332, respectively.

Research and Development

Costs for research and development are expensed as incurred.

Legal Fees

We record legal costs (such as fees and expenses of external lawyers and other service providers) when incurred or when it is probable that a liability has been incurred on or before the balance sheet date and the amount can be reasonably estimated if invoices have not been received. Legal fees incurred pursuant to filing patent applications are capitalized as part of the patent costs.

Contingencies

Apogee is involved in and/or indemnifies others in various legal proceedings. Management assesses the probability of loss for such contingencies and recognizes a liability when a loss is probable and estimable. See Note 9 – Legal and Related Indemnification Arrangements with our Executives and Others.

#### Advertising

Advertising costs are expenses when incurred and were not significant for the three and six months ended June 30, 2010 and 2009.

#### Stock-Based Compensation

Apogee had a stock-based compensation plan, the 1997 Employee, Director and Consultant Stock Option Plan (the “1997 Plan”), which is described below. This 1997 Plan expired as of May 14, 2007. At our Annual Meeting held on August 28, 2007, the shareholders approved the adoption of a new stock-based compensation plan, the 2007 Employee, Director and Consultant Stock Plan (the “2007 Plan”).

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## APOGEE TECHNOLOGY, INC. AND SUBSIDIARY

(A Development Stage Company)

Notes to Unaudited Consolidated Financial Statements

June 30, 2010 and June 30, 2009

We account for stock-based compensation for employees in accordance with ASC Topic 718, "Compensation-Stock Compensation" using the modified prospective method. Under the fair value recognition provision of ASC Topic 718, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense as it is earned over the requisite service period, which is the vesting period. The fair value of the options on their grant date is measured using the Black-Scholes option-pricing model, which we believe yields a reasonable estimate of the fair value of the grants made. The valuation provisions of ASC Topic 718 apply to grants issued since January 1, 2006 (the effective date) and to grants that were outstanding as of that date that are subsequently modified. Estimated compensation expense for grants that were outstanding as of the effective date will be recognized over the remaining vesting period.

Non-employee stock-based compensation is accounted for in accordance with ASC Topic 505, "Equity-based payments to Non-Employees." In accordance with this topic, cost recognized for non-employee share-based payment transactions is determined by the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued.

Apogee's stock compensation activity with respect to the six months ended June 30, 2010 is summarized below:

| Stock Options                    | Shares    | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term |
|----------------------------------|-----------|---------------------------------|---|
| Outstanding at December 31, 2009 | 2,929,500 | \$ 4.5383                       |   |
| Granted                          | —         |                                 |   |
| Exercised                        | —         |                                 |   |
| Cancelled or expired             | 120,900   | 1.2657                          |   |
| Outstanding at June 30, 2010     | 2,808,600 | \$ 4.6792                       | 3.7397                                      |
| Vested at June 30, 2010          | 2,572,200 | \$ 5.0248                       | 3.4030                                      |
| Exercisable at June 30, 2010     | 2,572,200 | \$ 5.0248                       | 3.4030                                      |

The following table summarizes information about options outstanding as of June 30, 2010:

| Range of Exercise Prices | Number Outstanding | Options Outstanding                         |                                 | Options Exercisable |                                 |
|--------------------------|--------------------|---|---------------------------------|---------------------|---------------------------------|
|                          |                    | Weighted Average Remaining Contractual Term | Weighted Average Exercise Price | Number Exercisable  | Weighted Average Exercise Price |
| \$0.45 — 1.69            | 931,000            | 6.4093                                      | \$ 0.9894                       | 694,600             | \$ 1.0136                       |

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|                           |           |        |           |           |           |
|---------------------------|-----------|--------|-----------|-----------|-----------|
| \$2.71 — 6.59             | 1,282,600 | 1.7647 | \$ 5.4065 | 1,282,600 | \$ 5.4065 |
| \$8.45 — 12.15            | 595,000   | 3.8200 | \$ 8.8849 | 595,000   | \$ 8.8849 |
| Total at June 30,<br>2010 | 2,808,600 | 3.7397 | \$ 4.6792 | 2,572,200 | \$ 5.0249 |

Apogee did not grant options during the six months ended June 30, 2010 and 2009. No options were exercised during six months ended June 30, 2010 and 2009. During the six months ended June 30, 2010, options to purchase 37,600 shares of Apogee common stock vested. The weighted average fair value of these options was \$0.9793. During the six months ended June 30, 2010 options to purchase 120,900 shares of Apogee common stock were canceled. As of June 30, 2010, approximately 236,400 options to purchase approximately 236,400 shares of Apogee common stock with an approximate value of \$41,705 are not yet vested.

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Fair value of financial instruments

Carrying amounts of certain of the our financial instruments, including cash, loans and accounts payable, approximate their fair values due to their relative short maturities and based upon comparable market information available at the respective balance sheet dates. We do not hold or issue financial instruments for trading purposes.

Recent Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. This ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. The FASB's objective is to improve these disclosures and, thus, increase the transparency in financial reporting. Specifically, ASU 2010-06 amends Codification Subtopic 820-10 to now require:

- A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and
- In the reconciliation for fair value measurements using significant unobservable inputs, a reporting entity should present separately information about purchases, sales, issuances, and settlements.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

In addition, ASU 2010-06 clarifies the requirements of the following existing disclosures:

- For purposes of reporting fair value measurement for each class of assets and liabilities, a reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities; and
- A reporting entity should provide disclosure about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements.

ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009 which for us is January 1, 2010 except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early application is permitted. We do not expect any significant changes to our financial accounting and reporting as a result of the issuance of ASU 2010-06.

Recently Adopted Accounting Pronouncements and Regulations

In December 2009, the FASB issued ASU 2009-17, "Consolidations (Topic 810) - Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities", which codifies FASB Statement No. 167,

"Amendments to FASB Interpretation No. 46(R)" and changes how a reporting entity determines when an entity that is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things:

- a) The power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance, and
- b) The obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity.

ASU 2009-17 also requires a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity's financial statements. ASU 2009-17 is effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009 which for us is January 1, 2010. Early application is not permitted.

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In August 2009, the FASB issued ASU 2009-05, "Fair Value Measurements and Disclosures (Topic 820)—Measuring Liabilities at Fair Value," which makes amendments to Subtopic 820-10, "Fair Value Measurements and Disclosures—Overall" for the fair value measurement of liabilities and provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the techniques provided for in this update. Topic 820 assumes that the fair value of a financial instrument is the price that would be paid to transfer a liability in an orderly transaction between market participants. However, most liabilities have restrictions that do not allow them to be transferred and as such there is not a market for transferring the liabilities. ASU 2009-05 states that in the absence of a market for the liability a company can use:

1. The quoted price of the identical liability when traded as an asset
2. A quoted price for similar liabilities or similar liabilities when traded as assets; or
3. Another valuation technique that is consistent with the principles of Topic 820 such as a present value technique.

When using any of these techniques, companies are to apply all of the provisions of Topic 820 including guidelines for assessing whether the market is active and orderly. ASU 2009-05 applies to us as of September 1, 2009.

On February 24, 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-09 "Subsequent Events - Amendments to Certain Recognition and Disclosure Requirements" ("ASU 2010-09"), which amends FASB ASC Topic 855, "Subsequent Events", so that SEC filers no longer are required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. ASU No. 2010-09 was effective immediately and we adopted this new requirement in the first quarter of 2010.

Apogee does not expect the adoption of any recently issued accounting pronouncements to have a significant impact on their financial position, results of operations or cash flows.

### 3. Property and Equipment

Property and equipment at June 30, 2010 and December 31, 2009 are comprised of the following:

| Property and Equipment        | June 30,<br>2010 | December 31,<br>2009 |
|-------------------------------|------------------|----------------------|
| Equipment                     | \$ 162,790       | \$ 162,790           |
| Software                      | 32,943           | 32,943               |
| Furniture and fixtures        | 22,047           | 22,047               |
| Leasehold improvements        | 92,892           | 92,892               |
|                               | \$ 310,672       | \$ 310,672           |
| Less accumulated depreciation | (275,731 )       | (266,630 )           |

\$ 34,941 \$ 44,042

Depreciation expense was \$4,551 and \$9,101 for the three and six months ended June 30, 2010, respectively, compared to \$8,141 and \$16,682 for the three and six months ended June 30, 2009, respectively.

The estimated useful lives of the classes of physical assets were as follows:

| Description            | Depreciable Lives |
|------------------------|-------------------|
| Equipment              | 5 years           |
| Software               | 3 years           |
| Furniture and fixtures | 7 years           |
| Leasehold improvements | Term of lease     |



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#### 4. Asset Impairment

We did not record any patent impairment charge at June 30, 2010. For the three and six months ended June 30, 2010 we amortized approximately \$14,200 and \$25,800, respectively, of patent application related expenses. We did record a patent impairment charge of approximately \$17,000 at March 31, 2009. These patent applications were related to our Health Monitoring Group which was closed down as of March 31, 2009. In addition for three and six months ended June 30, 2009, we amortized approximately \$9,600 and \$19,400, respectively, of patent application related expenses.

The values of patent costs are summarized in the table below:

|                   | Gross<br>Carrying<br>Value | Accumulated<br>Amortization | Accumulated<br>Impairment | Net Book<br>Value |
|-------------------|----------------------------|-----------------------------|---------------------------|-------------------|
| December 31, 2009 | \$ 436,099                 | (71,855 )                   | (245,674 )                | \$ 118,570        |
| June 30, 2010     | \$ 519,227                 | (97,650 )                   | (245,674 )                | \$ 175,903        |

Estimated amortization is as follows:

| Year ended December<br>31,         |        |
|------------------------------------|--------|
| Six<br>months<br>ended<br>December |        |
| 2010                               | 28,915 |
| 2011                               | 54,711 |
| 2012                               | 54,710 |
| 2013                               | 20,942 |
| 2014                               | 16,625 |

#### 5. Accounts Payable and Accrued Expenses

Accrued expenses are included in accounts payable on the balance sheet. Accounts payable and accrued expenses are as follows:

| Accounts Payable | June 30,<br>2010 | December 31,<br>2009 |
|------------------|------------------|----------------------|
|                  |                  |                      |

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|  |              |              |
|--|--------------|--------------|
| Legal and accounting                     | \$ 1,808,000 | \$ 1,691,000 |
| Consulting expenses                      | 40,000       | 70,000       |
| Interest owed to Promissory Note holders | 313,000      | 412,000      |
| Corporate insurance expenses             | —            | 4,000        |
| Director and Advisory Committee fees     | 128,000      | 100,000      |
| Rent expenses                            | 97,000       | 70,000       |
| Other expenses                           | 478,000      | 420,000      |
|  | \$ 2,864,000 | \$ 2,767,000 |

| Accrued Expenses                  | June 30,<br>2010 | December 31,<br>2009 |
|-----------------------------------|------------------|----------------------|
| Accrued audit expenses            | \$ 66,000        | \$ 100,000           |
| Accrued legal expenses            | 30,000           | 25,000               |
| Accrued consulting expenses       | 49,000           | 46,000               |
| Accrued payroll and payroll taxes | 238,000          | 134,000              |
| Other accrued expenses            | 60,000           | 62,000               |
|                                   | \$ 443,000       | \$ 367,000           |

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6.Promissory Notes, Loans and Warrants

During the three and six months ended June 30, 2010, Apogee received \$177,000 and \$400,500, respectively, in proceeds from unsecured interest-bearing promissory notes. During the six months ended June 30, 2010 Apogee received \$320,500 from Mr. Herbert M. Stein, President, Chief Executive Officer and Chairman of the Board of Directors, \$30,000 from Mr. David Spiegel, a major shareholder, \$50,000 from others. These promissory notes are payable upon demand, not subject to premium or penalty for prepayment, bear simple interest of 8% per annum, except for the promissory note to JAZFund LLC which bears interest of 12% per annum. All are to be repaid in 180 days. An additional 4% interest will be charged after maturity. On June 26, 2010 the Apogee completed an offer to its Note holders whereby Note holders could convert all interest amounts accrued and unpaid as of April 15, 2010 into Apogee Common Stock at a price of \$1 per share. Two Note holders accepted this offer:

| Note Holder                    | Interest<br>Converted |
|--------------------------------|-----------------------|
| Herbert M.<br>Stein            | \$204,098             |
| Robert<br>Schacter, et<br>al   | 82,024                |
| Total<br>interest<br>converted | \$286,122             |

This transaction resulted in a gain on extinguishment of debt of \$32,810 as a result of the interest conversion by Mr. Schacter. This transaction was recorded as of June 30, 2010. The interest conversion by Mr. Stein was recorded as a capital transaction and recorded in Additional Paid-In Capital

As a result of the above conversion, total unpaid interest of approximately \$313,000 is due as of June 30, 2010, consisting of \$32,000 to Mr. Stein, \$249,000 to Mr. Spiegel, \$32,000 to others.

In addition to loans, we received \$50,000 and \$25,000, respectively, from TYJO Corp. Money Purchase Pension Plan for the purchase of seventy-five thousand (75,000) shares of Apogee Technology, Inc. Common Stock at \$1.00 per share. The certificates were issued dated June 4, 2010 (50,000) and July 9, 2010 (25,000).

Through June 30, 2010, Apogee has received total proceeds from loans promissory notes, issuance of stock and stock deposits of \$3.6 million, consisting of \$1.3 million, \$1.4 million, \$660,000 and \$280,000 from Mr. Spiegel, Mr. Stein, Mr. Schacter and others, respectively.

Mr. Robert Schacter requested that the \$545,000 in Promissory Notes issued in the name of Robert Schacter (TYJO Corp. Money Purchase Pension Plan), and \$20,000 each issued in the names of Mr. Robert Schacter, as Custodian for Tyler Schacter UTMA/CA and Mr. Robert Schacter, as Custodian for Joseph Schacter UTMA/CA be converted to shares of Apogee Common Stock. On June 4, 2010 the Board of Directors approved this transaction and authorized the issuance of 585,000 shares of Apogee Technology, Inc. Common Stock at a price of \$1.00 per share. The closing

price on June 4, 2010 was \$0.50; therefore, the Company recorded a \$292,500 gain on extinguishment of this debt at June 30, 2010.

Effective June 4, 2010 all promissory notes issued in the name of Robert Schacter (TYJO Corp. Money Purchase Pension Plan), Mr. Robert Schacter, as Custodian for Tyler Schacter UTMA/CA and Mr. Robert Schacter, as Custodian for Joseph Schacter UTMA/CA were converted and shares of Apogee Common Stock were issued.

In addition, unpaid rent and utilities of approximately \$97,000 and \$52,000, respectively, are owed to Mr. Spiegel as of June 30, 2010.

As of June 30, 2010 promissory notes in the amount of \$2.4 million are in default and accruing post-maturity interest.

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Promissory Notes  
and Loans Due To  
David Spiegel

| Date of Promissory Note | Amount     | Maturity Date      | Initial Interest Rate | Current Interest Rate |
|-------------------------|------------|--------------------|-----------------------|-----------------------|
| December 11, 2007       | \$ 150,000 | March 10, 2008     | 8.00 %                | 12.00 %               |
| February 21, 2008       | 100,000    | August 19, 2008    | 8.00 %                | 12.00 %               |
| March 20, 2008          | 100,000    | September 16, 2008 | 8.00 %                | 12.00 %               |
| April 1, 2008           | 50,000     | September 28, 2008 | 8.00 %                | 12.00 %               |
| May 15, 2008            | 50,000     | November 11, 2008  | 8.00 %                | 12.00 %               |
| June 16, 2008           | 65,000     | December 13, 2008  | 8.00 %                | 12.00 %               |
| June 18, 2008           | 50,000     | December 15, 2008  | 8.00 %                | 12.00 %               |
| July 15, 2008           | 50,000     | January 11, 2009   | 8.00 %                | 12.00 %               |
| July 28, 2008           | 50,000     | January 24, 2009   | 8.00 %                | 12.00 %               |
| August 12, 2008         | 35,000     | February 8, 2009   | 8.00 %                | 12.00 %               |
| August 27, 2008         | 35,000     | February 23, 2009  | 8.00 %                | 12.00 %               |
| September 5, 2008       | 35,000     | March 4, 2009      | 8.00 %                | 12.00 %               |
| October 27, 2008        | 35,000     | April 25, 2009     | 8.00 %                | 12.00 %               |
| January 6, 2009         | 80,000     | July 5, 2009       | 8.00 %                | 12.00 %               |
| March 19, 2009          | 64,000     | September 15, 2009 | 8.00 %                | 12.00 %               |
| May 19, 2009            | 35,000     | November 15, 2009  | 8.00 %                | 12.00 %               |
| June 10, 2009           | 25,000     | December 7, 2009   | 8.00 %                | 12.00 %               |
| July 1, 2009            | 32,000     | December 28, 2009  | 8.00 %                | 12.00 %               |
| November 5, 2009        | 103,000    | May 4, 2010        | 8.00 %                | 12.00 %               |
| December 21, 2009       | 68,000     | June 19, 2010      | 8.00 %                | 12.00 %               |

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|                      |              |                     |        |        |
|----------------------|--------------|---------------------|--------|--------|
| December 29,<br>2009 | 4,665        | July 24, 2010       | 8.00 % | 8.00 % |
| April 16, 2010       | 16,000       | October 13,<br>2010 | 8.00 % | 8.00 % |
| June 4, 2010         | 14,000       | December 1,<br>2010 | 8.00 % | 8.00 % |
|                      | \$ 1,246,665 |                     |        |        |

Promissory Notes  
and Loans Due To  
Herbert M. Stein

| Date of<br>Promissory Note | Amount     | Maturity<br>Date      | Initial<br>Interest<br>Rate | Current<br>Interest<br>Rate |
|----------------------------|------------|-----------------------|-----------------------------|-----------------------------|
| December 11,<br>2007       | \$ 250,000 | March 10, 2008        | 8.00 %                      | 12.00 %                     |
| February 21,<br>2008       | 100,000    | August 19, 2008       | 8.00 %                      | 12.00 %                     |
| March 20, 2008             | 50,000     | September 16,<br>2008 | 8.00 %                      | 12.00 %                     |
| April 1, 2008              | 50,000     | September 28,<br>2008 | 8.00 %                      | 12.00 %                     |
| May 15, 2008               | 50,000     | November 11,<br>2008  | 8.00 %                      | 12.00 %                     |
| June 16, 2008              | 35,000     | December 13,<br>2008  | 8.00 %                      | 12.00 %                     |
| June 18, 2008              | 40,000     | December 15,<br>2008  | 8.00 %                      | 12.00 %                     |
| July 15, 2008              | 30,000     | January 11, 2009      | 8.00 %                      | 12.00 %                     |
| July 28, 2008              | 50,000     | January 24, 2009      | 8.00 %                      | 12.00 %                     |
| August 12, 2008            | 35,000     | February 8, 2009      | 8.00 %                      | 12.00 %                     |
| August 27, 2008            | 35,000     | February 23,<br>2009  | 8.00 %                      | 12.00 %                     |
| September 5,<br>2008       | 35,000     | March 4, 2009         | 8.00 %                      | 12.00 %                     |
| October 27, 2008           | 25,000     | April 25, 2009        | 8.00 %                      | 12.00 %                     |
| February 2, 2009           | 30,000     | August 1, 2009        | 8.00 %                      | 12.00 %                     |
| February 17,<br>2009       | 10,000     | August 16, 2009       | 8.00 %                      | 12.00 %                     |
| March 19, 2009             | 25,900     | September 15,<br>2009 | 8.00 %                      | 12.00 %                     |
| April 13, 2009             | 33,000     | October 10,<br>2009   | 8.00 %                      | 12.00 %                     |
| May 18, 2009               | 12,000     | November 14,<br>2009  | 8.00 %                      | 12.00 %                     |
| July 1, 2009               | 20,000     | December 28,<br>2009  | 8.00 %                      | 12.00 %                     |
|                            | 42,500     | May 4, 2010           | 8.00 %                      | 12.00 %                     |

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|                      |              |                     |      |   |         |
|----------------------|--------------|---------------------|------|---|---------|
| November 5,<br>2009  |              |                     |      |   |         |
| December 21,<br>2009 | 83,500       | June 19, 2010       | 8.00 | % | 12.00 % |
| January 25, 2010     | 79,000       | July 24, 2010       | 8.00 | % | 8.00 %  |
| February 22,<br>2010 | 66,000       | August 21, 2010     | 8.00 | % | 8.00 %  |
| April 16, 2010       | 86,500       | October 13,<br>2010 | 8.00 | % | 8.00 %  |
| June 4, 2010         | 116,000      | December 1,<br>2010 | 8.00 | % | 8.00 %  |
|                      | \$ 1,389,400 |                     |      |   |         |

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Promissory Notes and  
Loans Due To  
Others

| Date of Promissory Note | Amount     | Maturity Date      | Initial Interest Rate | Current Interest Rate |
|-------------------------|------------|--------------------|-----------------------|-----------------------|
| July 28, 2008           | \$ 20,000  | March 4, 2009      | 8.00 %                | 12.00 %               |
| October 27, 2008        | 6,000      | April 25, 2009     | 8.00 %                | 12.00 %               |
| January 6, 2009         | 500        | July 5, 2009       | 8.00 %                | 12.00 %               |
| February 17, 2009       | 37,000     | August 16, 2009    | 8.00 %                | 12.00 %               |
| March 19, 2009          | 500        | September 15, 2009 | 8.00 %                | 12.00 %               |
| April 13, 2009*         | 61,500     | October 10, 2009   | 8.00 %                | 12.00 %               |
| May 18, 2009            | 32,500     | November 14, 2009  | 8.00 %                | 12.00 %               |
| November 5, 2009        | 70,000     | May 4, 2010        | 8.00 %                | 12.00 %               |
| December 21, 2009       | 2,563      | June 19, 2010      | 8.00 %                | 12.00 %               |
| January 25, 2010        | 30,000     | July 24, 2010      | 8.00 %                | 8.00 %                |
| June 4, 2010            | 20,000     | December 1, 2010   | 12.00 %               | 12.00 %               |
|                         | \$ 280,563 |                    |                       |                       |

The promissory notes issued to Messrs. Stein, Spiegel and Others from December 11, 2007 through December 21, 2009 for an aggregate of \$2.4 million are incurring a post-maturity rate of interest of 12% compounded monthly. The promissory notes originally were issued with simple interest of 8% per year and were to be repaid in cash after 90 days for the December 11, 2007 and 180 days for the remaining promissory notes. The effective interest rate for 2009 was approximately 16%.

\*The promissory note issued to JAZFund LLC on April 13, 2009 in the amount of \$30,000 is incurring a post-maturity rate of 16% compounded monthly. This promissory note originally was issued with simple interest of 12% per year and was to be repaid in cash after 180 days.



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The following tables represent the net payable from promissory notes and loans as of June 30, 2010.

|  | Officer<br>Loans<br>Herbert M.<br>Stein | Shareholder<br>Loans<br>David<br>Spiegel | Total       |
|--|---|--|-------------|
| Total proceeds from Loans and Promissory Notes | \$1,389,400                             | \$1,246,665                              | \$2,636,065 |
| Discount (Fair Market Value of Warrants)       | (8,641 )                                | (903 )                                   | (9,544 )    |
|  | \$1,380,759                             | \$1,24,5762                              | \$2,626,521 |

|  | Loans<br>Others |
|--|-----------------|
| Total proceeds from Loans Promissory Notes | \$ 280,563      |
| Discount (Fair Market Value of Warrants)   | (9,527)         |
|  | \$ 271,036      |

In connection with the issuance of the promissory notes, we issued warrants to purchase our common stock. Each warrant expires three years from issue date with an exercise price of \$1.00 per share. As of June 30, 2010, these warrants represent, in the aggregate, an underlying one hundred nine thousand six hundred sixty-six (109,666) shares of common stock for Mr. Spiegel, an underlying one hundred thirteen thousand nine hundred forty (113,940) shares of common stock for Mr. Stein, an underlying three hundred twenty-two thousand (322,000) shares of common stock for Mr. Schacter, and an underlying seventy-six thousand eight hundred six (76,806) shares of common stock for others. These warrants were issued as additional consideration for the notes. These warrants include customary terms and include a cashless or net exercise provision for exercise. Holders of these warrants are not entitled to receive dividends, vote, receive notice of any meetings of stockholders or otherwise have any right as stockholders with respect to their warrant shares. The values of these warrants were determined by using the Black Scholes valuation model. Warrants associated with the issuance of the promissory notes were issued at approximately 10% to 140% of the funds received.

Included below and in consideration of his continued financial support, the Board of Directors, on June 4, 2010, approved the issuance of an additional 151,750 in warrants to Mr. Robert Schacter et al. The Company used the Black Scholes method to value these warrants. As a result of this transaction, the Company recorded a \$56,754 warrant expense during the second quarter ended June 30, 2010. These warrants include customary terms and include a cashless or net exercise provision for exercise. These warrants are not entitled to receive dividends, vote, receive notice of any meetings of stockholders or otherwise have any right as stockholders with respect to their warrant shares. The values of these warrants were determined by using the Black Scholes valuation model.

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David Spiegel

| Date of Warrant   | Number of Shares | Stock Price At Date of Issuance | Term of Warrant | Strike Price | Risk Free Interest Rate | Volatility  | Value Per Warrant | Total Value         |
|-------------------|------------------|---------------------------------|-----------------|--------------|-------------------------|-------------|-------------------|---------------------|
| February 21, 2008 | 10,000           | \$ 0.65                         | 3 Years         | \$ 1.00      | 2.23                    | 98.45824 %  | \$ 0.3462         | \$ 3,462.00         |
| March 20, 2008    | 10,000           | \$ 0.70                         | 3 Years         | \$ 1.00      | 1.71                    | 99.87467 %  | \$ 0.3867         | 3,867.00            |
| April 1, 2008     | 5,000            | \$ 0.85                         | 3 Years         | \$ 1.00      | 1.94                    | 100.00925 % | \$ 0.5042         | 2,526.00            |
| May 15, 2008      | 5,000            | \$ 0.83                         | 3 Years         | \$ 1.00      | 2.70                    | 102.78266 % | \$ 0.5036         | 2,518.00            |
| June 16, 2008     | 6,500            | \$ 0.63                         | 3 Years         | \$ 1.00      | 3.33                    | 104.12541 % | \$ 0.3555         | 2,310.75            |
| June 18, 2008     | 5,000            | \$ 0.61                         | 3 Years         | \$ 1.00      | 3.19                    | 104.07197 % | \$ 0.3397         | 1,698.50            |
| July 15, 2008     | 5,000            | \$ 0.87                         | 3 Years         | \$ 1.00      | 2.70                    | 104.55357 % | \$ 0.5429         | 2,714.50            |
| July 28, 2008     | 5,000            | \$ 0.75                         | 3 Years         | \$ 1.00      | 2.90                    | 104.54508 % | \$ 0.4481         | 2,240.50            |
| August 12, 2008   | 3,500            | \$ 0.75                         | 3 Years         | \$ 1.00      | 2.73                    | 104.93498 % | \$ 0.4488         | 1,570.80            |
| August 27, 2008   | 3,500            | \$ 0.85                         | 3 Years         | \$ 1.00      | 2.58                    | 106.26182 % | \$ 0.5331         | 1,865.85            |
| September 5, 2008 | 3,500            | \$ 0.86                         | 3 Years         | \$ 1.00      | 2.44                    | 106.21122 % | \$ 0.5404         | 1,891.40            |
| October 27, 2008  | 3,500            | \$ 0.60                         | 3 Years         | \$ 1.00      | 1.83                    | 108.82589 % | \$ 0.3431         | 1,200.85            |
| January 6, 2009   | 8,000            | \$ 0.75                         | 3 Years         | \$ 1.00      | 1.10                    | 108.80131 % | \$ 0.4566         | 3,652.80            |
| March 19, 2009    | 6,400            | \$ 0.68                         | 3 Years         | \$ 1.00      | 1.21                    | 109.80676 % | \$ 0.4057         | 2,596.48            |
| May 19, 2009      | 3,500            | \$ 0.70                         | 3 Years         | \$ 1.00      | 1.37                    | 111.74849 % | \$ 0.4288         | 1,500.80            |
| June 10, 2009     | 2,500            | \$ 0.60                         | 3 Years         | \$ 1.00      | 2.00                    | 126.10551 % | \$ 0.3959         | 989.75              |
| July 1, 2009      | 3,200            | \$ 0.87                         | 3 Years         | \$ 1.00      | 1.57                    | 128.93341 % | \$ 0.6295         | 2,014.40            |
| November 5, 2009  | 10,300           | \$ 1.02                         | 3 Years         | \$ 1.00      | 1.44                    | 131.45892 % | \$ 0.7681         | 7,911.43            |
| December 21, 2009 | 6,800            | \$ 1.05                         | 3 Years         | \$ 1.00      | 1.42                    | 133.83768 % | \$ 0.8029         | 5,459.72            |
| January 25, 2010  | 466              | \$ 0.96                         | 3 Years         | \$ 1.00      | 1.40                    | 134.80467 % | \$ 0.7268         | 338.69              |
| April 16, 2010    | 1,600            | \$ 0.90                         | 3 Years         | \$ 1.00      | 1.56                    | 136.43020 % | \$ 0.6800         | 1,088.00            |
| June 4, 2010      | 1,400            | \$ 0.50                         | 3 Years         | \$ 1.00      | 1.17                    | 153.12821 % | \$ 0.3740         | 523.60              |
| <b>Total</b>      | <b>109,666</b>   |                                 |                 |              |                         |             |                   | <b>\$ 53,941.82</b> |

Herbert M. Stein

| Date of Warrant   | Number of Shares | Stock Price At Date of Issuance | Term of Warrant | Strike Price | Risk Free Interest Rate | Volatility | Value Per Warrant | Total Value |
|-------------------|------------------|---------------------------------|-----------------|--------------|-------------------------|------------|-------------------|-------------|
| February 21, 2008 | 10,000           | \$ 0.65                         | 3 Years         | \$ 1.00      | 2.23                    | 98.45824 % | \$ 0.3462         | \$ 3,462.00 |

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|                   |                |         |         |         |      |             |           |                     |
|-------------------|----------------|---------|---------|---------|------|-------------|-----------|---------------------|
| March 20, 2008    | 5,000          | \$ 0.70 | 3 Years | \$ 1.00 | 1.71 | 99.87467 %  | \$ 0.3867 | 1,933.50            |
| April 1, 2008     | 5,000          | \$ 0.85 | 3 Years | \$ 1.00 | 1.94 | 100.00925 % | \$ 0.5042 | 2,526.00            |
| May 15, 2008      | 5,000          | \$ 0.83 | 3 Years | \$ 1.00 | 2.70 | 102.78266 % | \$ 0.5036 | 2,518.00            |
| June 16, 2008     | 3,500          | \$ 0.63 | 3 Years | \$ 1.00 | 3.33 | 104.12541 % | \$ 0.3555 | 1,244.25            |
| June 18, 2008     | 4,000          | \$ 0.61 | 3 Years | \$ 1.00 | 3.19 | 104.07197 % | \$ 0.3397 | 1,358.80            |
| July 15, 2008     | 3,000          | \$ 0.87 | 3 Years | \$ 1.00 | 2.70 | 104.55357 % | \$ 0.5429 | 1,628.70            |
| July 28, 2008     | 5,000          | \$ 0.75 | 3 Years | \$ 1.00 | 2.90 | 104.54508 % | \$ 0.4481 | 2,240.50            |
| August 12, 2008   | 3,500          | \$ 0.75 | 3 Years | \$ 1.00 | 2.73 | 104.93498 % | \$ 0.4488 | 1,570.80            |
| August 27, 2008   | 3,500          | \$ 0.85 | 3 Years | \$ 1.00 | 2.58 | 106.26182 % | \$ 0.5331 | 1,865.85            |
| September 5, 2008 | 3,500          | \$ 0.86 | 3 Years | \$ 1.00 | 2.44 | 106.21122 % | \$ 0.5404 | 1,891.40            |
| October 27, 2008  | 2,500          | \$ 0.60 | 3 Years | \$ 1.00 | 1.83 | 108.82589 % | \$ 0.3431 | 857.75              |
| February 2, 2009  | 3,000          | \$ 0.70 | 3 Years | \$ 1.00 | 1.27 | 109.04276 % | \$ 0.4188 | 1,256.40            |
| February 17, 2009 | 1,000          | \$ 0.83 | 3 Years | \$ 1.00 | 1.22 | 109.04322 % | \$ 0.5219 | 521.90              |
| March 19, 2009    | 2,590          | \$ 0.68 | 3 Years | \$ 1.00 | 1.21 | 109.80676 % | \$ 0.4057 | 1,050.76            |
| April 13, 2009    | 3,300          | \$ 0.60 | 3 Years | \$ 1.00 | 1.27 | 110.59204 % | \$ 0.3469 | 1,144.77            |
| May 18, 2009      | 1,200          | 0.70    | 3 Years | \$ 1.00 | 1.36 | 111.77410 % | \$ 0.4288 | 514.56              |
| July 1, 2009      | 2,000          | \$ 0.87 | 3 Years | \$ 1.00 | 1.57 | 128.93341 % | \$ 0.6295 | 1,259.20            |
| November 5, 2009  | 4,250          | \$ 1.02 | 3 Years | \$ 1.00 | 1.44 | 131.45892 % | \$ 0.7681 | 3,264.43            |
| December 21, 2009 | 8,350          | \$ 1.05 | 3 Years | \$ 1.00 | 1.42 | 133.83768 % | \$ 0.8029 | 6,704.22            |
| January 25, 2010  | 7,900          | \$ 0.96 | 3 Years | \$ 1.00 | 1.40 | 134.80467 % | \$ 0.7268 | 5,741.72            |
| February 22, 2010 | 6,600          | \$ 0.70 | 3 Years | \$ 1.00 | 1.48 | 134.43818 % | \$ 0.5011 | 3,307.26            |
| April 16, 2010    | 8,650          | \$ 0.96 | 3 Years | \$ 1.00 | 1.40 | 134.80467 % | \$ 0.7268 | 5,882.00            |
| June 4, 2010      | 11,600         | \$ 0.50 | 3 Years | \$ 1.00 | 1.17 | 153.12821 % | \$ 0.3740 | 4,338.40            |
| <b>Total</b>      | <b>113,940</b> |         |         |         |      |             |           | <b>\$ 58,083.17</b> |

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Robert Schacter et al\*

| Date of Warrant   | Number of Shares | Stock Price At Date of Issuance | Term of Warrant | Strike Price | Risk Free Interest Rate | Volatility | Value Per Warrant | Total Value  |
|-------------------|------------------|---------------------------------|-----------------|--------------|-------------------------|------------|-------------------|--------------|
| September 5, 2008 | 14,000           | \$ 0.86                         | 3 Years         | \$ 1.00      | 2.44                    | 106.21122% | \$ 0.5404         | \$ 7,565.60  |
| October 27, 2008  | 25,000           | \$ 0.60                         | 3 Years         | \$ 1.00      | 1.83                    | 108.82589% | \$ 0.3431         | 8,577.50     |
| January 8, 2009   | 25,000           | \$ 0.90                         | 3 Years         | \$ 1.00      | 1.16                    | 108.85621% | \$ 0.5777         | 14,442.50    |
| February 2, 2009  | 12,500           | \$ 0.70                         | 3 Years         | \$ 1.00      | 1.27                    | 109.04276% | \$ 0.4188         | 5,235.00     |
| February 17, 2009 | 12,500           | \$ 0.83                         | 3 Years         | \$ 1.00      | 1.22                    | 109.04322% | \$ 0.5219         | 6,523.75     |
| March 19, 2009    | 12,500           | \$ 0.68                         | 3 Years         | \$ 1.00      | 1.21                    | 109.80676% | \$ 0.4057         | 5,071.25     |
| April 13, 2009    | 5,000            | \$ 0.60                         | 3 Years         | \$ 1.00      | 1.27                    | 110.59204% | \$ 0.3469         | 1,734.50     |
| June 10, 2009     | 6,250            | \$ 0.60.                        | 3 Years         | \$ 1.00      | 2.00                    | 126.10551% | \$ 0.3959         | 2,474.38     |
| November 5, 2009  | 20,000           | \$ 1.02                         | 3 Years         | \$ 1.00      | 1.44                    | 131.45892% | \$ 0.7681         | 15,362.00    |
| Total             | 120,250          |                                 |                 |              |                         |            |                   | \$ 66,986.48 |

\*128,750 warrants issued in the name of TYJO Corporation Money Purchase Pension Plan, 2,000 warrants issued in the name of Mr. Robert Schacter, as Custodian for Tyler Schacter UTMA/CA and 2,000 warrants issued in the name of Mr. Robert Schacter, as Custodian for Joseph Schacter UTMA/CA.

Others

| Date of Warrant  | Number of Shares | Stock Price At Date of Issuance | Term of Warrant | Strike Price | Risk Free Interest Rate | Volatility | Value Per Warrant | Total Value |
|------------------|------------------|---------------------------------|-----------------|--------------|-------------------------|------------|-------------------|-------------|
| July 28, 2008    | 2,000            | \$ 0.75                         | 3 Years         | \$ 1.00      | 2.90                    | 104.54508% | \$ 0.4460         | \$ 892.00   |
| October 27, 2008 | 600              | \$ 0.60                         | 3 Years         | \$ 1.00      | 1.83                    | 108.82589% | \$ 0.3431         | 205.86      |

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|                   |        |         |         |         |      |            |           |              |
|-------------------|--------|---------|---------|---------|------|------------|-----------|--------------|
| January 6, 2009   | 50     | \$ 0.75 | 3 Years | \$ 1.00 | 1.10 | 108.80131% | \$ 0.4566 | 22.83        |
| February 17, 2009 | 8,950  | \$ 0.83 | 3 Years | \$ 1.00 | 1.22 | 109.04322% | \$ 0.5219 | 4,671.01     |
| March 19, 2009    | 50     | \$ 0.68 | 3 Years | \$ 1.00 | 1.21 | 109.80676% | \$ 0.4057 | 20.29        |
| April 13, 2009    | 10,650 | \$ 0.60 | 3 Years | \$ 1.00 | 1.27 | 110.59204% | \$ 0.3469 | 3,694.49     |
| May 18, 2009      | 3,200  | 0.70    | 3 Years | \$ 1.00 | 1.36 | 111.77410% | \$ 0.4288 | 1,372.15     |
| May 19 2009       | 50     | \$ 0.70 | 3 Years | \$ 1.00 | 1.37 | 111.74849% | \$ 0.4288 | 21.44        |
| November 5, 2009  | 16,000 | \$ 1.02 | 3 Years | \$ 1.00 | 1.44 | 131.45892% | \$ 0.7681 | 12,289.60    |
| December 21, 2009 | 256    | \$ 1.05 | 3 Years | \$ 1.00 | 1.42 | 133.83768% | \$ 0.8029 | 205.54       |
| January 25, 2010  | 7,500  | \$ 0.96 | 3 Years | \$ 1.00 | 1.40 | 134.80467% | \$ 0.7268 | 5,451.00     |
| June 4, 2010      | 27,500 | \$ 0.50 | 3 Years | \$ 1.00 | 1.17 | 153.12821% | \$ 0.3740 | 10,285.00    |
| Total             | 76,806 |         |         |         |      |            |           | \$ 38,771.21 |

The carrying value of the notes and loans payable approximate fair value due to their short-term maturity.

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7. Stockholders' Deficiency

Sale of Common Stock

On May 24, 2010 and June 4, 2010 Apogee received \$50,000 and \$25,000, respectively, from TYJO Corporation Money Purchase Pension Plan for the purchase of 75,000 shares of Apogee common stock and warrants to purchase 37,500 shares of Apogee common stock. These warrants are exercisable immediately upon issuance, for a term of three years at an exercise price of \$1.00 per share.

Promissory Note Conversion

Mr. Robert Schacter requested that the \$545,000 in Promissory Notes issued in the name of Robert Schacter (TYJO Corp. Money Purchase Pension Plan), and \$20,000 each issued in the names of Mr. Robert Schacter, as Custodian for Tyler Schacter UTMA/CA and Mr. Robert Schacter, as Custodian for Joseph Schacter UTMA/CA be converted to shares of Apogee Common Stock. On June 4, 2010 the Board of Directors approved this transaction and authorized the issuance of 585,000 shares of Apogee Technology, Inc. Common Stock at a price of \$1.00 per share. The closing price on June 4, 2010 was \$0.50; accordingly, the Company recorded a \$292,500 gain on extinguishment of this debt at June 30, 2010.

Total shares issued as of June 4, 2010 to Mr. Schacter et al was 635,000 with an additional 25,000 issued on July 9, 2010.

Interest Conversion

On June 26, 2010 the Company completed an offer to its Note holders whereby Note holders could convert all interest amounts accrued and unpaid as of April 15, 2010 into the Company's Common Stock at a price of \$1 per share. Two Note holders accepted this offer:

| Note Holder              | Interest<br>Converted |
|--------------------------|-----------------------|
| Herbert M. Stein         | \$ 204,098            |
| Robert Schacter, et al   | 82,024                |
| Total interest converted | \$ 286,122            |

This transaction resulted in a gain on extinguishment of debt of \$32,810 as a result of the interest conversion by Mr. Schacter. This transaction was recorded as of June 30, 2010. The interest conversion by Mr. Stein was recorded as a capital transaction and recorded in Additional Paid-In Capital

Additional Warrants

In consideration of his continued financial support, the Board of Directors, on June 4, 2010, approved the issuance of warrants to purchase 151,750 shares of Apogee common stock to Mr. Robert Schacter et al. The Company used the Black Scholes method to value these warrants. As a result of this transaction, the Company recorded a \$56,754

expense during the second quarter ended June 30, 2010. These warrants are exercisable immediately upon issuance, for a term of three years at an exercise price of \$1.00 per share.

#### Stock Options

During the three and six months ended June 30, 2010 and 2009, no stock options were awarded.

#### 8.Related Party Transactions

Apogee rents its facility from an entity controlled by a stockholder for \$4,400 per month pursuant to a lease that expired December 31, 2005. Currently, we are renting the facility on a month-to-month basis. Rent expense was \$52,800 for the fiscal year ended December 31, 2009 and \$26,400 through June 30, 2010. Rent has been accrued and remains unpaid since September 2008 totaling \$96,600 through June 30, 2010. See also Note 6 – Promissory Notes, Loans and Warrants from Officers and Significant Stockholders.

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9. Legal and Related Indemnification Arrangements with our Executives and Others

Apogee has assumed and will continue to assume the final legal costs and related expenses of Herbert M. Stein, in connection with the civil action styled Joseph Shamy vs. Herbert M. Stein, Case No.: 50 2005 CA 007719 XXXXMB. In this action instituted in the 15th Judicial Circuit in and for Palm Beach County, Florida (the "Court"), Joseph Shamy sued Herbert M. Stein, President, Chief Executive Officer and Chairman of the Board of Apogee in connection with Shamy's purchase of Apogee shares in 2003 and 2004. In February 2009, in connection with a settlement, the Court entered a Final Judgment against Mr. Stein. In early January 2010, a filing was made with the Court to memorialize the Total and Complete Satisfaction of Judgment, which states that all sums due under the civil action were fully paid and that the Final Judgment was satisfied and canceled. Further, the Clerk of the Court was directed to note satisfaction of the Final Judgment and cancellation of all judgments of record in this action. Apogee was not a party to the aforementioned settlement or the satisfaction of the Final Judgment. Through June 30, 2010, we have incurred approximately \$914,000 toward this indemnification. For the three and six months ended June 30, 2010, we incurred approximately \$3,000 toward this indemnification, compared to approximately \$30,000 and \$72,000 for the three and six months ended June 30, 2009.

The Company first became aware of an investigation by the SEC in May 2005. The subject matter of this investigation was the Company's prior revenue recognition practices that were addressed in the Company's restatement of its financial statements for the fiscal year ended December 31, 2004. As previously disclosed in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004, as amended, Apogee's Audit Committee, with the assistance of independent counsel, conducted an investigation into Apogee's historical accounting practices that resulted in the implementation of remedial actions. See our Annual Report on Form 10-KSB for the year ended December 31, 2004, as amended, for detail regarding the restatement.

In July 2008, Apogee, its Chief Executive Officer and other employees received notifications from the Staff of the SEC relating to the Staff's 2005 investigation. These notifications, known as "Wells Notices," stated that the Staff is considering recommending that the Commission bring enforcement actions against the Company and certain employees, based on alleged violations of certain provisions of the federal securities laws, including Section 17(a) of the Securities Act of 1933, as amended, Section 10(b) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 thereunder, Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-1 and 13a-13 thereunder. The Wells Notice sent to the Company indicates that in any action actually brought against the Company, the Staff would seek an injunction against future violations of the federal securities laws as relief.

On May 19, 2009, the Securities and Exchange Commission ("commission") filed a settled enforcement action against the Company, one employee, and one former employee ("Others") in connection with Apogee's prior revenue recognition practices. Each of the defendants has agreed to settle this matter, without admitting or denying the allegations of the Commission's complaint. Apogee and others agreed to the entry of a final judgment permanently enjoining them from variously violating or aiding and abetting violations of Sections of the Securities Act of 1933, and Sections of the Securities Exchange Act of 1934, and various Rules. The others also agreed to financial and other sanctions. Through June 30, 2010, we have incurred approximately \$554,000 toward this indemnification. For the three and six months ended June 30, 2010 we did not incur any legal expenses associated with this indemnification. This compares to approximately \$500 and \$1,600, respectively for the three and six months ended June 30, 2009.



As of March 31, 2009, Apogee's Directors and Officers Liability Insurance was cancelled due to non-payment. Apogee may be required to pay any uninsured claims and related costs.

As noted elsewhere, the Company, on December 18, 2009, filed its delinquent financial report on Form 10-K for the year ended December 31, 2008. This report contained a Disclaimer of Opinion by its Independent Accountants due to significant uncertainty as to the Company's ability to be a going concern. On April 16, 2010 the SEC issued an Order for an Administrative Hearing based on a claim that the filing as well as Form 10-Q's for the first three quarters of 2009, which had been filed on January 15, 2010, were materially deficient due to the Disclaimer of Opinion and thus the filings remained delinquent. The Disclaimer of Opinion was removed on a subsequent filing. The Company was also delinquent on its Form 10-K for the Year ended December 31, 2009. An Order of Suspension of trading in the Company's securities was enacted at that time. The Company also did not file its Form 10-Q for the quarter ended March 31, 2010.

In June 2010 the SEC and the Company entered into a Settlement agreement without the above mentioned Hearing, under which the Company would file all its delinquent filings without a material deficiency by a mutually agreed date. Failure to do so would activate an Order to revoke the ability for the Company's securities to trade on an exchange.

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10. Tax Loss Carryforwards

The following approximates the net loss carryforwards we have available in the future for federal and state tax purposes as of December 31, 2009:

|                                  | December 31,<br>2009 | December 31,<br>2008 |
|----------------------------------|----------------------|----------------------|
| Net operating loss carryforwards |                      |                      |
| Federal                          | \$ 21,000,000        | \$ 19,000,000        |
| State                            | \$ 14,000,000        | \$ 12,000,000        |

|  | December 31,<br>2009 | December 31,<br>2008 |
|--|----------------------|----------------------|
| Business credits available in the future |                      |                      |
| Federal                                  | \$ 960,000           | \$ 940,000           |
| State                                    | \$ 40,000            | \$ 330,000           |

The Company does not record a net tax benefit asset due to the uncertainty of its realization.

The net operating loss carryforwards will begin to expire in 2012 for federal tax purposes and in 2010 for state tax purposes. The federal and state credits will begin to expire in 2017.

Significant changes in our ownership, future changes in tax laws and regulations and the alternative minimum tax, may substantially reduce the available carryforwards and related tax benefits.

11. Supplemental Cash Flow Information

As of June 30, 2010, we recorded cumulatively approximately \$879,000 in interest expense of which approximately \$7,700 was paid. We recorded interest expense of approximately \$189,000 and \$317,000, respectively, for the three and six months ended June 30, 2010, compared to approximately \$98,000 and \$183,000 for the same periods in 2009.

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12. Subsequent Events

## Additional Financings

The following table details all financings subsequent to June 30, 2010:

| Date of Loan or Promissory Note and Warrant | Amount of Loan or Note | Maturity Date    | Interest Rate | Number of Warrants | Risk Free Interest Rate | Volatility | Value Per Warrant | Total Value of Warrants |
|---|------------------------|------------------|---------------|--------------------|-------------------------|------------|-------------------|-------------------------|
| August 11, 2010                             | 100,000                | February 7, 2011 | 8.00%         | 10,000             | 0.81                    | 157.1615%  | \$0.2115          | \$ 2,115.00             |

\* Excludes funds received prior to March 31, 2010.

| Date of Loan or Promissory Note and Warrant | Amount of Loan or Note | Maturity Date    | Interest Rate | Number of Warrants | Risk Free Interest Rate | Volatility | Value Per Warrant | Total Value of Warrants |
|---|------------------------|------------------|---------------|--------------------|-------------------------|------------|-------------------|-------------------------|
| August 11, 2010                             | 45,700                 | February 7, 2011 | 8.00%         | 4,570              | 0.81                    | 157.1615%  | \$0.2115          | \$ 1,002.51             |

| Date of Loan or Promissory Note and Warrant | Amount of Loan or Note | Maturity Date | Interest Rate | Number of Warrants | Risk Free Interest Rate | Volatility | Value Per Warrant | Total Value of Warrants |
|---|------------------------|---------------|---------------|--------------------|-------------------------|------------|-------------------|-------------------------|
| July 9, 2010**                              | \$25,000               |               |               |                    |                         |            |                   |                         |

\*\* It has not yet been determined whether these funds are to be considered a loan or equity.

## Private Placement

Apogee has received \$45,000 as part of an on-going Private Placement for 45,000 shares of Apogee common stock and warrants to purchase 22,500 shares of Apogee common stock. Proceeds as of July 28, 2010 were \$41,850 net of

\$3,150 in expenses. These warrants are exercisable immediately upon issuance, for a term of three years at an exercise price of \$1.00 per share.

Total Warrants issued through August 11, 2010 is 659,482 as detailed below:

| Stock/Note<br>Holder                                | Number<br>of Interest<br>Warrants<br>Issued |
|---|---|
| Herbert M.<br>Stein                                 | 118,510                                     |
| David<br>Spiegel                                    | 119,666                                     |
| Robert<br>Schacter et<br>al                         | 322,000                                     |
| Others  | 99,306                                      |
| Total   | 659,482                                     |
| Warrants<br>issued<br>through<br>August 11,<br>2010 |   |

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

GENERAL

The following Management's Discussion and Analysis of the Company's Financial Condition and Results of Operations for the three and six-month periods ended June 30, 2010 and June 30, 2009, should be read in conjunction with the Company's Financial Statements and related footnotes included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains, in addition to historical statements, forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include the factors discussed in the section titled ITEM 1A – RISK FACTORS, as well as other factors described in our Annual Report on Form 10-K for the year ended December 31, 2009.

OVERVIEW

Apogee Technology, Inc., ("Apogee", "we", "us" or "our") is developing PyraDerm™, a proprietary intradermal drug delivery system for vaccines and other pharmaceuticals that we intend to market to pharmaceutical and medical device companies. Until March 31, 2009, we were also engaged in the development of IntellaPAL™, a proprietary sensor-based health monitoring systems for the elderly care and other markets that we intended to manufacture and market to individuals and health organizations.

Our Life Science Group is developing PyraDerm, an advanced intradermal drug delivery system, to meet the needs of patients, health insurers, companies developing pharmaceuticals, as well as, governments and international health organizations. PyraDerm is designed to be a low-cost, effective, painless delivery system that can be self administered and easily stored while potentially providing pharmaceutical companies an extended patent position for their current drug formulations. We had previously demonstrated that PyraDerm system containing adjuvanted vaccine formulations is capable of improving the efficiency of immunization and providing a significant dose sparing effect in a relevant animal model. Technologies that reduce the required vaccine dose would allow faster and more efficient production of vaccines, which is especially important in case of vaccine shortages during epidemic emergencies, such as pandemic influenza. The results of these studies were published in 2009 in the Proceedings of the National Academy of Sciences of the USA serving as an important validation of our approach to intradermal vaccination. In 2009 we had to scale down research and development efforts due to financial constraints focusing on the proof-of-concept thermal stability studies of PyraDerm system and relevant formulations and certain efforts on the development of the production process. In these studies Apogee has been able to demonstrate the advantages of some of its systems compared to commonly used solution formulations. We believe that these findings on improved thermal stability are important for future development of PyraDerm as better shelf-life and lower dependence on temperature controlled distribution chains can be one of the critical advantages of our technology. The Company also continued to pursue patent applications related to its technology. Upon completion of our studies, if successful, we intend to pursue licensing and partnership agreements for multiple product applications with pharmaceutical, and medical device companies, and government and world health organizations interested in drug delivery systems and technologies.

In 2009, we closed down the operations of the Health Monitoring Product Group. Costs associated with this cessation of operations and terminations of related employees were not material.

At June 30, 2010, we had an accumulated deficit of approximately \$25.7 million, as compared to a deficit of approximately \$25.1 million as of December 31, 2009. Since re-entering development stage on October 1, 2008, we have an accumulated deficit of approximately \$3.8 million, as compared to a deficit of approximately \$3.2 million as of December 31, 2009. Our historical net losses and accumulated deficit (since 1995) result primarily from the costs

associated with our efforts to design, develop and market our DDX technology as well as costs associated with our efforts to develop PyraDerm™.

Through June 30, 2010, we have received approximately \$3.6 million in loans and stock purchase deposits. Since June 30, 2010, we have received approximately \$116,000 in funding, which have been inadequate to meet the current needs of the Company resulting in non-payment of loan principal and interest and vendors. See Note 12 - Subsequent Events – Additional Financings.

As of June 30, 2010, we had 6 employees, compared to 9 employees at June 30, 2009. Effective as of June 9, 2008 through October 31, 2009, 5 of the remaining employees transitioned to part-time status in an effort to reduce human resource costs. As of November 1, 2009 a majority of employees have returned to full time with an additional employee returning to full time status effective as of June 14, 2010.

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Subject to additional funding, Apogee's sole focus will remain on developing and growing the Life Science Group.

## SELECTED CONSOLIDATED FINANCIAL DATA

The following selected financial data for the three- and six-month periods ended June 30, 2010 and 2009 have been derived from our unaudited financial statements. Any trends reflected by the following table may not be indicative of future results.

|  | For the Three-Month Period |                 | For the Six-Month Period |                 |
|--|----------------------------|-----------------|--------------------------|-----------------|
|  | Ended<br>June 30,          |                 | Ended<br>June 30,        |                 |
|  | 2010                       | 2009            | 2010                     | 2009            |
| Statement of Operations Data:            |                            |                 |                          |                 |
| Revenue                                  | \$ 15,000                  | \$ —            | \$ 15,000                | \$ —            |
| Costs and expenses                       | (355,732 )                 | (431,824 )      | (684,561 )               | (1,038,108 )    |
| Other Income (expenses)                  | 144,097 )                  | (97,424 )       | 16,786                   | (181,935 )      |
| Net Loss                                 | \$ (196,635 )              | \$ (529,248 )   | \$ (652,775 )            | \$ (1,220,043 ) |
| Shares Outstanding                       | 13,053,454                 | 12,132,332      | 13,053,454               | 12,132,332      |
| Total Assets                             | \$ 218,980                 | \$ 242,689      | \$ 218,980               | \$ 242,689      |
| Stockholders' deficiency                 | \$ (5,985,528 )            | \$ (5,089,260 ) | \$ (5,985,528 )          | \$ (5,089,260 ) |
| Loss per share (basic and fully diluted) | \$ (0.02 )                 | \$ (0.04 )      | \$ (0.05 )               | \$ (0.10 )      |

Cumulative from  
Re-entering  
Development Stage on  
October 1, 2008  
through  
June 30, 2010

## Statement of Operations Data:

|                         |                |
|-------------------------|----------------|
| Revenue                 | \$ 15,000      |
| Costs and expenses      | (3,417,091)    |
| Other Income (expenses) | (439,411)      |
| Net Loss                | \$ (3,841,502) |

## RESULTS OF OPERATIONS OF THE COMPANY

## Development Stage Company

Apogee is considered to be in the development stage as defined in Accounting Standards Codification ("ASC") ASC915 "Accounting and Reporting by Development Stage Enterprises". Since October 1, 2008, we have devoted substantially all of our efforts to business planning, raising capital and research and development.

## Revenue Recognition

Consulting and licensing revenue is recognized as services are performed. During the second quarter ended June 30, 2010 we recognized \$15,000 in consulting revenue as a result of our signing a “Fee for Service Agreement” with Children’s Hospital Corporation (“CHB”) in support of CHB’s research.

Revenue will be recognized when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) the product has been shipped and the customer takes ownership and assumes the risk of loss; (3) the selling price is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured. We had no product sales since the first quarter ended March 31, 2008.



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In addition, we record royalty revenue when earned in accordance with the underlying agreements. Royalty revenue from our prior (DDX) products ceased as of January 1, 2006.

Operating Expenses

Research and Development Costs

Our research and development, or R&D, expenses consist primarily of salaries, development material costs, and external consulting and service costs related to the development and design of new products. Research and development expenses decreased by approximately \$83,000, or 53%, to approximately \$76,000 for the three months ended June 30, 2010, compared to approximately \$159,000 for the three months ended June 30, 2009. During the six months ended June 30, 2010, R&D expenses decreased by approximately \$236,000, or 54%, to approximately \$198,000, compared to approximately \$434,000 for the six months ended June 30, 2009. The decrease in the three and six month comparisons was the result of a reduction in expenses for our Life Science Group as well as the discontinuation of activities related to both our sensor products and our Health Monitoring Group.

For the three and six months ended June 30, 2010, human resource costs decreased by approximately \$49,000, or 39%, and \$169,000, or 48%, to approximately \$80,000 and \$182,000, respectively, compared to approximately \$129,000 and \$351,000 for the same periods in 2009. Effective as of June 9, 2008, human resource expense was reduced by 20% for most R&D employees as a result of transitioning from full time to part time in order to reduce expenses. In addition to the transition to part-time status of some of our employees, we discontinued operations of our Health Monitoring Group effective as of March 31, 2009, thereby reducing our overall headcount by three employees. Expenses related to the Health Monitoring Group were insignificant. As of June 14, 2010 all employees in the R&D Department returned to full time status.

After management review and analysis, it was determined that no additional patent impairment charges were warranted for the three and six months ended June 30, 2010. At March 31, 2009, we recorded a patent impairment charge of approximately \$17,000 to reflect the write-off of patent costs associated with the discontinuation of our Health Monitoring Group.

Depreciation and amortization expense decreased by approximately \$7,000, or 28%, and \$17,000, or 33%, to approximately \$18,000 and \$34,000 for the three and six months ended June 30, 2010, respectively, from approximately \$25,000 and \$51,000 for the same periods in 2009.

For the three and six months ended June 30, 2010, we maintained a minimal level of R&D spending required for preservation of our intellectual property, maintenance of our technical capabilities and know-how, and support of our technology development in accordance with our licensing agreement. If we are able to secure additional financing, we anticipate that we will continue to commit resources to research and development activities as our financial position allows, and as a result, R&D costs are expected to increase substantially in the future.

Selling, General and Administrative Costs

General and Administrative costs consist primarily of executive and administrative salaries, professional fees and other associated corporate expenses. Selling, General and Administrative, or SG&A, expenses were approximately \$280,000 and \$486,000 for the three and six months ended June 30, 2010, respectively, compared to approximately \$273,000 and \$604,000 for the same periods in 2009. The decrease of approximately \$7,000, or 3% and \$118,000, or 20%, respectively, was primarily attributed to a reduction in professional fees, stock compensation expenses, and an overall reduction in operating expenses. Legal fees were reduced with the settlement of the SEC investigation on May 19, 2009 as well as the settlement of the civil action by Joseph Shamy (as described below).

For the three months ended June 30, 2010 human resource costs increased nominally to approximately \$155,000 compared to approximately \$153,000 for the three months ended June 30, 2009. For the six months ended June 30, 2010 human resource costs decreased by approximately \$49,000 or 16%, to approximately \$264,000, compared to approximately \$313,000 for the six months ended June 30, 2009. With the return to full time status of most employees, salaries, payroll taxes and employee benefits increased by approximately \$20,000 or 14% for the three months ended June 30, 2010, to approximately \$156,000, compared to approximately \$136,000 for the three months ended June 30, 2009. For the six months ended June 30, 2010 salaries, payroll taxes and employee benefits increased by approximately \$36,000 or 13%, to approximately \$315,000 compared to approximately \$279,000 for the six months ended June 30, 2009. These increases were partially offset by decreases in the stock compensation expenses as a result of “true-up” adjustments for three and six month periods ended June 30, 2010. For the three and six months ended June 30, 2010 the stock compensation expense was approximately \$8,000 and \$17,000, respectively, compared to approximately \$17,000 and \$34,000 for the three and six months ended June 30, 2009. In addition during the first and second quarters ended June 30, 2010 we recorded “true-up” adjustments to the stock compensation expense of approximately (\$10,000) and (\$67,000), respectively. The “true-up” reduction in these expenses was the result a higher realized forfeiture rate applied to existing options. Mr. Herbert M. Stein has not drawn cash compensation from Apogee since June 30, 2009 nor has the Board of Directors received cash compensation since early 2008. We have accrued Mr. Stein’s salary and related taxes, as well as the Board of Directors’ compensation totaling approximately \$263,000 and \$93,000, respectively, through June 30, 2010.

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Professional expenses increased by approximately \$3,000, or 4%, to approximately \$89,000 for the three months ended June 30, 2010, compared to approximately \$86,000 for the three months ended June 30, 2009. For the six months ended June 30, 2010, professional fees decreased by approximately \$49,000, or 26%, to approximately \$137,000, compared to approximately \$186,000 for the six months ended June 30, 2009. For the three months ended June 30, 2010 legal expenses increased by approximately \$11,000, or 23%, to approximately \$60,000, compared to approximately \$49,000 for the three months ended June 30, 2009. For the six months ended June 30, 2010 legal fees decreased by approximately \$32,000, or 29%, to approximately \$80,000, compared to approximately \$112,000 for the six months ended June 30, 2009. Legal fees increased as a result of the current SEC situation, partially offset by reduced expenses as a result of the settlement of the SEC investigation as well as the settlement of the civil action by Joseph Shamy (as described below). See Note 9 to the consolidated financial statements - Legal and Related Indemnification Arrangements with our Executives.

An investigation by the SEC settled on May 19, 2009, which the Company first became aware of in May 2005, was ongoing through early 2009. The subject matter of this investigation was the Company's prior revenue recognition practices that were addressed in the Company's restatement of its financial statements for the fiscal year ended December 31, 2004. As previously disclosed in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004, as amended, Apogee's Audit Committee, with the assistance of independent counsel, conducted an investigation into Apogee's historical accounting practices that resulted in the implementation of remedial actions. See our Annual Report on Form 10-KSB for the year ended December 31, 2004, as amended, for detail regarding the restatement. In July 2008, Apogee, its Chief Executive Officer and other employees received notifications from the Staff of the SEC relating to the Staff's 2005 investigation. These notifications, known as "Wells Notices," stated that the Staff considered recommending that the Commission bring enforcement actions against the Company and certain employees, based on alleged violations of certain provisions of the federal securities laws, including Section 17(a) of the Securities Act of 1933, as amended, Section 10(b) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 thereunder, Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-1 and 13a-13 thereunder. The Wells Notice sent to the Company indicated that in any action actually brought against the Company, the Staff would seek an injunction against future violations of the federal securities laws as relief.

On May 19, 2009, the Securities and Exchange Commission ("commission") settled this enforcement action. See Note 9 to the consolidated financial statements - Legal and Related Indemnification Arrangements with our Executives and Others.

We had agreed to indemnify certain employees, directors and a former employee in connection with the SEC investigation. As of June 30, 2010, we have incurred approximately \$554,000 to date in legal expenses to indemnify these individuals in association with this matter. During the three and six months ended June 30, 2010 we did not incur any legal expenses associated with this indemnification, compared to approximately \$600 and \$1,000, for the three and six months ended June 30, 2009, respectively. In light of the settlement we do not anticipate any additional legal fees associated with this matter.

In addition, we had incurred legal fees associated with the indemnification costs in connection with the civil action styled Joseph Shamy vs. Herbert M. Stein Case No.: 50 2005 CA 007719 XXXXMB. In this action instituted in the 15th Judicial Circuit in and for Palm Beach County, Florida (the "Court"), Joseph Shamy sued Herbert M. Stein, President, Chief Executive Officer and Chairman of the Board of Apogee in connection with Shamy's purchase of Apogee shares in 2003 and 2004. In February 2009, in connection with a settlement, the Court entered a Final Judgment against Mr. Stein. In early January 2010, a filing was made with the Court to memorialize the Total and Complete Satisfaction of Judgment, which states that all sums due under the civil action were fully paid and that the Final Judgment was satisfied and canceled. Further, the Clerk of the Court was directed to note satisfaction of the Final Judgment and cancellation of all judgments of record in this action. Apogee was not a party to the aforementioned settlement or the satisfaction of the Final Judgment. Through June 30, 2010, we have incurred

approximately \$914,000 toward this indemnification. For the three and six months ended June 30, 2010, we incurred approximately \$3,000 toward this indemnification, compared to approximately \$30,000 and \$72,000 for the three and six months ended June 30, 2009. See Note 9 to the consolidated financial statements - Legal and Related Indemnification Arrangements with our Executives.

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On October 28, 2009, the Company received a “Wells Notice” from the staff of the Commission related to Apogee’s failure to timely file its reports under the Exchange Act in 2009. See Note 9 to the consolidated financial statements - Legal and Related Indemnification Arrangements with our Executives.

We were not receiving reimbursement under our Director and Officer insurance policy for either the indemnification of Mr. Stein or the ongoing investigation by the SEC. As of March 31, 2009, Apogee’s Directors and Officers Liability Insurance was cancelled due to non-payment.

Corporate insurance decreased by approximately \$24,500, or 98%, to approximately \$500 for the six months ended June 30, 2010, compared to approximately \$25,000 for the six months ended June 30, 2009. This decrease was the result of the Directors and Officers Liability Insurance being cancelled effective as of March 31, 2009 and Commercial and Product Liability Insurance being cancelled effective as of October 13, 2009 due to non-payment. In addition, we had reductions to various other overhead expenses, including: communication, marketing and maintenance. Operating expenses are expected to increase when our financial position allows.

## Interest Income (Expense)

Interest income includes income from Apogee’s cash and from investments and expenses related to its financing activities. During the three and six months ended June 30, 2010 and 2009, we did not generate interest income. As a result of the conversion of Mr. Robert Schacter et al’s interest as well as the conversion of Mr. Robert Schacter et al’s promissory notes into Apogee common stock at \$1.00 per share, we recorded a “gain on extinguishment of debt” of approximately \$325,000 for the three and six months ended June 30, 2010. No related expense was recorded for 2009. This transaction resulted in a gain on extinguishment of debt of \$32,810 as a result of the interest conversion by Mr. Schacter. The interest conversion by Mr. Stein was recorded as a capital transaction and recorded in Additional Paid-In Capital.

Interest expense resulting from the issuance of promissory notes and related warrants to Mr. Herbert M. Stein, Mr. David Spiegel, Mr. Robert Schacter et al and others was approximately \$182,000 and \$309,000, respectively, for the three and six months ended June 30, 2010, compared to approximately \$98,000 and \$183,000 for the three and six months ended June 30, 2009. See below for a detail of these expenses.

| Name on<br>Promissory Note | Interest Incurred       |                  |                         |            |
|----------------------------|-------------------------|------------------|-------------------------|------------|
|                            | 3 Months ended June 30, |                  | 6 Months ended June 30, |            |
|                            | 3 Months<br>2010        | 3 Months<br>2009 | 2010                    | 2009       |
| David Spiegel              | \$ 46,656               | \$ 33,924        | \$ 92,414               | \$ 63,994  |
| Herbert Stein              | 49,561                  | 27,700           | 91,858                  | 54,079     |
| Robert Schacter et al      | 72,113                  | 30,758           | 98,279                  | 56,395     |
| Others                     | 13,208                  | 6,042            | 26,798                  | 8,573      |
|                            | \$ 181,538              | \$ 98,424        | \$ 309,349              | \$ 183,041 |

## Net Loss

Apogee’s net loss for the three months ended June 30, 2010 was approximately \$197,000, or \$0.02 per basic and diluted common share, compared to a net loss of approximately \$529,000, or \$0.04 per basic and diluted common share, for the three months ended June 30, 2009. For the six months ended June 30, 2010, we reported a loss of approximately \$653,000, or \$0.05 per basic and diluted common share, compared to a net loss of approximately \$1.2 million, or \$0.10 per basic and diluted common share, for the six months ended June 30, 2009. This decrease in our

net loss was primarily the result of the approximately \$325,000 “gain on extinguishment of debt” recorded for the six months ended June 30, 2010, as a result of the interest and debt conversion to Apogee common stock for Mr. Schacter at \$1 per share.

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## LIQUIDITY AND CAPITAL RESOURCES

The tables below summarize our outstanding unsecured interest-bearing promissory notes (including amounts subsequent to June 30, 2010) totaling approximately \$3.0 million (This amount is subsequent to the conversion of \$585,000 in promissory notes by Mr. Robert Schacter et al):

Herbert M. Stein

| Date of Promissory Note | Amount     | Maturity Date      | Initial Interest Rate | Current Interest Rate |
|-------------------------|------------|--------------------|-----------------------|-----------------------|
| December 11, 2007       | \$ 250,000 | March 10, 2008     | 8.00 %                | 12.00 %               |
| February 21, 2008       | 100,000    | August 19, 2008    | 8.00 %                | 12.00 %               |
| March 20, 2008          | 50,000     | September 16, 2008 | 8.00 %                | 12.00 %               |
| April 1, 2008           | 50,000     | September 28, 2008 | 8.00 %                | 12.00 %               |
| May 15, 2008            | 50,000     | November 11, 2008  | 8.00 %                | 12.00 %               |
| June 16, 2008           | 35,000     | December 13, 2008  | 8.00 %                | 12.00 %               |
| June 18, 2008           | 40,000     | December 15, 2008  | 8.00 %                | 12.00 %               |
| July 15, 2008           | 30,000     | January 11, 2009   | 8.00 %                | 12.00 %               |
| July 28, 2008           | 50,000     | January 24, 2009   | 8.00 %                | 12.00 %               |
| August 12, 2008         | 35,000     | February 8, 2009   | 8.00 %                | 12.00 %               |
| August 27, 2008         | 35,000     | February 23, 2009  | 8.00 %                | 12.00 %               |
| September 5, 2008       | 35,000     | March 4, 2009      | 8.00 %                | 12.00 %               |
| October 27, 2008        | 25,000     | April 25, 2009     | 8.00 %                | 12.00 %               |
| February 2, 2009        | 30,000     | August 1, 2009     | 8.00 %                | 12.00 %               |
| February 17, 2009       | 10,000     | August 16, 2009    | 8.00 %                | 12.00 %               |
| March 19, 2009          | 25,900     | September 15, 2009 | 8.00 %                | 12.00 %               |
| April 13, 2009          | 33,000     | October 10, 2009   | 8.00 %                | 12.00 %               |
| May 18, 2009            | 12,000     | November 14, 2009  | 8.00 %                | 12.00 %               |
| July 1, 2009            | 20,000     | December 28, 2009  | 8.00 %                | 12.00 %               |
| November 5, 2009        | 42,500     | May 4, 2010        | 8.00 %                | 12.00 %               |
| December 21, 2009       | 83,500     | June 19, 2010      | 8.00 %                | 12.00 %               |
| December 30, 2009       | 27,000     | January 25, 2010   | 8.00 %                | 12.00 %               |
| January 7, 2010         | 15,000     | January 25, 2010   | 8.00 %                | 12.00 %               |
| January 8, 2010         | 10,000     | January 25, 2010   | 8.00 %                | 12.00 %               |
| January 14, 2010        | 27,000     | January 25, 2010   | 8.00 %                | 12.00 %               |
| February 12, 2010       | 66,000     | August 21, 2010    | 8.00 %                | 8.00 %                |
| April 16, 2010          | 86,500     | October 13, 2010   | 8.00 %                | 8.00 %                |
| June 4, 2010            | 116,000    | February 7, 2010   | 8.00 %                | 8.00 %                |
| August 11, 2010         | 45,700     |                    |                       |                       |
| \$ 1,435,100            |            |                    |                       |                       |

David Spiegel

| Date of | Amount | Maturity | Initial | Current |
|---------|--------|----------|---------|---------|
|---------|--------|----------|---------|---------|

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| Promissory Note   |              | Date               | Interest Rate | Interest Rate |
|-------------------|--------------|--------------------|---------------|---------------|
| December 11, 2007 | \$ 150,000   | March 10, 2008     | 8.00 %        | 12.00 %       |
| February 21, 2008 | 100,000      | August 19, 2008    | 8.00 %        | 12.00 %       |
| March 20, 2008    | 100,000      | September 16, 2008 | 8.00 %        | 12.00 %       |
| April 1, 2008     | 50,000       | September 28, 2008 | 8.00 %        | 12.00 %       |
| May 15, 2008      | 50,000       | November 11, 2008  | 8.00 %        | 12.00 %       |
| June 16, 2008     | 65,000       | December 13, 2008  | 8.00 %        | 12.00 %       |
| June 18, 2008     | 50,000       | December 15, 2008  | 8.00 %        | 12.00 %       |
| July 15, 2008     | 50,000       | January 11, 2009   | 8.00 %        | 12.00 %       |
| July 28, 2008     | 50,000       | January 24, 2009   | 8.00 %        | 12.00 %       |
| August 12, 2008   | 35,000       | February 8, 2009   | 8.00 %        | 12.00 %       |
| August 27, 2008   | 35,000       | February 23, 2009  | 8.00 %        | 12.00 %       |
| September 5, 2008 | 35,000       | March 4, 2009      | 8.00 %        | 12.00 %       |
| October 27, 2008  | 35,000       | April 25, 2009     | 8.00 %        | 12.00 %       |
| January 6, 2009   | 80,000       | July 5, 2009       | 8.00 %        | 12.00 %       |
| March 19, 2009    | 64,000       | September 15, 2009 | 8.00 %        | 12.00 %       |
| May 19, 2009      | 35,000       | November 15, 2009  | 8.00 %        | 12.00 %       |
| June 10, 2009     | 25,000       | December 7, 2009   | 8.00 %        | 12.00 %       |
| July 1, 2009      | 32,000       | December 28, 2009  | 8.00 %        | 12.00 %       |
| November 5, 2009  | 103,000      | May 4, 2010        | 8.00 %        | 12.00 %       |
| December 21, 2009 | 68,000       | June 19, 2010      | 8.00 %        | 12.00 %       |
| January 25, 2010  | 4,665        | July 24, 2010      | 8.00 %        | 12.00 %       |
| April 16, 2010    | 16,000       | October 13, 2010   | 8.00 %        | 8.00 %        |
| June 4, 2010      | 14,000       | December 1, 2010   | 8.00 %        | 8.00 %        |
| August 11, 2010   | 100,000      | February 7, 2011   | 8.00 %        | 8.00 %        |
|                   | \$ 1,346,665 |                    |               |               |



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Robert Schacter et al

| Date of Promissory Notes | Name on Promissory Note | Amount    | Maturity Date | Initial Interest Rate | Current Interest Rate |
|--------------------------|-------------------------|-----------|---------------|-----------------------|-----------------------|
| July 9, 2010**           |                         | 25,000    |               |                       |                       |
|                          |                         | \$ 25,000 |               |                       |                       |

\*\* It has not yet been determined whether these funds are to be considered a loan or equity.

Others

| Date of Promissory Note | Amount     | Maturity Date      | Initial Interest Rate | Current Interest Rate |
|-------------------------|------------|--------------------|-----------------------|-----------------------|
| July 28, 2008           | \$ 20,000  | January 24, 2009   | 8.00 %                | 12.00 %               |
| October 27, 2008        | 6,000      | April 25, 2009     | 8.00 %                | 12.00 %               |
| January 6, 2009         | 500        | July 6, 2009       | 8.00 %                | 12.00 %               |
| February 17, 2009       | 37,000     | August 16, 2009    | 8.00 %                | 12.00 %               |
| March 19, 2009          | 500        | September 15, 2009 | 8.00 %                | 12.00 %               |
| April 13, 2009          | 31,500     | October 10, 2009   | 8.00 %                | 12.00 %               |
| April 13, 2009          | 30,000     | October 10, 2009   | 12.00 %               | 16.00 %               |
| April 16, 2010          | 20,000     | October 13, 2010   | 12.00 %               | 12.00 %               |
| May 18, 2009            | 32,000     | November 14, 2009  | 8.00 %                | 12.00 %               |
| May 19, 2009            | 500        | November 15, 2009  | 8.00 %                | 12.00 %               |
| November 5, 2009        | 70,000     | May 4, 2010        | 8.00 %                | 12.00 %               |
| December 21, 2009       | 2,563      | June 19, 2010      | 8.00 %                | 12.00 %               |
| January 25, 2010        | 30,000     | July 24, 2010      | 8.00 %                | 12.00 %               |
| July 13, 2010*          | 20,000     |                    |                       |                       |
| July 16, 2010*          | 25,000     |                    |                       |                       |
|                         | \$ 325,563 |                    |                       |                       |

\* Funds received were for purchase of Apogee Technology, Inc. common stock at a price of \$1.00 per share.

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As of June 30, 2010, we had cash of approximately \$6,000 and a working capital deficiency of approximately \$6.2 million. This compares to cash of approximately \$4,700 as of December 31, 2009 and a working capital deficiency of approximately \$6.0 million. During the three and six months ended June 30, 2010, we received proceeds from loans and unsecured interest-bearing promissory notes and stock deposits totaling \$177,000 and \$400,500, compared to approximately \$206,500 and \$736,900, for the same periods in 2009, detailed as follows:

| Name on<br>Promissory Note | Combined Loan Amounts   |                  |                         |            |
|----------------------------|-------------------------|------------------|-------------------------|------------|
|                            | 3 Months ended June 30, |                  | 6 Months ended June 30, |            |
|                            | 3 Months<br>2010        | 3 Months<br>2009 | 2010                    | 2009       |
| David Spiegel              | \$ 12,000               | \$ 92,000        | \$ 30,000               | \$ 156,000 |
| Herbert Stein              | 145,000                 | 32,000           | 320,500                 | 130,900    |
| Robert Schacter et al      | —                       | 50,000           | —                       | 320,000    |
| Other                      | 20,000                  | 32,500           | 50,000                  | 130,000    |
|                            | \$ 177,000              | \$ 206,500       | \$ 400,500              | \$ 736,900 |

These promissory notes are payable upon demand and were not subject to any premium or penalty for prepayment. The loan interest rate is 8% per annum, except for 12% loan interest rate for JAZFund, payable monthly in arrears on the outstanding balance. An additional 4% interest is charged on any notes exceeding maturity. In addition, post maturity notes are compounded monthly.

Mr. Robert Schacter requested that the \$545,000 in Promissory Notes issued in the name of Robert Schacter (TYJO Corp. Money Purchase Pension Plan), and \$20,000 each issued in the names of Mr. Robert Schacter, as Custodian for Tyler Schacter UTMA/CA and Mr. Robert Schacter, as Custodian for Joseph Schacter UTMA/CA be converted to shares of Apogee Common Stock. On June 4, 2010 the Board of Directors approved this transaction and authorized the issuance of 585,000 shares of Apogee Technology, Inc. Common Stock at a price of \$1.00 per share. The closing price on June 4, 2010 was \$0.50; therefore, the Company recorded a \$292,500 gain on extinguishment of this debt at June 30, 2010.

In consideration of his continued financial support, the Board of Directors, on June 4, 2010, approved the issuance of an additional 151,750 in warrants to Mr. Robert Schacter et al. The Company used the Black Scholes method to value these warrants. As a result of this transaction, the Company recorded a \$56,754 warrant expense during the second quarter ended June 30, 2010. These warrants include customary terms and include a cashless or net exercise provision for exercise. These warrants are not entitled to receive dividends, vote, receive notice of any meetings of stockholders or otherwise have any right as stockholders with respect to their warrant shares. The values of these warrants were determined by using the Black Scholes valuation model.

On June 26, 2010 the Company completed an offer to its Note holders whereby Note holders could convert all interest amounts accrued and unpaid as of April 15, 2010 into the Company's Common Stock at a price of \$1 per share. Two Note holders accepted this offer:

| Note Holder               | Interest<br>Converted |
|---------------------------|-----------------------|
| Herbert M.<br>Stein       | \$ 204,098            |
| Robert<br>Schacter, et al | 82,024                |
|                           | \$ 286,122            |

Total interest  
converted

This transaction resulted in a gain on extinguishment of debt of \$32,810 as a result of the interest conversion by Mr. Schacter. This transaction was recorded as of June 30, 2010. The interest conversion by Mr. Stein was recorded as a capital transaction and record in Additional Paid-In Capital

Additionally, Apogee received \$50,000 and \$25,000 on May 24, 2010 and June 4, 2010, respectively, from Mr. Robert Schacter for the purchase of 75,000 shares of Apogee Technology, Inc. Common Stock at \$1.00 per share. One June 4, 2010 a certificate for the fifty thousand (50,000) was issued and the certificate for the remaining twenty-five thousand (25,000) was issued on July 9, 2010. In addition, the issuance of warrants were approved by the Board of Directors, pursuant to which Mr. Schacter shall have the right to acquire up to 50% of the number of shares of Common Stock issued as a result of his investment. These warrants are exercisable immediately upon issuance and for a term of three years at an exercise price of \$1.00 per share.

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Net cash used in operating activities for the six-month period ended June 30, 2010 decreased to approximately \$391,000 compared to approximately \$703,000 in the six-month period ended June 30, 2009. As of June 30, 2010, our accounts payable and accrued expenses were approximately \$3.3 million, of which a majority is composed of professional fees. We are currently in arrears with loan and interest payments as well as with a majority of our vendors. Mr. Stein has not drawn cash compensation from Apogee since June 30, 2009, nor has the Board of Directors received cash compensation since early 2008. We have accrued Mr. Stein's salary and the Board of Directors' compensation.

Net cash used in investing activities for the six months ended June 30, 2010 was approximately \$83,000, compared to approximately \$9,000 for the six months ended June 30, 2009. This amount is exclusively related to our continued support of existing patent applications related to our Life Science Group.

Net cash provided by financing activities was approximately \$475,000 for the six months ended June 30, 2010. This compares to approximately \$712,000 for the six months ended June 30, 2009 and approximately \$1.1 million for the twelve months ended December 31, 2009. During the six month period ended June 30, 2010, we received the proceeds from unsecured interest bearing promissory notes totaling \$475,000 as described above. See Footnote 6 of the consolidated financials statements - Promissory Notes, Loans and Warrants. We are currently in default on substantially all of the promissory notes. We must raise additional capital to continue operations.

Apogee is in the process of attempting to secure sufficient financing, to pay its indebtedness and to continue operations. We have been working to obtain financing from outside investors for more than 24 months, but have not yet been successful. As of June 30, 2010 approximately \$2.5 million in promissory notes are in default. In the interim, short-term debt financing provided primarily by two of Apogee's significant shareholders, including our President, Chief Executive Officer and Chairman of the Board of Directors and Mr. David Spiegel, as well as Mr. Robert Schacter, et al and others, is being utilized to preserve our intellectual property, maintain our technical capabilities and know-how, and support our technology development in accordance with our licensing agreement. Due to the early stages of development of our products technology, we cannot estimate at this time the amounts of cash and length of time that will be required to bring our products under development to market. It is expected that such costs will be funded not only by external financing, but also through partnership activities. Additionally, discontinuations of sensor development, deferral of capital expenditures, and reduced general spending have been instituted until such time as financing is secured. We do not expect any significant changes in the number of employees until funding has been secured, if ever. If we are unable to generate or obtain financing, we will be required to further curtail our operations, including a reduction in the number of employees, or cease conducting business.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Apogee prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates, judgments and assumptions that we believe are reasonable based upon the information currently available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Any future changes to these estimates and assumptions could have a significant impact on the reported amounts of revenue, expenses, assets and liabilities in our financial statements. The significant accounting policies which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

Development Stage Company

Apogee is considered to be in the development stage as defined in Accounting Standards Codification (“ASC”) ASC915 “Accounting and Reporting by Development Stage Enterprises”. Since October 1, 2008, we have devoted substantially all of our efforts to business planning, raising capital and research and development.

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### Revenue Recognition

Consulting and licensing revenue is recognized as services are performed. During the second quarter ended June 30, 2010 we recognized \$15,000 in consulting revenue as a result of our signing a "Fee for Service Agreement" with Children's Hospital Corporation ("CHB") in support of CHB's research.

Royalty revenue will be recognized when earned in accordance with the underlying agreements.

Product revenue will be recognized when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) the product has been shipped and the customer takes ownership and assumes the risk of loss; (3) the selling price is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured. We had no product sales since the first quarter ended March 31, 2008.

### Valuation/Impairment of Long-Lived Assets

Property, plant and equipment, patents and trademarks are amortized over their estimated useful lives. Useful lives are based on management's estimates over the period that such assets will potentially generate. In accordance with ASC Topic 360, "Property, Plant and Equipment," long-lived assets to be held and used are reviewed to determine whether any events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The conditions considered include whether or not the asset is in service, has become obsolete, or whether external market circumstances indicate that the carrying amount may not be recoverable. We recognize a loss for the difference between the estimated fair value of the asset and the carrying amount. The fair value of the asset is measured using either available market prices or estimated discounted cash flows. Future adverse changes in market conditions or poor operating results of underlying capital investments or certain assets could result in losses or an inability to recover the carrying value of such assets, thereby possibly requiring an impairment charge in the future. Based on our analysis, no asset impairment charges were considered necessary for the three and six months ended June 30, 2010. At March 31, 2009, we recorded a patent impairment charge of approximately \$17,000 to reflect the write-off of patent costs associated with the discontinuation of our Health Monitoring Group. Additionally, we amortize the balance of our patent applications over five years, which resulted in charges of \$14,000 and \$26,000 for the three and six months ended June 30, 2010, compared to approximately \$10,000 and \$20,000 for the same periods in 2009.

### Stock-Based Compensation

We account for stock-based compensation for employees in accordance with ASC Topic 718, "Compensation-Stock Compensation" using the modified prospective method. Under the fair value recognition provision of ASC Topic 718, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense as it is earned over the requisite service period, which is the vesting period. The fair value of the options on their grant date is measured using the Black-Scholes option-pricing model, which we believe yields a reasonable estimate of the fair value of the grants made. The valuation provisions of ASC Topic 718 apply to grants issued since January 1, 2006 (the effective date) and to grants that were outstanding as of that date that are subsequently modified. Estimated compensation expense for grants that were outstanding as of the effective date will be recognized over the remaining vesting period.

Non-employee stock-based compensation is accounted for in accordance with ASC Topic 505, "Equity-based payments to Non-Employees." In accordance with this topic, cost recognized for non-employee share-based payment transactions is determined by the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued.

### Legal Fees

We record legal costs (such as fees and expenses of outside legal counsel and other service providers) when incurred or when it is probable that a liability has been incurred on or before the balance sheet date and the amount can be reasonably estimated if invoices have not been received. Although legal fees decreased for the six months ended June 30, 2010 with the settlement of the SEC investigation as well as the settlement of the civil action by Joseph Shamy against our President, Chief Executive Officer and Chairman of the Board of Directors, they increased for the three months ended June 30, 2010 as a result of the current SEC situation.

#### Contingencies

Apogee is involved in and/or indemnifies others in various legal proceedings. Management assesses the probability of loss for such contingencies and recognizes a liability when a loss is probable and estimable. See Note 9 to the consolidated financial statements - Legal and Related Indemnification Arrangements with our Executives and Others.

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Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements nor do we have any special purpose entities.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Apogee's financial instruments include: cash, loans and accounts payable. At June 30, 2010, the carrying value of our cash, loans and accounts payable approximate fair values given the short maturity of these instruments.

We believe that our financial instruments do not carry a material foreign currency exchange rate risk since any international sales will be paid in U.S. dollars and material purchases from foreign suppliers are typically also denominated in U.S. dollars.

It is our policy not to enter into derivative financial instruments for speculative purposes.

ITEM 4T – CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has reviewed and evaluated the effectiveness of the design and operation of Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, the disclosure controls and procedures were effective to ensure that the information required to be disclosed in our Securities and Exchange Commission reports (i) is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

(b) Changes in Internal Controls. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of such internal control that occurred during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

From time to time, we may be a party to various legal proceedings arising in the ordinary course of our business. If and when these proceedings arise, we are committed to vigorously defending ourselves in any such legal actions.

An investigation by the Security and Exchange Commission ("SEC"), which the Company first became aware of in May 2005, was ongoing in 2008. The subject matter of this investigation is the Company's prior revenue recognition practices that were addressed in the Company's restatement of its financial statements for the fiscal year ended December 31, 2004. As previously disclosed in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004, as amended, Apogee's Audit Committee, with the assistance of independent counsel, conducted an investigation into Apogee's historical accounting practices that resulted in the implementation of remedial actions. See our Annual Report on Form 10-KSB for the year ended December 31, 2004, as amended, for detail regarding the restatement.



In July 2008, Apogee, its Chief Executive Officer and other employees received notifications from the Staff of the SEC relating to the Staff's 2005 investigation. These notifications, known as "Wells Notices," stated that the Staff is considering recommending that the Commission bring enforcement actions against the Company and certain employees, based on alleged violations of certain provisions of the federal securities laws, including Section 17(a) of the Securities Act of 1933, as amended, Section 10(b) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 thereunder, Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-1 and 13a-13 thereunder. The Wells Notice sent to the Company indicated that in any action actually brought against the Company, the Staff would seek an injunction against future violations of the federal securities laws as relief.

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On May 19, 2009, the SEC settled the enforcement action with the Company, one employee, and one former employee (“Others”). Each of the Defendants has agreed to settle this matter, without admitting or denying the allegations of the SEC’s complaint. Apogee and Others agreed to the entry of a final judgment permanently enjoining them from violating or aiding and abetting violations of Sections of the Securities Act of 1933, as amended, and Sections of the Securities Exchange Act of 1934, as amended, and various Rules thereunder. Others also agreed to financial and other sanctions.

In addition, we incurred legal fees associated with the indemnification costs in connection with the civil action styled Joseph Shamy vs. Herbert M. Stein Case No.: 50 2005 CA 007719 XXXXMB. In this action instituted in the 15th Judicial Circuit in and for Palm Beach County, Florida (the “Court”), Joseph Shamy sued Herbert M. Stein, President, Chief Executive Officer and Chairman of the Board of Apogee in connection with Shamy’s purchase of Apogee shares in 2003 and 2004. In February 2009, in connection with a settlement, the Court entered a Final Judgment against Mr. Stein. In early January 2010, a filing was made with the Court to memorialize the Total and Complete Satisfaction of Judgment, which states that all sums due under the civil action were fully paid and that the Final Judgment was satisfied and canceled. Further, the Clerk of the Court was directed to note satisfaction of the Final Judgment and cancellation of all judgments of record in this action. Apogee was not a party to the aforementioned settlement or the satisfaction of the Final Judgment. See Note 9 to the consolidated financial – Subsequent Events – Legal and Related Indemnification Arrangements with our Executive and Others.

Due to its financial condition, the Company had been unable to fund payments to its independent auditors. Accordingly, it did not timely file its 2008 Annual Report on Form 10-K, as well as quarterly reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009, and September 30, 2009. Additionally, we did not file timely Current Reports on a Form 8-K and reports under Section 16 of the Securities Exchange Act of 1934, as amended. Subsequently, during the fourth quarter of 2009, we paid the outstanding balance to our auditors and filed our Annual Report on 10-K for the fiscal year ended December 31, 2008 on December 18, 2009.

On October 28, 2009, the Company received a “Wells Notice” from the Staff of the SEC, which stated the Staff’s intent to recommend that the SEC institute a public administrative proceeding against the Company, alleging that it violated Section 13(a) of the Securities Exchange Act of 1934, as amended for failing to file its 2008 Form 10-K and other periodic reports.

In connection with the contemplated proceedings, the Staff may seek a suspension or revocation of each class of the Company’s registered securities. Also, the Staff may consider whether contempt proceedings in a federal district court are appropriate. The Company submitted a response to this letter on November 16, 2009. Should suspension or revocation of registration of our stock occur, the Company’s ability to raise additional funding may be severely impacted. On December 18, 2009 we filed our 2008 Annual Report on Form 10-K and our 2009 Quarterly Reports on Form 10-Q for the periods ended March 31, 2009, June 30, 2009 and September 30, 2009 in January 2010.

As noted above, the Company, on December 18, 2009, filed its delinquent financial report on Form 10-K for the year ended December 31, 2008. This report contained a Disclaimer of Opinion by its Independent Accountants due to significant uncertainty as to the Company’s ability to be a going concern. On April 16, 2010 the SEC issued an Order for an Administrative Hearing based on a claim that the filing as well as Form 10-Q’s for the first three quarters of 2009, which had been filed on January 15, 2010, were materially deficient due to the Disclaimer of Opinion and thus the filings remained delinquent. The Disclaimer of Opinion was removed on a subsequent filing. The Company was also delinquent on its Form 10-K for the Year ended December 31, 2009. An Order of Suspension of trading in the Company’s securities was enacted at that time.

The SEC and the Company subsequently entered into a Settlement agreement without the above mentioned Hearing, under which the Company would file all its delinquent filings with out a material deficiency by a mutually agreed

date. Failure to do so would activate an Order to revoke the ability for the Company's securities to trade on an exchange.

#### ITEM 1A – RISK FACTORS

There are a number of important factors that could cause our actual results to differ materially from those indicated or implied by forward-looking statements. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

Aside from those risks discussed below, there have been no material changes to the risk factors included in our Annual Report on Form-10K for the fiscal year ended December 31, 2009.

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RISKS RELATED TO OUR BUSINESS

WE REQUIRE ADDITIONAL CAPITAL TO CONTINUE OPERATIONS AND HAVE A HISTORY OF LOSSES AND EXPECT FUTURE LOSSES.

As of June 30, 2010, we had approximately \$6,000 in cash, a stockholders' deficiency of approximately \$6.0 million, an accumulated deficit of approximately \$25.7 million and a working capital deficiency of approximately \$6.2 million. We had a net loss of approximately \$197,000 and \$653,000 for the three and six months ended June 30, 2010, respectively, compared to net loss of approximately \$529,000 and \$1.2 million for the same periods in 2009. In the fiscal year ended December 31, 2009, we recorded a net loss of approximately \$2.2 million.

We have substantial debt and interest obligations and expect to incur additional debt to the extent available, to maintain our operations. As of July 28, 2010 and subsequent to the conversion of \$585,000 of promissory notes into 585,000 shares of Apogee Common Stock at \$1.00 per share, we had approximately \$2.9 million in promissory notes and loans outstanding to a significant shareholder, our President, Chief Executive Officer and Chairman of the Board of Directors, individual investors and others. These promissory notes are payable upon demand, not subject to any premium or penalty for prepayment, bear simple interest of 8% or for JAZFund LLC 12% per annum until maturity,. An additional 4% interest compounded monthly is charged on all post-maturity notes. We are currently in default on substantially all of the promissory notes.

We have large unpaid balances with professional firms, primarily attorneys. We are currently in arrears with loan and interest payments and a majority of our vendors.

As of March 31, 2009 and October 13, 2009, respectively, Apogee's Directors and Officers Liability Insurance and other business insurance were cancelled due to non-payment and the Company maybe required to pay uninsured losses and/or cease operations due to these potential uninsured losses.

On October 28, 2009, the Company received a "Wells Notice" from the staff of the Securities and Exchange Commission, which states the staff's intent to recommend that the Commission institute a public administrative proceeding against the Company, alleging that it violated Section 13(a) of the Securities Exchange Act of 1934 due to failure to timely file periodic reports in 2009. In connection with the contemplated proceedings, the staff may seek a suspension or revocation of each class of the Company's registered securities. Also, the staff may consider whether contempt proceedings in a federal district court are appropriate. The Company submitted a response to this letter on November 16, 2009. On December 18, 2009 we filed our 2008 Annual Report on Form 10-K and our 2009 Quarterly Reports on Form 10-Q for the periods ended March 31, 2009, June 30, 2009 and September 30, 2009 on January 2010. Should suspension or revocation of registration of our stock occur, the Company's ability to raise additional funding may be severely impacted.

In connection with the contemplated proceedings, the staff may seek a suspension or revocation of each class of the Company's registered securities. Also, the staff may consider whether contempt proceedings in a federal district court are appropriate. The Company submitted a response to this letter on November 16, 2009. On December 18, 2009 we filed our 2008 Annual Report on Form 10-K and our 2009 Quarterly Reports on Form 10-Q for the periods ended March 31, 2009, June 30, 2009 and September 30, 2010 in January 2010.

As noted above, the Company, on December 18, 2009, filed its delinquent financial report on Form 10-K for the year ended December 31, 2008. This report contained a Disclaimer of Opinion by its Independent Accountants due to significant uncertainty as to the Company's ability to be a going concern. On April 16, 2010 the SEC issued an Order for an Administrative Hearing based on a claim that the filing as well as Form 10-Q's for the first three quarters of 2009, which had been filed on January 15, 2010, were materially deficient due to the Disclaimer of Opinion and thus

the filings remained delinquent. The Disclaimer of Opinion was removed on a subsequent filing. The Company was also delinquent on its Form 10-K for the Year ended December 31, 2009. An Order of Suspension of trading in the Company's securities was enacted at that time.

The SEC and the Company subsequently entered into a Settlement agreement without the above mentioned Hearing, under which the Company would file all its delinquent filings with out a material deficiency by a mutually agreed date. Failure to do so would activate an Order to revoke the ability for the Company's securities to trade on an exchange.

Even if we are able to secure additional financing to support our operations and repay our existing indebtedness, our ability to generate future revenue and achieve profitability depends on a number of factors, many of which are described in the Risk Factors Section of Annual Report on Form 10-K for the fiscal year ended December 31, 2009, including our ability to develop and generate revenues from our medical device products, which are at a very early stage of development. We cannot assure you when, if ever, we will generate meaningful revenues from the sales of these products under development.

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IF OUR ATTEMPTS TO SECURE ADDITIONAL FINANCING ARE NOT SUCCESSFUL, WE WILL BE REQUIRED TO CEASE OR CURTAIL OUR OPERATIONS, OR OBTAIN FUNDS ON UNFAVORABLE TERMS. THESE FACTORS CREATE A SUBSTANTIAL DOUBT ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN.

Our available resources are not sufficient to fund our operations, without additional sources of financing we would not be able to continue our business, and we expect to incur operating losses for the foreseeable future. Consequently, in order to maintain our operations, which we have already curtailed substantially, we will need to access additional equity or debt capital. Securing financing is proving even more difficult than anticipated in light of the current global economic crisis and the turmoil impacting global financial markets. These factors create a substantial doubt about our ability to continue as a going concern. In light of our negative stockholders' equity, there can be no assurance that we will be able to obtain the necessary additional capital on a timely basis or on acceptable terms, if at all, to continue our operations and, to the extent available, to fund the development of our business. In any of such events, the continuation of our operations would be materially and adversely affected and we may have to cease conducting business.

As noted above, Apogee is in the process of attempting to secure sufficient financing to continue operations. We have been working to obtain financing from outside investors for more than 24 months, but have not yet been successful. In the interim, short-term debt financing provided primarily by two of Apogee's significant shareholders, including our President, Chief Executive Officer and Chairman of the Board of Directors and Mr. David Spiegel, as well as Mr. Robert Schacter, et al and others, is being utilized to preserve our intellectual property, maintain our technical capabilities and know-how, and support our technology development in accordance with our licensing agreement. Additionally, cost cutting measures, deferral of capital expenditures, non-payment of professional and other service providers and reduced general spending have been instituted until such time as financing is secured, if ever. If we are unable to obtain financing, we will be required to further curtail our operations or cease conducting business. Given our current level of debt, we do not expect that our stockholders would receive any proceeds if we declare bankruptcy or seek to liquidate the Company. As of March 31, 2009, we closed down operations of the Health Monitoring Product Group. Costs associated with this cessation of operations as well as the termination of employees associated with this Group were not material.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This document and the documents incorporated by reference herein contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Also, Apogee's management may make forward-looking statements orally or in writing to investors, analysts, the media and others. Forward-looking statements express our expectations or predictions of future events or results. They are not guarantees and are subject to many risks and uncertainties. There are a number of factors that could cause actual events or results to be significantly different from those described in the forward-looking statements. Forward-looking statements might include statements regarding one or more of the following:

- anticipated financing activities;
- anticipated strategic alliances or arrangements with development or marketing partners;
  - anticipated research and product development results;
- projected development and commercialization timelines;

- descriptions of plans or objectives of management for future operations, products or services;
- forecasts of future economic performance; and
- descriptions or assumptions underlying or relating to any of the above items.

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts or events. They use words such as “anticipate”, “estimate”, “expect”, “project”, “intend”, “opportunity”, “plan”, “potential”, “words of similar meaning. They may also use words such as “will”, “would”, “should”, “could” or “may”.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, we do not assume responsibility for the accuracy and completeness of such statements. We do not intend to update any of the forward-looking statements after the date of this report to conform such statements to actual results except as required by law. Given these uncertainties, you should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. You should carefully consider that information before you make an investment decision. You should review carefully the risks and uncertainties identified in this report and in the Company’s Annual Report on Form 10-K for the year ended December 31, 2009.

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## ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the period ended June 30, 2010, our unregistered sales of equity securities were reported on Current Reports on Form 8-K. See Note 7 – Stockholders’ Deficiency - Promissory Note Conversion.

## ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

As of June 30, 2010, subsequent to the conversion of promissory notes by Robert Schacter et al, \$2,484,463 was in default and accruing post-maturity interest. The promissory notes listed below now bear interest at 12% with the exception of one promissory note which now bears interest at 16%, the interest after maturity, are payable on demand, and are compounded monthly as a result of non-payment at maturity date.

David Spiegel

| Date of Promissory Note | Maturity Date      | Amount<br>Accruing Post<br>Maturity Interest<br>Interest at 12% |
|-------------------------|--------------------|---|
| December 12, 2007       | March 10, 2008     | \$ 150,000  |
| February 21, 2008       | August 19, 2008    | 100,000   |
| March 20, 2008          | September 16, 2008 | 100,000   |
| April 1, 2008           | September 28, 2008 | 50,000  |
| May 15, 2008            | November 11, 2008  | 50,000  |
| June 16, 2008           | December 13, 2008  | 65,000  |
| June 18, 2008           | December 15, 2008  | 50,000  |
| July 15, 2008           | January 11, 2009   | 50,000  |
| July 28, 2008           | January 24, 2009   | 50,000  |
| August 12, 2008         | February 8, 2009   | 35,000  |
| August 27, 2008         | February 23, 2009  | 35,000  |
| September 5, 2008       | March 4, 2009      | 35,000  |
| October 27, 2008        | April 25, 2009     | 35,000  |
| January 9, 2009         | July 5, 2009       | 80,000  |
| March 19, 2009          | September 15, 2009 | 64,000  |
| May 19, 2009            | November 15, 2009  | 35,000  |
| June 10, 2009           | December 7, 2009   | 25,000  |
| July 1, 2009            | December 28, 2009  | 32,000  |
| November 5, 2009        | May 4, 2010        | 103,000   |
| December 21, 2009       | June 19, 2010      | 68,000  |
| Total                   |                    | \$ 1,212,000  |



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Herbert M. Stein

| Date of Promissory Note | Maturity Date      | Amount<br>Accruing Post<br>Maturity Interest<br>Interest at 12% |
|-------------------------|--------------------|---|
| December 12, 2007       | March 10, 2008     | \$ 250,000  |
| February 21, 2008       | August 19, 2008    | 100,000   |
| March 20, 2008          | September 16, 2008 | 50,000  |
| April 1, 2008           | September 28, 2008 | 50,000  |
| May 15, 2008            | November 11, 2008  | 50,000  |
| June 16, 2008           | December 13, 2008  | 35,000  |
| June 18, 2008           | December 15, 2008  | 40,000  |
| July 15, 2008           | January 11, 2009   | 30,000  |
| July 28, 2008           | January 24, 2009   | 50,000  |
| August 12, 2008         | February 8, 2009   | 35,000  |
| August 27, 2008         | February 23, 2009  | 35,000  |
| September 5, 2008       | March 4, 2009      | 35,000  |
| October 27, 2008        | April 25, 2009     | 25,000  |
| February 2, 2009        | August 1, 2009     | 30,000  |
| February 17, 2009       | August 16, 2009    | 10,000  |
| March 19, 2009          | September 15, 2009 | 25,900  |
| April 13, 2009          | October 10, 2009   | 33,000  |
| May 18, 2009            | November 14, 2009  | 12,000  |
| July 1, 2009            | December 28, 2009  | 20,000  |
| November 5, 2009        | May 4, 2010        | 42,500  |
| December 21, 2009       | June 19, 2010      | 83,500  |
| Total                   |                    | \$ 1,041,900  |

## Others

| Date of Promissory Note | Maturity Date      | Amount<br>Accruing Post<br>Maturity Interest<br>Interest at 12% |
|-------------------------|--------------------|---|
| July 28, 2008           | January 24, 2009   | \$ 20,000   |
| October 27, 2008        | April 25, 2009     | 6,000   |
| January 6, 2009         | July 5, 2009       | 500   |
| February 17, 2009       | August 16, 2009    | 37,000  |
| March 19, 2009          | September 15, 2009 | 500   |
| April 13, 2009          | October 10, 2009   | 31,500  |
| April 13, 2009*         | October 10, 2009   | 30,000  |
| May 18, 2009            | November 14, 2009  | 32,000  |
| May 19, 2009            | November 15, 2009  | 500   |
| November 5, 2009        | May 4, 2010        | 70,000  |
| December 21, 2009       | June 19, 2010      | 2,563   |
|                         |                    | \$ 230,563  |

\* Post maturity interest at 16% for JAZFund LLC

ITEM 4T – SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5 – OTHER INFORMATION

None.

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## ITEM 6 – EXHIBITS

(a) Exhibits:

| Exhibit Number | Description   |
|----------------|---|
| 10.1+          | Promissory Note dated as of April 16, 2010 by and between Apogee Technology, Inc. and Herbert M. Stein. (Previously filed on a Current Report on Form 8-K, April 22, 2010.) |
| 10.2+          | Promissory Note dated as of April 16, 2010 by and between Apogee Technology, Inc. and David Spiegel. (Previously filed on a Current Report on Form 8-K, April 22, 2010.)    |
| 10.3+          | Form of Warrant. (Previously filed on a Current Report on Form 8-K, April 22, 2010.)  |
| 10.4+          | Promissory Note dated as of June 4, 2010 by and between Apogee Technology, Inc. and Herbert M. Stein. (Previously filed on a Current Report on Form 8-K, June 10, 2010.)    |
| 10.5+          | Promissory Note dated as of June 4, 2010 by and between Apogee Technology, Inc. and David Spiegel. (Previously filed on a Current Report on Form 8-K, June 10, 2010.)       |
| 10.6+          | Promissory Note dated as of June 4, 2010 by and between Apogee Technology, Inc. and JAZ Fund LLC. (Previously filed on a Current Report on Form 8-K, June 10, 2010.)        |
| 10.7+          | Form of Warrant. (Previously filed on a Current Report on Form 8-K, June 4, 2010.)  |
| 10.8+          | Common Stock Purchase Warrant (Previously filed on a Current Report on Form 8-K, July 23, 1010.)  |
| <u>31.1</u>    | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer.   |
| <u>31.2</u>    | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer.   |
| <u>32</u>      | Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer and Chief Financial Officer.   |

+ Previously filed as indicated.

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SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, as amended, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

APOGEE TECHNOLOGY, INC.

Date: August 13, 2010

By: /s/ Herbert M. Stein  
Name: Herbert M. Stein  
Title: Chairman of the Board,  
President, Chief Executive Officer  
(principal executive officer)

APOGEE TECHNOLOGY, INC.

Date: August 13, 2010

By: /s/ Paul J. Murphy  
Name: Paul J. Murphy  
Title: Chief Financial Officer and Vice President of Finance  
(principal financial officer and principal accounting officer)