APOGEE TECHNOLOGY INC
Form 10-Q/A
August 18, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
Amendment No. 2

(Mark One)

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

For the quarterly period ended September 30, 2009

o 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 registrant as specified in its charter)

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)

Indicate by check mark whether the registrant: (1) has 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 required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.Yes o No ý

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the proceeding 12 months (or such shorter periods that the registrant was required to submit and post such files). Yes o No o

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of January 8, 2010, there were 12,132,332 shares of Common Stock, $0.01 par value per share outstanding. See Note 13 Subsequent Events, SEC Administrative Proceedings for cessation of trading in our common stock on April 16, 2010.

APOGEE TECHNOLOGY, INC.
(A Development Stage Company)
Table of Contents

2

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

	SEPTMBER 30, 2009 (Unaudited)	DECEMBER 31, 2008 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	$—	$ —
Accounts receivable, net of allowance for doubtful accounts of $9,377 in 2009 and 2008	—	—
Prepaid expenses and other current assets	20,544	8,335
Total current assets	20,544	8,335
Property and equipment, net	63,035	111,152
Other assets		
Patents, net	112,641	148,889
	$196,220	$ 268,376
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities		
Bank overdraft	$2,321	$ 49,236
Accounts payable and accrued expenses	2,966,934	2,267,273
Officer loans and notes payable	948,308	783,524
Shareholder loans and notes payable	1,105,960	882,431
Other loans and notes payable	751,455	259,622
Total current liabilities	5,774,978	4,242,086
Commitments and Contingencies	—	—
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, 12,132,332 issued and outstanding at September 30, 2009 and December 31, 2008	121,323	121,323

Additional paid-in capital	18,912,559	18,786,046
Accumulated deficit	(21,891,704)	(21,891,704)
Accumulated deficit during development stage	(2,720,936)	(989,375)
Total stockholders' deficiency	(5,578,758)	(3,973,710)
	$196,220	$ 268,376

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

3

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

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,		Cumulative from Re-entering Development Stage on October 1, 2008 to Sept. 30, 2009
	2009	2008	2009	2008	
Revenues					
Product sales	$—	$—	$—	$21,951	$ —
Royalties	—	37,893	—	63,499	—
	—	37,893	—	85,450	—
Costs and expenses					
Product sales	—	—	—	696	—
Research and development	145,575	299,764	579,317	1,078,962	1,058,397
Selling, general and administrative	269,911	454,190	874,277	1,942,580	1,312,878
	415,486	753,954	1,453,594	3,022,238	2,371,275
Operating loss	(415,486)	(716,061)	(1,453,594)	(2,936,788)	(2,371,275)
Other income (expense)					
Interest and other expense	(96,532)	(55,612)	(279,573)	(102,552)	(351,951)
Interest and other income	500	558	1,606	8,202	2,290
	(96,032)	(55,054)	(277,967)	(94,350)	(349,661)
Net loss	$(511,518)	$(771,115)	$(1,731,561)	$(3,031,138)	$ (2,720,936)
Accumulated deficit - beginning	$(24,101,122)	$(21,120,591)	$(22,881,079)	$(18,860,568)	$ —
Accumulated deficit - ending	$(24,612,640)	$(21,891,706)	$(24,612,640)	$(21,891,706)	$ (2,720,936)
Basic and diluted loss per common share	$(0.04)	$(0.06)	$(0.14)	$(0.25)	$ (0.22)
Weighted average common shares outstanding - basic and diluted	12,132,332	12,132,332	12,132,332	12,070,704	12,132,332

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

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

	NINE MONTHS ENDED SEPTEMBER 30, 2009	NINE MONTHS ENDED SEPTEMBER 30, 2008	Cumulative from Re-entering Development Stage on OCTOBER 1, 2008 through SEPTEMBER 30, 2009
Cash flows from operations			
Net loss	$(1,731,561)	$(3,031,138)	$ (2,720,936)
Adjustments to reconcile net loss to net cash used in operating activities:			
Provision for doubtful accounts	—	(1,193)	—
Depreciation and amortization	77,305	64,068	134,756
Stock compensation expense for employees and directors	64,217	46,723	92,595
Original issue discount	70,543	32,849	93,028
Termination of license	—	22,329	—
Patent impairment	17,267	—	205,674
Changes in operating assets and liabilities:			
Accounts receivable	—	11,729	—
Prepaid expenses and other current assets	(12,210)	51,651	14,569
Accounts payable and accrued expenses	699,661	1,126,687	1,094,700
Net cash used in operating activities	(814,778)	(1,676,295)	(1,085,614)
Cash flows from investing activities			
Purchases of property and equipment	—	(8,322)	—
Patent costs	(10,207)	(82,710)	(32,323)
Net cash used in investing activities	(10,207)	(91,032)	(32,323)
Cash flows from financing activities			
Bank overdraft	(46,915)	4,284	(19,637)
Proceeds for shareholder loans and notes payable	223,000	620,000	338,000
Proceeds from officer loans and notes payable	163,900	510,000	188,900
Proceeds from other loans and notes payable	485,000	160,000	593,000
Proceeds from sale of equity securities	—	152,519	—
Net cash provided by financing activities	824,985	1,446,803	1,117,937

Decrease in cash and cash equivalents	-	(320,524)	-
Cash and cash equivalents — beginning	-	320,524	-
Cash and cash equivalents — ending	$—	$—	$ —
Supplemental Cash Flow Information:			
Cash paid for interest	$—	$5,933	$ —
Warrants issued in connection with notes payable – non-cash	$62,296	$57,810	$ 73,138
Income taxes	$—	$—	$ —

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

5

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

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 deliv 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 two major business activities were organized under our Life Science Group and our Health Monitoring Products Group. Apogee is currently considered to be a development stage company.

Apogee is developing PyraDerm, an advanced intradermal drug delivery system, to meet the needs of patients, health insurers and companies developing pharmaceuticals, as well as governments and international health organizations. We believe PyraDerm™ has advantages over competitive approaches for the delivery of vaccines, high potency therapeutic protein drugs and other pharmaceuticals. We have evaluated the feasibility of PyraDerm by performing in vitro tests with model drugs and demonstrated its potential for intradermal immunization in vivo. We are working to establish pharmaceutical industry compliant manufacturing methods and to define regulatory strategies to support its commercialization. Upon the completion of in vitro and in vivo evaluation of PyraDerm™, if successful, we intend to pursue licensing/development or partnership agreements with pharmaceutical companies interested in our 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, 2008, due to our limited resources, we invested these 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 $5.8 million and stockholder's deficiency of approximately $5.6 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 $1.7 million and negative cash flows from operations were approximately $815,000 for the nine months ended September 30, 2009. 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.

We had an overdraft of approximately $2,300 at September 30, 2009. As of August 11, 2010, we had cash of approximately $100,000. See Note 13 - Subsequent Events – Additional Financings.

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.

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

We are in the process of 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 has been provided by Apogee's significant shareholders, including our President, Chief Executive Officer and Chairman of the Board of Directors, an individual investor and others, and has been utilized to keep product development moving forward. Additionally, cost cutting measures, including salary reduction for non-PyraDerm employees, diminished sensor development, deferral of capital expenditures, and reduced general spending, have been instituted until such time as financing is secured, if ever.

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.

See Note 13 – Subsequent Events for additional information.

Accounting Principles

The accompanying consolidated financial statements have been prepared using accounting principles generally accepted in the United States of America.

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.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences could affect the results of operations reported in future periods and such differences could be material.

2. Summary of Significant Accounting Policies

7

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

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

Revenue is 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. The following policies apply to Apogee's two sales categories for revenue recognition. Sales to end users ("OEM"): revenue is recognized under our standard terms and conditions of sale, title and risk of loss transfer to the customer at the time products are shipped from our warehouse or delivered to the customer's representative/freight forwarder. We accrue the estimated cost of post-sale obligations including product warranty returns, based on historical experience. To date we have experienced minimal warranty returns.

We record royalty revenue when earned in accordance with the underlying agreements. Consulting and licensing revenue is recognized as services are performed.

In April of 2008, SigmaTel, Inc. agreed to pay Apogee a percentage of the royalties it received from STMicroelectronics NV ("ST") in exchange for supporting their royalty negotiations with ST. As a result of this agreement, Apogee received approximately $63,000 during the year ended December 31, 2008. On November 4, 2008 Apogee was notified by STMicroelectronics NV that they had reached an agreement with Freescale (formerly SigmaTel, Inc.) reducing the quarterly royalties due Freescale. The original agreement was a result of the transaction with SigmaTel, Inc. ("SigmaTel") whereby we sold certain assets of our audio division, including the DDX technology and the associated royalties from our license agreement with ST, for approximately $9.78 million. Upon acceptance by Freescale of the lower royalty payments, the arrangement agreed to between Freescale and Apogee in April 2008 was cancelled. No further revenue is expected under this arrangement.

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.

Research and Development

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

Costs for research and development are expensed as incurred.

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. Legal fees incurred pursuant to patent applications are part of the patent costs and capitalized.

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 10 – Legal and Related Indemnification with our Executives and Others.

Inventories

Inventories, including inventory held at distributors, are stated at the lower of cost on a first-in, first-out basis or market. This policy requires us to make estimates regarding the market value of our inventory, including an assessment of excess or obsolete inventory.

On January 15, 2008, we sold the remaining DDX inventory held in our Norwood office to one of our customers and on January 24, 2008, we sold the remaining DDX inventory housed in Hong Kong to one of our former DDX distributors. Total proceeds received from the disposition of the DDX inventory were $17,000.

Asset Impairment Charges

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 has become obsolete, or whether external market circumstances indicate that the carrying amount may not be recoverable. Management performs analysis for impairment on a regular basis.

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 regular basis.

Exclusive License Fee

We capitalized license fees paid to third parties for costs associated with the exclusive rights to their patents. We amortize these fees over a period of four years. During 2008, Apogee terminated the 2006 license agreement with the University of Akron Research Foundation and expensed the remaining license fees. In addition, during 2008, we expensed an additional $30,000, which represented the minimum royalty due under this terminated license agreement.

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

We carry trade receivables from customers less an allowance for doubtful accounts to ensure that trade receivables are carried at net realizable value. On a periodic basis, we evaluate the collectibility of our accounts receivable based on a variety of factors, including length of time receivables are past due, indication of customer ability to pay, significant one-time events and historical experience. Accounts receivable are generally considered past due if any portion of the receivable balance is outstanding for more than 90 days. If circumstances related to our customers change, estimates of the recoverability of receivables would be further adjusted.

Advertising

Advertising costs are expenses when incurred and were not significant for the three and nine months ended September 30, 2009 and 2008.

Fair Value of Financial Instruments

Carrying amounts of certain of our financial instruments, including cash and cash equivalents, accounts receivable and notes and accounts payable, approximate their fair values due to their relatively 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.

Stock-Based Compensation

We account for our stock based compensation as permitted by Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards, "Accounting for Stock-Based Compensation" (SFAS 123(R)).

Accounting for Stock Compensation

Stock-based compensation costs are generally based on the fair value calculated from the Black-Scholes option-pricing model on the date of grant for stock options. The fair values of option grants are amortized as compensation expense over the option's vesting period. Compensation expense recognized is shown in the operating activities section of the consolidated statements of cash flow.

We continue to calculate the expected stock price volatility based solely on historical volatility. We believe that historical volatility provides the best estimate of future stock price volatility.

The expected term of options was previously and is currently calculated based on an analysis of vesting periods and contractual life. Apogee believes that this analysis provides a better estimate of option term periods.

We estimate the expected life of the option and determine a risk-free rate based on U.S. Treasury issues with remaining terms similar to the expected life of the option. We have never paid cash dividends and do not currently intend to pay cash dividends.

We estimate potential forfeitures of stock grants and adjust compensation cost recorded accordingly. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative adjustment in the period of change and will also impact the amount of stock compensation expense to be recognized in future periods.

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

Apogee's stock compensation activity with respect to the nine months ended September 30, 2009 is summarized below:

Stock Options	Shares		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at December 31, 2008	3,068,100	$	4.4048	
Granted	—			
Exercised	—			
Cancelled or expired	135,600		0.6933	
Outstanding at September 30, 2009	2,932,500	$	4.5344	4.3770
Vested at September 30, 2009	2,637,900	$	4.9347	3.9893
Exercisable at September 30, 2009	2,637,900	$	4.9347	3.9893

The following table summarizes information about options outstanding as of September 30, 2009:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Term		Weighted Average Exercise Price	Number Exercisable		Weighted Average Exercise Price
$0.25 — 1.69	1,054,900	6.5368	$	1.0203	717,300	$	1.0474
$2.71 — 6.59	1,282,600	2.5122	$	5.4065	1,299,200	$	5.4065
$8.45 — 12.15	595,000	4.5674	$	8.8849	599,000	$	8.8849
Total at September 30, 2009	2,932,500	4.3770	$	4.5344	2,615,500	$	4.9347

Apogee did not grant options during the nine months ended September 30, 2009. No options were exercised during nine months ended September 30, 2009 and 2008. During the nine months ended September 30, 2008, Apogee granted options to purchase 160,000 shares of its common stock at a weighted average fair market value of $0.6933. During the nine months ended September 30, 2009, options to purchase 135,600 shares of Apogee common stock vested. The weighted average fair value of these options was $0.8169. During the nine months ended September 30, 2009, options to purchase 135,600 shares of Apogee common stock were cancelled. Total stock-based compensation expense for the three and nine months ended September 30, 2009, was approximately $19,000 and $64,000, respectively, compared to approximately $14,000 and $47,000, respectively, for the three and nine months ended September 30, 2008. As of September 30, 2009, approximately 294,600 options to purchase approximately 294,600 shares of Apogee common stock with an approximate value of $89,998 are not yet vested.

Recent Accounting Pronouncements

Management does not believe there are any recently issued but not yet effective accounting pronouncements that will have a material effect on our financial statements and results of operation.

3. Accounts Receivable

Accounts receivable at September 30, 2009 and December 31, 2008 are comprised of the following:

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

Accounts Receivable	September 30, 2009	December 31, 2008 (Audited)
Distributor	$ —	$ —
Direct customers	9,377	9,377
	$ 9,377	$ 9,377
Less allowance for doubtful accounts	$ (9,377)	(9,377)
Net accounts receivable	$ —	$ —

4. Property and Equipment

Property and equipment at September 30, 2009 and December 31, 2008 are comprised of the following:

Property and Equipment	September 30, 2009	December 31, 2008 (Audited)
Equipment	$ 189,781	$ 189,781
Software	32,943	32,943
Furniture and fixtures	22,047	22,047
Leasehold improvements	92,892	92,892
	$ 337,663	$ 337,663
Less accumulated depreciation	(274,628)	(226,511)
	$ 63,035	$ 111,152

Depreciation expense was $8,141 and $24,423 for the three and nine months ended September 30, 2009, respectively, compared to $12,487 and $37,165 for the three and nine months ended September 30, 2008, 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

5. Asset Impairment

We recorded 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 the three and nine months ended September 30, 2009, we amortized approximately $9,800 and $29,200, respectively, of patent application related expenses.

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

	Gross Carrying Value	Accumulated Amortization	Accumulated Impairment	Net Book Value
December 31, 2008	$414,523	(37,227)	(228,407)	$148,889
March 31, 2009	$420,524	(46,833)	(245,674)	$128,017
June 30, 2009	$423,736	(56,599)	(245,674)	$121,463
September 30, 2009	$424,726	(66,411)	(245,674)	$112,641

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

Estimated Amortization is as follows:

Year ended December 31,	
Three months ended December 2009	6,715
2010	34,628
2011	34,628
2012	34,628
2013	2,041

6. 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	September 30, 2009	December 31, 2008 (Audited)
Legal and accounting expenses	$1,712,000	$ 1,612,000
Consulting expenses	65,000	137,000
Interest owed to Promissory Note holders	324,000	113,000
Corporate insurance expenses	—	5,000
Director and Advisory Committee fees	86,000	43,000
Rent expenses	57,000	18,000
Other expenses	362,000	184,000
	$2,606,000	$ 2,112,000

Accrued Expenses	September 30, 2009	December 31, 2008 (Audited)
Accrued audit expenses	$127,000	$ 60,000
Accrued legal expenses	15,000	15,000
Accrued consulting expenses	45,000	56,000

Accrued payroll and payroll taxes	123,000	—
Other accrued expenses	50,000	24,000
	$360,000	$ 155,000

7. Promissory Notes, Loans and Warrants

During the three and nine months ended September 30, 2009, Apogee received $135,000 and $871,900, respectively, in proceeds from unsecured interest-bearing promissory notes. During the nine months ended September 30, 2009 Apogee received $163,900 from Mr. Herbert M. Stein, President, Chief Executive Officer and Chairman of the Board of Directors, $223,000 from Mr. David Spiegel, a major shareholder, $63,000 from The Spiegel Family Limited Partnership, $345,000 from Mr. Robert Schacter et al, $45,000 from Leo Spiegel, $30,000 from JAZFund LLC, and $2,000 from others. These promissory notes are payable upon demand, not subject to premium or penalty for prepayment, bear simple interest of 8% per annum, and are to be repaid in 180 days. An additional 4% interest will be charged after maturity. As of September 30, 2009, total unpaid interest of approximately $324,400 is due, consisting of $132,900 to Mr. Stein, $137,400 to Mr. Spiegel, $42,700 to Mr. Robert Schacter et al and $11,400 to others.

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

Through September 30, 2009, Apogee has received total proceeds from loans and promissory notes of $2.8 million, consisting of $1.1 million, $948,900, $585,000 and $168,000 from Mr. Spiegel, Mr. Stein, Mr. Schacter and others, respectively.

As of September 30, 2009, promissory notes in the amount of $2,353,900 are in default and accruing post-maturity interest.

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*	67,000	May 4, 2010	8.00 %	8.00 %
	$1,108,000			

Promissory Notes and Loans
Due To
Herbert M. Stein

Date of	Maturity	Initial	Current

Promissory Note		Amount	Date	Interest Rate		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**		33,000	May 4, 2010	8.00	%	8.00	%
	$	948,900					

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

Promissory Notes and Loans Due To
Robert Schacter et al

Date of Promissory Note	Amount	Maturity Date	Initial Interest Rate	Current Interest Rate
September 5, 2008	$140,000	March 4, 2009	8.00 %	12.00 %
October 27, 2008	100,000	April 25, 2009	8.00 %	12.00 %
January 8, 2009	100,000	July 7, 2009	8.00 %	12.00 %
February 2, 2009	50,000	August 1, 2009	8.00 %	12.00 %
February 17, 2009	50,000	August 16, 2009	8.00 %	12.00 %
March 19, 2009	50,000	September 15, 2009	8.00 %	12.00 %
April 13, 2009	20,000	October 10, 2009	8.00 %	12.00 %
June 10, 2009	25,000	December 7, 2009	8.00 %	12.00 %
November 5, 2009	50,000	May 4, 2010	8.00 %	8.00 %
	$585,000			

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 12 2009	8.00 %	12.00 %
May 18, 2009	32,500	November 14, 2009	8.00 %	12.00 %
November 5, 2009	10,000	May 4, 2010	8.00 %	8.00 %
	$ 168,000			

* This amount excludes funds received subsequent to September 30, 2009. Total received $103,000.

** This amount excludes funds received subsequent to September 30, 2009. Total received $42,500.

The promissory notes issued to Messrs. Stein and Spiegel from December 11, 2007 through March 19, 2009 for an aggregate of $1,799,900 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 is approximately 19%.

The following tables represent the net payable from promissory notes and loans as of September 30, 2009:

	Officer Loans Herbert M. Stein	Shareholder Loans David Spiegel	Total
Total proceeds from Loans and Promissory Notes	$ 948,900	$ 1,108,000	$ 2,056,900
Discount (Fair Market Value of Warrants)	(592)	(2,040)	(2,632)
	$ 948,308	$ 1,105,960	$ 2,054,268

	Loans Robert Schacter et al	Loans Others	Total
Total proceeds from Loans and Promissory Notes	$ 585,000	$ 168,000	$ 753,000
Discount (Fair Market Value of Warrants)	(1,031)	(514)	(1,545)
	$ 583,969	$ 167,486	$ 751,455

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 September 30, 2009, these warrants represent, in the aggregate, an underlying ninety-five thousand eight hundred (95,800) shares of common stock for Mr. Spiegel, an underlying seventy thousand eight hundred forty (70,840) shares of common stock for Mr. Stein, an underlying one hundred thirty-two thousand seven hundred fifty (132,750) shares of common stock for Mr. Schacter, and an underlying twenty-six thousand five hundred fifty (26,550) shares of common stock for others. These warrants were issued as added consideration for the notes. These warrants include customary terms and include a cashless or net exercise provision for exercise. The values of these warrants were determined by using the Black Scholes valuation model.

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

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	2,240.60
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	6,700	$1.02	3 Years	$1.00	1.44	131.45892%	$0.7681	7,911.43
Total	95,800							$46,531.81

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
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	104.545 08%	$0.4481	2,240.60
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
Total	70,840							$32,109.67

17

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

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	132,750							$ 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	104.545 08%	$0.4460	$ 892.00
October 27, 2008	600	$0.60	3 Years	$1.00	1.83	108.82589%	$0.3431	205.86
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
	10,650	$0.60	3 Years	$1.00	1.27	110.59204%	$0.3469	3,694.49

April 13, 2009									
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	1,000	$1.02	3 Years	$1.00	1.44	131.45892%	$0.7681		768.10
Total	26,550							$	11,668.17

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

8. Stockholders’ Deficiency

Preferred Stock

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

At our Annual Meeting held on August 28, 2007, our shareholders approved an Amendment to the Amended and Restated Certificate of Incorporation authorizing five million shares of undesignated preferred stock. These shares will have future rights and preferences to be determined at the sole discretion of our Board of Directors. No preferred stock has been issued.

Common Stock

On April 9, 2008, Apogee sold 164,000 shares of our common stock to accredited investors at a price of $1.00 per share. The net proceeds to Apogee were $152,519, which we have used for general working capital and corporate purposes. The shares of Apogee's common stock were issued and sold in a private placement in reliance on an exemption from registration provided by Section 4(2) of Securities Act of 133, as amended, and Rule 506 of Regulation D promulgated thereunder. The shares of common stock issued in this private placement were not registered under the Securities Act of 1933 and may not be subsequently offered or sold by the investors in the United States absent registration or an applicable exemption from the registration requirements.

Stock Options

During the nine months ended September 30, 2009 no stock options were awarded. During the three months ended September 30, 2008, we awarded each of our outside directors' options to purchase 40,000 shares, at an exercise price of $1.00 per share. These options were granted under the 2007 Plan. The options granted to these employees vest over five years beginning at the first anniversary of the date of grant.

9. 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 years ended December 31, 2008. Rent has been accrued and remains unpaid since September 2008. See also Note 7 – Promissory Notes, Loans and Warrants from Officers and Significant Stockholders.

10. 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 January 1, 2010, we have incurred approximately $887,000 toward this indemnification. For the three and nine months ended September 30, 2009, we have incurred approximately $9,000 and $81,000, respectively, compared to approximately $14,000 and $89,000, respectively for the three and nine months ended September 30, 2008.

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.

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

In July 2008, Apogee, it's 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 January 1, 2010, we have incurred approximately $554,000 toward this indemnification. We did not incur any expense toward this indemnification for the three months ended September 30, 2009. For the nine months ended September 30, 2009, we have incurred approximately $1,600, compared to approximately $118,000 and $533,000 for the same periods in 2008. See Note 13 - Subsequent Events – Notification from the Securities and Exchange Commission.

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.

On October 28, 2009, the Company received a "Wells Notice" from the staff of the Securities and Exchange Commission – See Note 13 – Subsequent Events – SEC Administrative Proceeding.

11. 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, 2008 (audited):

	December 31, 2008	December 31, 2007
Net operating loss carryforwards		
Federal	$ 19,000,000	$ 15,000,000
State	$ 12,000,000	$ 9,200,000

Business credits available in the future:

	December 31,	December 31,

	2008	2007
Business credits available in the future		
Federal	$ 940,000	$ 980,000
State	$ 330,000	$ 300,000

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 2018 for federal tax purposes and in 2009 for state tax purposes. The federal and state credits will begin to expire in 2017.

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

Significant changes in our ownership may substantially reduce the available carryforwards and related tax benefits.

12. Supplemental Cash Flow Information

As of September 30, 2009, we recorded cumulatively approximately $456,000 in interest expense of which approximately $7,700 was paid. We recorded interest expense of approximately $97,000 and $280,000 for the three and nine months ended September 30, 2009, respectively, compared to approximately $56,000 and $103,000 for the same periods in 2008.

13. Subsequent Events

Additional Financings

The following table details all financings subsequent to September 30, 2009:

Date of Loan or Promissory Note and Warrant	Amount of Loan or Note	Maturity Date	Interest	Number of Warrants	Risk Free Interest Rate	Volatility	Value Per Warrant	Total Value of Warrants
David Spiegel								
November 5, 2009*	$36,000	May 4, 2010	8.00%	3,600	1.44	131.4589%	$0.7681	$2,765.16
December 21, 2009	68,000	June 19, 2010	8.00%	6,800	1.42	133.8376%	$0.8029	5,459.72
January 25, 2010	4,665	July 24, 2010	8.00%	466	1.40	134.8047%	$0.7268	338.69
April 16, 2010	16,000	October 13, 2010	8.00%	1,600	1.56	136.4302%	$0.6800	1,088.00
June 4, 2010	14,000	December 1, 2010	8.00%	1,400	1.17	153.1282%	$0.3740	523.60
August 11, 2010	100,000	February 7, 2011	8.00%	10,000	0.81	157.1615%	$0.2115	2,115.00
	$238,665			23,866				$12,290.17

*This amount excludes funds received prior to September 30, 2009. Total received $103,000.

Date of Loan or Promissory Note and Warrant	Amount of Loan or Note	Maturity Date	Interest	Number of Warrants	Risk Free Interest Rate	Volatility	Value Per Warrant	Total Value of Warrants
Herbert M. Stein								
November 5, 2009*	$9,500	May 4, 2010	8.00%	950	1.44	131.4589%	$0.7681	$ 729.70
December 21, 2009	83,500	June 19, 2010	8.00%	8,350	1.42	133.8376%	$0.8029	6,704.22
January 25, 2010	79,000	July 24, 2010	8.00%	7,900	1.40	134.8047%	$0.7268	5,741.72
February 22, 2010	66,000	August 21, 2010	8.00%	6,600	1.48	134.4382%	$0.5011	3,307.26
April 16, 2010	86,500		8.00%	8,650	1.56	136.4302%	$0.6800	5,882.00

		October 13, 2010						
June 4, 2010	116,000	December 1, 2010	8.00%	11,600	1.17	153.1282%	$0.3740	4,338.40
August 11, 2010	45,700	February 7, 2011	8.00%	4,570	0.81	157.1615%	$0.2115	1,002.51
	$486,200			48,620				$27,705.81

*This amount excludes funds received prior to September 30, 2009. Total received $42,500.

Date of Loan or Promissory Note and Warrant	Amount of Loan or Note	Maturity Date	Interest	Number of Warrants	Risk Free Interest Rate	Volatility	Value Per Warrant	Total Value of Warrants
Robert Schacter et al								
July 9, 2010*	25,000							

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

21

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

Date of Loan or Promissory Note and Warrant	Amount of Loan or Note	Maturity Date	Interest	Number of Warrants	Risk Free Interest Rate	Volatility	Value Per Warrant	Total Value of Warrants
Other								
November 5, 2009	$60,000	May 4, 2010	8.00%	15,000	1.44	131.4589%	$0.7681	$11,521.50
December 21, 2009	2,563	June 19, 2010	8.00%	256	1.42	133.8376%	$0.8029	205.54
January 25, 2010	30,000	July 24, 2010	8.00%	7,500	1.40	134.8047%	$0.7268	5,451.00
June 4, 2010	20,000	December 1, 2010	12.00%	27,500	1.17	153.1282%	$0.3740	10,285.00
	$122,563			50,256				$27,193.04

All warrants have been issued.

All warrants have been issued at an exercise price of $1.00, had a three-year term and were issued as additional consideration for the promissory notes. Upon reaching maturity, interest on these loans is compounded monthly and increased by 4 percentage points. See below for details related to the conversion of accrued interest by two note holders in June 2010.

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.

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 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.

Promissory Notes Conversion

Mr. Robert Schacter requested that the $545,000 in Promissory Notes outstanding at December 31, 2009 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 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.

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
September 30, 2009 and September 30, 2008

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.

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

Notification from the Securities and Exchange Commission

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 a with the 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.

SEC Administrative Proceedings

Due to its financial condition, the Company had been unable to fund payments to its auditors. Accordingly, the Company did not timely file its 2008 Annual Report on 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, it had not timely filed Form 8-K and related Form 4s.

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 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 as of November 16, 2009. Suspension or revocation may substantially impact the Company’s ability to obtain funding.

Subsequently, on December 18, 2009 we filed our 2008 Annual Report on Form 10-K and filed our 2009 Quarterly Reports on Form 10-Q for the periods ended 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 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.

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 nine-month periods ended September 30, 2009 and September 30, 2008, 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, 2008.

OVERVIEW

We are developing proprietary intradermal drug delivery systems for vaccines and other pharmaceuticals that we intend to market to pharmaceutical and medical device companies, government and world health organizations. Our Life Science Group is developing PyraDerm™, an advanced intradermal drug delivery system to meet the needs of patients, health insurers and companies developing pharmaceuticals, as well as, governments and international health organizations. We believe that PyraDerm has advantages over competitive approaches for the delivery of vaccines, high potency therapeutic protein drugs and other pharmaceuticals. We have evaluated the feasibility of PyraDerm by performing in vitro tests with model drugs and conducted successful in vivo testing of PyraDerm in the intradermal immunization experiments. We are working to establish pharmaceutical industry compliant manufacturing methods and to define regulatory strategies to support its commercialization.

Our sole focus remains on developing and growing the Life Science Group, subject to our ability to secure additional financing to support our operations and repay our existing indebtness. We expect that future revenue, if any, will initially be the result of potential licensing and development revenues resulting from the grant of rights to our intellectual property.

During the three and nine months ended September 30, 2008, virtually all of our revenue was derived from the sale of the remaining DDX audio IC inventory and of royalty revenue. In April 2008, SigmaTel, Inc. agreed to pay Apogee a percentage of the royalties it received from STMicroelectronics NV ("ST") in exchange for supporting their royalty negotiations with ST. As a result of this agreement, Apogee received approximately $38,000 and $63,000 for the three and nine months ended September 30, 2008. With the acquisition of SigmaTel by Freescale, Inc. in April 2008, there can be no assurance of future payments under this arrangement.

At September 30, 2009, we had an accumulated deficit of approximately $24.6 million, as compared to a deficit of approximately $22.9 million as of December 31, 2008. Since re-entering development stage on October 1, 2008, we have an accumulated deficit of approximately $2.7 million, as compared to a deficit of approximately $989,000 as of December 31, 2008. 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 September 30, 2009, we have received approximately $2.8 million in loans. Since September 30, 2009, we have received approximately $1.0 million in funding, which has been inadequate to meet the current needs of the Company resulting in non-payment of loan principal and interest, vendors, payroll, payroll withholding, and payroll taxes for the third and fourth quarters of 2009. The proceeds from these loans were used to pay unpaid payroll and payroll taxes up through and including payroll for the period ended December 15, 2009 and to pay payroll and related