

APOGEE TECHNOLOGY INC
Form 10-K
March 31, 2011

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

FORM 10-K

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010

OR

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

For the transition period from _____ to _____.

APOGEE TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Commission File No: 000-30656

DELAWARE
(State or other jurisdiction
of incorporation or organization)

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

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

02062
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Exchange Act: None
Securities registered under Section 12(g) of the Exchange Act:
Common stock, \$.01 par value per share

Indicate by check mark whether the issuer is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No x

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Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act: Yes No

Indicate by check mark whether issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one)

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

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

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant (assuming for the purposes hereof, that directors, executives and 10% or greater stockholders of the registrant are affiliates of the registrant), based upon the closing sale price of the registrant was \$4,037,846, based on the closing price of the stock on the OTC Bulletin Board on March 18, 2011.

Portions of the registrant's definitive Proxy Statement for its 2011 Annual Meeting of Stockholders (the "2011 Proxy Statement") to be filed pursuant to the Securities Exchange Act of 1934 with the Securities and Exchange Commission within 120 days of December 31, 2010 are incorporated herein by reference into Part III of this Annual Report on Form 10-K.

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SPECIAL NOTE ABOUT FORWARD-LOOKING INFORMATION

This document contains 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 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 intend that the forward-looking statements will be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E, as amended, of the Securities Exchange Act of 1934, as amended. 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 all available information about Apogee before you make an investment decision. You should review carefully the risks and uncertainties identified in this Annual Report on Form 10-K.

PART I

Item 1. DESCRIPTION OF BUSINESS.

Corporate 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 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. In 2009 we had to scale down research and development efforts due to financial constraints and focused on the proof-of-concept stability studies of PyraDerm system and relevant formulation and process development activities. In 2010 Apogee, while still operating under the same conditions, has continued these efforts concentrating on the development of analytical and quality control systems, as well as further advancement of microneedle with improved stability. We believe that these development efforts are critically important for the successful commercialization of our microneedle platform. 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.

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

History

Apogee was organized as a Delaware corporation in 1987, and initially operated through its wholly owned subsidiary, Apogee Acoustics Incorporated, or Acoustics. Acoustics engineered, manufactured, and marketed high quality, high-end patented ribbon loudspeaker systems for use in home audio and video entertainment systems. This technology was considered so innovative that a pair of Apogee loudspeakers is on display at the Smithsonian Museum.

We discontinued our loudspeaker business in 1994 and utilized our audio experience on the development of the world's first all-digital, high efficiency audio amplifier integrated circuits, or ICs, which we trademarked as Direct Digital Amplification or DDX®. We transitioned our business to take advantage of the patent we received in 1991 for related technology and to pursue the market opportunity created by the industry adoption of digital audio transmission, recording and playback. In 1999, we released our first DDX IC and subsequently released over twenty additional DDX ICs. In addition to our IC product sales, we also licensed DDX technology to several IC companies, including STMicroelectronics NV, or ST, one of the world's largest semiconductor companies.

In May 2004, in order to expand our technology base and to further diversify our product and market opportunities, we acquired a portfolio of Micro Electro Mechanical Systems "(MEMS") and nanotechnology intellectual property, trade secrets and know-how developed by Standard MEMS, Inc. MEMS are devices produced using high volume IC manufacturing techniques that include both electrical circuits and microscopic mechanical systems. During this time, we also hired employees from the former Standard MEMS, Inc. and established a MEMS Division that we subsequently consolidated into our Norwood headquarters. Since this acquisition, we have been using this acquired know-how plus additional technologies to develop MEMS and nanotechnology-based drug delivery and sensor products.

On October 5, 2005, we sold our audio IC business, including the DDX technology and the associated royalties from our license agreement with ST, to SigmaTel, Inc., or SigmaTel, for approximately \$9.4 million plus a one-year earn-out that subsequently amounted to \$383,000. After the sale, we reorganized our remaining MEMS division into two major business groups, the Medical Products Group and the Sensor Products Group. We also closed our sales offices in China, Japan, Taiwan and Hong Kong and terminated our agreements with our independent sales representatives and distributors. The Sensor Products Group was subsequently closed September 2008.

In 2008, all our revenue was derived from royalties received as a result of an agreement between Apogee and Freescale (formerly SigmaTel, Inc.) whereby Freescale agreed to pay Apogee a percentage of the royalties it received from ST in exchange for supporting their royalty negotiations with ST, as well as revenue from the sale of the remaining DDX inventory. Upon acceptance by Freescale of lower royalty payments, the arrangement agreed to between Freescale and Apogee in April 2008 was cancelled. No further revenue is expected under this arrangement. We expect future revenue, if any, will initially be the result of licensing and development-related revenues resulting from the grant of rights to our intellectual property.

Since October 1, 2008, we have operated as a technology research and development-stage company, and have invested our resources substantially in the development of our Life Science Group. In order to support our operations, we intend to secure additional funding in 2011.

Apogee maintains an Internet site at <http://www.apogeebio.com>. The information contained on our Internet site is not incorporated by reference in this report and should not be considered part of this report. Apogee's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports, are available free of charge on our website as soon as reasonably practicable after they are filed with, or furnished to, the Securities and Exchange Commission.

Life Science Business Overview

Background

The drug delivery market is driven by the needs of patients, health insurers, companies developing pharmaceuticals, as well as governments and international health organizations. Patients desire drug delivery systems that are effective, inexpensive, easy to use, can be self applied, are painless, and do not require any special storage or handling. We believe that health insurers desire similar standards in drug delivery systems as well as reduction of treatment cost. If such goals are realized, the ancillary benefits could be higher efficacy, as a result of improved patient compliance, and wider self-administration, avoiding the cost and inconvenience of doctor or hospital visits. We believe pharmaceutical companies desire delivery systems that improve efficacy, are safe, reduce side effects and the associated liabilities, and have the potential to extend the patent life of drugs to protect market position. Similarly, we believe that both government and international health organizations desire low cost drug delivery systems that can be applied without the involvement of health care professionals and can be easily stored and distributed efficiently.

We believe that existing drug delivery technologies of parenteral (i.e. intra muscular, subcutaneous and intra venous injection), oral, nasal, and transdermal administration do not meet all of the needs or stated goals for existing and emerging therapies. For example, protein drugs do not lend themselves to oral delivery because of poor bioavailability. Consequently, these drugs are delivered parenterally by health care professionals resulting in increased costs and reduced patient compliance. Traditional transdermal patches cannot be used to deliver large molecule drugs because they will not penetrate the skin under normal conditions. In order to overcome this problem, drug delivery companies are developing active transdermal systems that use electrical forces (iontophoresis), chemical enhancers and microporation methods, which include: RF energy, lasers, thermal energy and microneedles.

PyraDerm Solution

Our PyraDerm delivery system consists of an array of microneedles incorporating a solid-state formulation that can be utilized to deliver drugs and vaccines into the skin. We apply micro-fabrication techniques to create our microneedle arrays using biocompatible materials. We have developed unique methodologies to incorporate solid state formulations into our microneedles. Our formulation is designed to work with various types of drugs and vaccines, improve drug or vaccine shelf-life, and to have a desired release profile, for example, to dissolve rapidly or in a prolonged manner, to meet specific drug delivery requirements.

We believe PyraDerm offers several advantages over competitive transdermal delivery technologies and non-transdermal systems for vaccines, small-dose high-potency protein drugs and other active ingredients. We also believe that our technology has the potential to enhance the delivery rate of certain small-molecule drugs compared to existing passive transdermal systems or patches. When compared with other active transdermal systems that utilize electrical/thermal/RF/laser energy or particle ablation, we believe our system will be lower in cost, safely disposable and will have the potential for self-administration. We believe our system has the potential to reduce or eliminate pain, safer to dispose and decrease the reliance on controlled temperature chain supply. In addition, our system may provide improved efficacy for vaccines. Compared to oral administration, our approach avoids the digestion system, thereby potentially reducing side effects, and improving the bioavailability for specific drugs.

We are developing novel solid microneedle systems containing formulations capable of releasing biologically active compounds in a controlled manner when applied to the skin. We currently have rights to patents and have filed patent applications concerning polymer formulations for use in targeted applications and related manufacturing processes. We believe that our microneedle technology can offer significant benefits. A summary of our system's performance in previously conducted in vivo and in vitro studies along with important potential advantages is presented below.

In Vivo Performance: We have demonstrated in a relevant large animal model that our microneedle system is capable of delivering formulations of biologically active compounds, such as formulations of vaccine antigens, intradermally. We found that some important vaccine formulations delivered intradermally using our microneedle systems are superior to similar formulations delivered by conventional routes, such as intramuscular route.

Stability/Shelf Life: We have demonstrated that our microneedle formulations appear to improve thermal stability of certain biologically active compounds as compared to liquid formulations. This advantage could provide a longer potential shelf-life without loss of efficacy, while at the same time reducing the cost of storage and reliance on cold chain supply.

Controlled Release: We have demonstrated that our formulation technology may be tailored to modulate the release of biologically active compounds. Our systems can be formulated either for almost instantaneous release or, if desired, for sustained release of biologically active compound.

Dose Control: We have demonstrated that our proprietary microneedle coating process appears to provide for high efficiency of drug incorporation to minimize losses, or wasted bio-active material, so that a precise dose of drug can be applied reliably.

Microneedle Design: We believe the advantages of our microneedle array designs are that: (i) the components of our microneedles are either excipients of approved formulations or have a history of human use (ii) the dimensions of our micro needles can be precisely manufactured to meet the needs of the optimal delivery depth in the skin, (iii) our design approach utilizes manufacturing methods that can be scaled to high volume production to meet cost goals.

We also believe that the design of our microneedles can provide additional simplifications and benefits to address the needs of patients, pharmaceutical companies, health insurers, government, and world health organizations.

| Needs | Design Advantages |
|---------------------------------------|---|
| Patient | |
| Safety | <ul style="list-style-type: none"> - Single use - Lower probability of needle sticks - Less chance of accidental overdose |
| Reduced or no Pain | <ul style="list-style-type: none"> - Minimal or no pain due to size of microneedles - Patient friendly and easy to use applicator |
| Ease of Administration | <ul style="list-style-type: none"> - Easier administration with a possibility of self-administration <li style="padding-left: 20px;">limits need for doctor and hospital visits |
| Health Insurers | |
| Treatment Cost of Patient | <ul style="list-style-type: none"> - Low cost design - Designed for higher efficacy (vaccines) potentially reducing need for multiple administrations - Self administration limits cost of doctor/hospital visits - Painless and easy delivery improves compliance and patient realizes the benefits of enhanced compliance |
| Government/World Health Organizations | |
| Low Treatment Cost | <ul style="list-style-type: none"> - Low cost design |
| Long Term Storage/ Ease of Transport | <ul style="list-style-type: none"> - Solid-state formulation may provide extended shelf life and minimizes reliance on refrigerated chain supply |
| Rapidly Deployable | <ul style="list-style-type: none"> - Easy or self-administration – no health care professionals required |

| | |
|-------------------------------------|---|
| Disposable / No Reuse/Contamination | - Single use for no cross contamination - Easier to dispose - All of the drug is consumed; no disposal abuse |
| Pharmaceutical Companies | |
| Higher Efficacy | - Targeted intradermal delivery of vaccines may lead to higher immune responses (more effective vaccines), dose sparing, and potentially new vaccines |
| Improved Safety/Less Side Affects | - No potential for needle reuse and cross contamination - No gastric tract related side affects - Less chance of accidental overdose with the single use design |
| Extend Patent Life | - New formulation and delivery route may extend drug patent life |
| Release Control | - Solid-state drug formulation has potential to be customized for rapid or prolonged release |
| Platform Design for Wide Use | - Potentially suitable for vaccines, high potency large molecule drugs and active ingredients |

Market Opportunities

We believe that the advantages of PyraDerm's design, targeted intradermal delivery, self-administration and controlled release, may have particular benefits for the delivery of vaccines, small dose high potency protein based therapeutics and non-pharmaceutical ingredients as summarized below.

Vaccines: Today most vaccines are delivered by painful intramuscular injection, even though below the top layer of the skin are cells whose function is to facilitate the body's protective immune response mechanism. PyraDerm is designed to deliver vaccines to the skin layer rich in such cells thereby potentially increasing efficacy over intramuscular injection. This targeted approach may have the potential to reduce the vaccine dose required for an effective immunization. In addition, new vaccines that currently do not meet efficacy requirements using an intramuscular injection may be viable using PyraDerm thus expanding market opportunities. Because our delivery system is designed for a possibility of self-administration, vaccines can be deployed rapidly to a large population in the event of a flu outbreak or a bioterrorism attack. We believe that the anticipated stability of our solid-state formulation will have benefits for the viability and utility of such vaccines.

The vaccine market is well established and is projected, by a leading research firm, to grow to \$18.2 billion. We believe that emerging vaccines, such as for pandemic flu, cancer and bioterrorism, will be driving most of the vaccine market growth over the next 10 years. Over 80 million doses of flu vaccine are administered in the United States on an annual basis.

Protein/Polypeptide Drugs: Protein and polypeptide therapeutics are among the most effective treatments available today for certain diseases. These large molecule pharmaceuticals can be a challenge to deliver orally because they are usually inactivated during digestion and therefore are typically administered parenterally. The need for professional administration of these therapies is one of the challenges limiting their acceptance and market growth. For the protein drugs that only require a small dosage, PyraDerm may offer the following potential advantages:

- painless self administration thereby avoiding the need for a hospital or doctors visit,
- simplified storage and extended product shelf life of large molecule drugs, and
- extension to the patent life of specific drugs through the adoption of a new transdermal formulation protecting pharmaceutical market share and product revenue.

There currently are more than 40 marketed peptide/protein based drugs for the treatment of diseases such as diabetes, osteoporosis, hepatitis and cancer. The total market for these therapies is expected to grow to \$90 billion in the foreseeable future.

Government Regulation

Drug delivery products require FDA approval for many of the applications discussed above before they can be sold in the United States. If these products are marketed abroad, they will also be subject to export requirements as well as to regulation by foreign governments. The FDA administers the Federal Food, Drug and Cosmetic Act, the FDCA, and has adopted regulations to administer the FDCA. These regulations include policies that: i) govern the introduction of new medical devices, drugs, and excipients; ii) require observing certain standards and practices in the manufacture and labeling of medical devices; and iii) require medical device and drug companies to maintain certain records and report related deaths, serious injuries and certain malfunctions to the FDA. The FDA approval process can last several years before a product can be marketed and sold. Because of these regulations we have retained experienced FDA consultants to support our research and development efforts.

Our Business Strategy

Upon completion of in vitro and in vivo evaluation of PyraDerm, if successful, we intend to pursue licensing/development and partnership agreements with pharmaceutical companies, government and world health organizations. We do not intend to enter clinical trials with PyraDerm due to the significant cost and time associated with the FDA approval process. Under a licensing/development agreement with a pharmaceutical company, we would provide rights to our intellectual property for specific applications in exchange for license fees, milestone payments and/or royalties tied to product sales. Under a partnership agreement, we would jointly invest in the product development and share on some basis the resulting revenues. We may also sell the rights to our technologies for specific applications.

Competition

As presented above, we believe that we are positioned to compete effectively in the drug delivery marketplace. However, our major competitors are substantially larger and have financial resources significantly greater than our own. Companies developing similar drug delivery technologies include 3M Company, Zosano Pharma, Becton Dickinson and Company and Corium International Incorporated.

Business Operations

Research and Development

During the year ended December 31, 2010, we spent approximately \$426,000 to support our Life Science Group. As of March 31, 2009 we closed down the operations of our Health Monitoring Product Group. During the year ended December 31, 2009, we spent approximately \$703,000 on research and development, or R&D, activities to support our Life Science Group and to a lesser extent our Health Monitoring Product Group. At March 31, 2009, we recorded a patent impairment charge of approximately \$17,000. These patent applications were related to our Health Monitoring Group which was closed down as of March 31, 2009. If we are able to secure additional financing to support our operations and repay our existing indebtedness, 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.

Intellectual Property

Our policy is to protect the technology important to the success of our business by filing and pursuing U.S. patent applications and, where appropriate, corresponding foreign patent applications. We continued with an exclusive license agreement with the Georgia Tech Research Corporation, which grants us exclusive rights to a patent application and know-how related to the design and manufacturing of microneedle-based drug delivery systems. Previously, we have filed patent applications related to our microneedle technology to protect rights for microneedle formulations with improved coating efficiency, methods and systems for precise dose control.

Marketing and Sales

If our products reach commercialization phase, we intend to add business development management to market our technology.

Manufacturing and Quality

Apogee is developing formulations and relevant analytical and manufacturing methods to produce and to apply drugs in a controlled manner to our micro-needle designs. We believe these methods are scalable and compatible with the pharmaceutical industry. Ultimately we intend to outsource large scale manufacturing on a partnership arrangement.

Environmental Laws and Regulations

We operate a formulation and analytical laboratory at our headquarters in Norwood, MA. This laboratory supports our Life Science Group and, as a result, we use materials, from time to time, that are potentially biologically hazardous. These materials are segregated and handled in accordance with specific procedures that minimize the potential exposure for our employees. Such materials are disposed of in accordance with specific accepted safety procedures. The costs of compliance with these procedures are not significant.

Scientific Advisory Board

Our Scientific Advisory Board is comprised of scientists who provide specific expertise on a consulting basis, except for Dr. Andrianov who is an employee of Apogee. The Scientific Advisory Board assists us on issues related to fundamental technologies, product development, potential applications and clinical testing. Its members, and their affiliations and area of expertise, include:

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| Name | Affiliation | Area of Expertise |
|-------------------------------|---|---|
| Alexander K. Andrianov, Ph.D. | Chairman of the Scientific Advisory Board, Apogee Technology, Inc. | Chemistry and Drug Delivery Formulation |
| R. Rox Anderson, M.D. * | Mass General Hospital Harvard Medical School Massachusetts Institute of Technology | Dermatology |
| Mark Prausnitz, Ph.D.* | Georgia Institute of Technology | Drug Delivery Technologies |
| Hans Wigzell, M.D., Ph.D.* | Royal Swedish Academy of Sciences Chief Scientific Advisor to the Swedish Government American Society for Immunology Finnish Society of Sciences and Letters Danish Academy of Sciences and Letters Academia Europea | Immunology |

* Although the contract agreements with these members have expired, certain members continue to confer with the Company on technical and scientific issues.

Employees

As of December 31, 2010, Apogee had 6 full time employees, including 2 in research and development and 4 in general and administration. This compares to 6 full-time and 2 part-time employees, including 4 in research and development and 4 in general and administration as of December 31, 2009. None of our employees are represented by a collective bargaining agreement, nor have we experienced work stoppages. It is our belief that relations with our employees are good.

Executive Officers of the Company

The following table sets forth certain information with respect to the executive officers of Apogee Technology as of December 31, 2010. All officers serve at the pleasure of the Board of Directors.

| Name | Age | Position |
|------------------|-----|--|
| Herbert M. Stein | 82 | President, Chief Executive Officer and Chairman of the Board |
| Paul J. Murphy | 63 | Chief Financial Officer and Vice President of Finance |

Mr. Herbert M. Stein has served as Apogee's Chief Executive Officer since January 2001. Mr. Stein has been a Director of the Company since 1996 and has been Chairman of the Board since January 2000. Mr. Stein was Chief Executive Officer of Organogenesis, Inc from 1987 through 1999 and was Chairman of the Board of Directors of Organogenesis from 1991 through 1999.

Mr. Paul J. Murphy joined Apogee in June 2005 in the role of Chief Financial Officer and Vice President of Finance, including the responsibilities of the Company's Principal Accounting Officer. Prior to joining Apogee, from June 2004 to June 2005, Mr. Murphy was an independent contractor with JH Cohn, LLP, an accounting firm, working on

engagements with public companies to design, assess and test controls for compliance with Section 404 of the Sarbanes-Oxley Act of 2002. From March 2002 until June 2004, Mr. Murphy worked as a self-employed consultant for companies on short-term projects of the type ordinarily undertaken by a Chief Financial Officer. From February 1999 through January 2002, Mr. Murphy was the Senior Vice President, Chief Financial Officer and Treasurer of Artel Video Systems, Inc., a video networking technology-company. Previous to 1999, Mr. Murphy worked as a Chief Financial Officer with four companies, three of which were publicly traded issuers.

Item 1A.

RISKS RELATED TO OUR BUSINESS

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

As of December 31, 2010, we had approximately \$20,000 cash, a stockholders' deficiency of approximately \$6.8 million, an accumulated deficit of approximately \$26.7 million and a working capital deficit of approximately \$7.0 million. We had a net loss of approximately \$1.6 million for the fiscal year ended December 31, 2010, compared to a net loss of \$2.2 million for the fiscal year ended December 31, 2009.

We have substantial debt and interest obligations and expect to incur additional debt to the extent available, to maintain our operations. As of December 31, 2010, subsequent to the conversion of \$615,000 of promissory notes into 615,000 shares of Apogee Common Stock at \$1.00 per share, we had approximately \$3.3 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 primarily with professional service providers. In addition, we are currently in arrears with loan, interest payments and a majority of our vendors.

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 throughout this risk factor section, including our ability to develop and generate revenues from the sales of our medical device products, which are at a very early stage of development. We cannot assure when, if ever, we will generate meaningful revenues from the sales of these products under development. If we are unable to generate revenue or obtain financing, our share price will likely decline and we may be forced to liquidate.

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 three years, 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 Apogee. 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.

FAILURE TO COMPLY WITH LAWS AND GOVERNMENT REGULATIONS COULD ADVERSELY AFFECT OUR ABILITY TO OPERATE OUR BUSINESS.

Some of our activities are regulated by federal and state statutes and government agencies. The expected manufacturing, processing, formulation, packaging, labeling, distribution and advertising of our products, and disposal of waste products arising from these activities, maybe subject to regulation by one or more federal agencies, including the US Food and Drug Administration, or the FDA, the Drug Enforcement Agency, which we refer to as the, DEA, the Federal Trade Commission, the Consumer Product Safety Commission, the U.S. Department of Agriculture, the Occupational Safety and Health Administration, and the Environmental Protection Agency, or the EPA, as well as by foreign governments and their in country agencies where we distribute some of our products.

Noncompliance with applicable FDA policies or requirements could subject us to enforcement actions, such as suspensions of manufacturing or distribution, seizure of products, product recalls, fines, criminal penalties, injunctions, failure to approve pending drug product applications or withdrawal of product marketing approvals, if previously received. Similar civil or criminal penalties could be imposed by other government agencies, such as the DEA, the EPA or various agencies of states and localities. These enforcement actions, if they were to occur, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The FDA has the authority and discretion to withdraw approvals and review the regulatory status of marketed products at any time. For example, the FDA may require an approved marketing application for any drug product marketed if new information reveals questions about a drug's safety or efficacy. All drugs must be manufactured in conformity with current Good Manufacturing Practices and drug products subject to an approved application must be manufactured, processed, packaged, held and labeled in accordance with information contained in the approved application.

WE MAY NOT BE ABLE TO LICENSE OUR TECHNOLOGY OR OBTAIN DEVELOPMENT PARTNERS, IN WHICH CASE WE WILL BE SIGNIFICANTLY LIMITED IN OUR ABILITY TO GENERATE REVENUE FROM OUR DRUG DELIVERY TECHNOLOGIES

In order to potentially commercialize our drug delivery technologies, we intend to pursue licensing, development and partnership agreements with pharmaceutical and medical device companies, as the cost to develop and obtain regulatory approval for drug delivery products is high and there may be a need to get access or license additional technology components, such as vaccine antigens, adjuvants, or drugs. If we are unable to complete agreements with potential partners or we are unable to raise sufficient funds to commercialize our products, ourselves we may not be able to receive a return on our investment in our drug delivery technologies.

WE MAY NOT BE ABLE TO LICENSE THE INTELLECTUAL PROPERTY OF OTHER ENTITIES

In order to enhance the impact of our products in the market place, it will be necessary to incorporate the Intellectual property of other firms. We may not be able to obtain this technology on reasonable economic terms and thus our product offerings would be adversely affected.

IF WE ARE UNABLE TO HIRE OR RETAIN KEY PERSONNEL, WE MAY NOT BE ABLE TO OPERATE OUR BUSINESS SUCCESSFULLY.

We may not be successful in recruiting and retaining executive officers and other key management and technical personnel. Because competition for highly skilled technical personnel is so intense, companies in Apogee's industry are subject from time to time to complaints brought by competitors alleging interference with contractual relations or wrongful hiring of employees. Such lawsuits may be costly, may divert management attention and resources from the operation of our business, and may therefore adversely affect our financial condition and results of operations. In addition, the loss of the management and technical expertise of our senior management could seriously harm us. Our employees may also be recruited away from us by our competitors. We do not have in place employment contracts for members of our senior management, including the Chief Financial Officer and our Vice President of Research and Development. We do not have key man insurance.

WE DO NOT HAVE MANUFACTURING CAPABILITIES, AND AS A RESULT, WE WILL RELY ON OUTSIDE MANUFACTURERS TO PRODUCE OUR PRODUCTS.

We have no manufacturing capabilities to produce our potential products. Accordingly, we utilize outside manufacturers, assembly and in some cases test companies to produce and qualify our potential products. There are significant risks associated with our reliance on these manufacturers that can adversely affect our business, operating results and financial condition. These risks include:

the ability to maintain manufacturing relationships, the failure of which could result in significant delays in product introduction due to the time necessary to establish new relationships;

delays in production or shortages in product delivery as a result of production problems at outside contractors;

the loss of manufacturing priority that may limit our ability to obtain products on schedule;

limited control over product quality that could result in product returns and the loss of customers;

inability to control manufacturing yield that could increase production costs, thereby reducing sales potential and operating margins; and

lack of access or control over new process and manufacturing technologies to maintain product competitiveness in the market.

OUR MARKETS ARE SUBJECT TO RAPID TECHNOLOGICAL CHANGE; THEREFORE, OUR SUCCESS DEPENDS ON OUR ABILITY TO INTRODUCE NEW PRODUCTS IN A TIMELY FASHION.

The life cycle of the technology and any future products developed by us may be limited by the emergence of new products and technologies, changes in customer preferences and other factors. Our future performance will depend on our ability to consistently:

identify emerging technological trends in our market;

identify changing customer requirements;

develop or maintain competitive technology, including new product offerings;

improve the performance, features and reliability of our products, particularly in response to technological change and competitive offerings;

bring technology to market quickly at cost-effective prices; and

protect our intellectual property.

We may not succeed in developing and marketing new products that respond to technological and competitive developments and changing customer needs, and such products may not gain market acceptance or be incorporated into the technology or products of third parties. Any significant delay or failure to develop new enhanced technologies, including new product offerings, and any failure of the marketplace to accept any new technology and product offerings would have a material adverse effect on our business, financial condition and results of operations.

WE MAY NOT BE ABLE TO OBTAIN FDA OR FOREIGN REGULATORY APPROVAL FOR OUR PRODUCTS IN A TIMELY MANNER, OR AT ALL, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR ABILITY TO SELL AND MARKET OUR MEDICAL DEVICE PRODUCTS.

Drug delivery systems that we may develop in the future cannot be sold in the United States until the FDA approves such products for medical use. Similar foreign regulatory approvals will be needed in order to sell any drug delivery system outside of the U.S. We may not or any of our potential partners may not be able to obtain FDA or foreign regulatory approval for products incorporating our technologies, in a timely manner, or at all. Delays in obtaining FDA or foreign approvals could result in substantial additional costs to us, and, therefore, could adversely affect our ability to compete with other drug delivery companies. If we do not obtain such approvals at all, our revenues may be insufficient to support continuing operations.

OUR ABILITY TO GENERATE REVENUE WILL BE HARMED IF WE ARE UNABLE TO MARKET OUR PRODUCTS.

We face challenges in persuading manufacturers and customers to adopt our products based upon new technologies. In order to adopt our products, customers and their development staff must understand and accept our new technology. In addition, our products may be more expensive or difficult to use for some applications than products based on traditional technologies. For these reasons, prospective customers may be reluctant to adopt our products.

COMPETITION IN THE MEDICAL DEVICE INDUSTRY COULD PREVENT US FROM ACHIEVING PROFITABILITY.

The medical device industry is highly competitive, and we expect the intensity of the competition to increase. Our competitors have greater financial, technical, research, marketing, sales, distribution, service and other resources than we do. Moreover, our competitors may offer broader product lines and have greater name recognition than we do, and may offer discounts as a competitive tactic, forcing intense pricing pressure on our potential products. In addition, several development-stage companies are currently creating or developing technologies and products that compete with or are being designed to compete with our technologies and products. Our competitors may develop or market technologies or products that are more effective or more commercially attractive than our current products candidates or future products, or that may render our technologies or products less competitive or obsolete. Accordingly, if competitors introduce superior technologies or products and we cannot make enhancements to our technologies and products necessary for them to remain competitive, our competitive position, and in turn, our business, revenues and financial condition, will be seriously harmed.

OUR COMPLIANCE WITH THE SARBANES-OXLEY ACT AND SEC RULES CONCERNING INTERNAL CONTROLS MAY BE TIME-CONSUMING, DIFFICULT AND COSTLY FOR US.

We expect that it will be time-consuming and costly for us to maintain the internal controls and reporting procedures required by the Sarbanes-Oxley Act. We may need to hire additional financial reporting, internal controls and other finance staff in order to develop and implement appropriate internal controls and reporting procedures. If we are unable to comply with the internal controls requirements of the Sarbanes-Oxley Act, we may not be able to obtain the independent accountant certifications that the Sarbanes-Oxley Act requires publicly-traded companies to obtain if applicable.

RISKS RELATED TO OUR INTELLECTUAL PROPERTY

OUR INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS MAY BE INSUFFICIENT TO PROTECT OUR COMPETITIVE POSITION.

Our business depends, in part, on our ability to protect our intellectual property. We rely primarily on patent, copyright, trademark and trade secret laws to protect our proprietary technologies. We cannot be sure that such measures will provide meaningful protection for our proprietary technologies and processes. We cannot be sure that any existing or future patents will not be challenged, invalidated or circumvented, or that any rights granted thereunder would provide us meaningful protection. The failure of any patents to provide protection to our technology would make it easier for our competitors to offer similar products.

We also generally enter into confidentiality agreements with our employees and strategic partners, and generally control access to and distribution of our documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our products or technology without authorization, develop similar technology independently or design around our patents. In addition, effective copyright, trademark and trade secret protection may be unavailable or limited in certain foreign countries in which we operate.

WE MAY BE SUBJECT TO INTELLECTUAL PROPERTY RIGHTS DISPUTES, WHICH THAT COULD DIVERT MANAGEMENT'S ATTENTION AND COULD BE COSTLY.

The medical device industry is characterized by vigorous protection and pursuit of intellectual property rights. From time to time, we may receive notices of claims of infringement, misappropriation or misuse of other parties' proprietary rights. We cannot be sure that we will prevail in these actions, or that other actions alleging infringement by us of third-party patents, misappropriation or misuse by us of third-party trade secrets or the invalidity of one or more patents held by us will not be asserted or prosecuted against us, or that any assertions of infringement, misappropriation or misuse or prosecutions seeking to establish the invalidity of our patents will not seriously harm our business. For example, in a patent or trade secret action, an injunction could be issued against us requiring that we withdraw particular future products from the market or necessitating that specific products offered for sale or under development be redesigned.

Irrespective of the validity or successful assertion of various claims of infringement, misappropriation or misuse of other parties' proprietary rights, we would likely incur significant costs and diversion of our management and personnel resources with respect to the defense of such claims, which could seriously harm our business. If any claims or actions are asserted against us, we may seek to obtain a license under a third party's intellectual property rights. We cannot be sure that under such circumstances a license would be available on commercially reasonable terms, if at all. Moreover, we often incorporate the intellectual property of our strategic customers into our designs,

and we have certain obligations with respect to the non-use and non- disclosure of such intellectual property. We cannot be sure that the steps taken by us to prevent our or our customers' misappropriation or infringement of the intellectual property will be successful.

RISKS RELATED TO OUR COMMON STOCK

AS WE ARE NO LONGER TRADED ON AN EXCHANGE, BLUE-SKY LAWS MAY LIMIT RESALES AND TRADING OF OUR COMMON STOCK, WHICH COULD REDUCE LIQUIDITY AND YOUR ABILITY TO SELL OUR COMMON STOCK.

Under the National Securities Markets Improvement Act of 1996, the resale of our common stock may be exempt from state registration requirements as a result of the exemption provided for ordinary brokerage transactions where the parties have not been solicited by the broker-dealer or in some circumstances because we will file periodic and annual reports under the Securities Exchange Act of 1934, as amended. However, states are permitted to require notice filings and collect fees with regard to these transactions and a state may suspend the offer and sale of common stock within such state if any such required filing is not made or fee is not paid. As of the date of this Annual Report, we are not current with our filings therefore we are not entitled to exemptions for Blue Sky laws. As of the date of the Annual Report, we have sought no exemptions.

WE MAY BE SUBJECT TO “PENNY STOCK” RULES AND THESE REGULATIONS MAY LIMIT THE LIQUIDITY OF OUR COMMON STOCK.

Our common stock was listed on the AMEX until December 2007. On January 23, 2008, we announced that our shares were being quoted on the Over-the-Counter Bulletin Board® or OTC Bulletin Board, under the symbol “ATCS.OB”. Since May 2009, our stock was listed on the Pink Sheets, LLC under the symbol “ATCS.PK. As a result of an “Order of Suspension of Trading” from the SEC, our common stock was suspended from trading from April 16, 2010 through April 29, 2010. Effective as of August 27, 2010 the SEC terminated its administrative proceedings. On December 8, 2010 our application to regain trading status on the OTC Bulletin Board was submitted to the Financial Industry Regulatory Authority (“FINRA”). Subsequently, on January 21, 2011 we received notification from FINRA that our Common Stock was clear to enter quotations on the OTC Bulletin Board and OTC Link. We resumed trading on the OTC Bulletin Board under the symbol “ATCS.OB.

The SEC has promulgated rules governing over-the-counter trading in penny stocks, defined generally as securities trading below \$5 per share that are not quoted on a securities exchange or which do not meet other substantive criteria. Under these rules, our common stock is currently classified as a penny stock. As a penny stock, our common stock is currently subject to rules promulgated by the SEC that impose additional sales practice requirements on broker-dealers that might sell such securities to persons other than established customers and institutional accredited investors. For transactions covered by the rule, the broker-dealer must make a special suitability determination for the purchaser and receive the purchaser’s written consent to the transaction prior to sale. Further, if the price of the stock is below \$5 per share and the issuer does not have \$2.0 million or more net tangible assets or is not listed on a registered national securities exchange, sales of such stock in the secondary trading market are subject to certain additional rules promulgated by the SEC. These rules generally require, among other things, that brokers engaged in secondary trading of penny stocks provide customers with written disclosure documents, monthly statements of the market value of penny stocks, disclosure of the bid and asked prices, and disclosure of the compensation to the broker-dealer and the salesperson working for the broker-dealer in connection with the transaction. If a trading market for our common stock develops, these rules and regulations may affect the ability of broker-dealers to sell our common stock, thereby effectively limiting the liquidity of our common stock. These rules may also adversely affect the ability of persons that acquire our common stock to resell their securities in any trading market that may exist at the time of such intended sale.

ISSUANCE OF PREFERRED STOCK COULD MATERIALLY ADVERSELY AFFECT HOLDERS OF COMMON STOCK AND ANY EXPANSION OR SALES OPPORTUNITIES.

We may be required to issue a series of preferred stock for continued funding of operations. The issuance of any preferred stock could materially adversely affect the rights of the holders of shares of our common stock and, therefore, could reduce the value of the common stock. In addition, specific rights granted to holders of preferred stock could be used to restrict our ability to merge with, or sell our assets to, a third party. The ability of the Board of Directors to issue preferred stock could have the effect of rendering more difficult, delaying, discouraging, preventing, or rendering more costly an acquisition of us or a change in control of us, hereby preserving our control by the current stockholders.

FACTORS UNRELATED TO OUR BUSINESS COULD NEGATIVELY IMPACT THE MARKET PRICE OF OUR COMMON STOCK.

The stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. We expect that the market price of our common stock will fluctuate. These fluctuations may be exaggerated if the trading volume of our common stock is low. In addition, due to the technology-intensive nature of our business, the market price for our common stock may rise and fall in response to various factors, including:

announcements of technological innovations or new products, or competitive developments;

investor perceptions and expectations regarding our or our competitors' products; and

acquisitions or strategic alliances by us or our competitors.

In addition, market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our Common stock.

NEITHER OUR DISCLOSURE CONTROLS AND PROCEDURES NOR OUR INTERNAL CONTROLS OVER FINANCIAL REPORTING CAN PREVENT ALL ERRORS OR FRAUD.

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting could prevent all errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be attained. Furthermore, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of controls can provide absolute assurance that all misstatements due to error or fraud, if any, may occur and not be detected on a timely basis. These inherent limitations include the possibility that judgments in decision-making can be faulty and that breakdowns can occur because of errors or mistakes. Our controls and procedures can also be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls.

The design of any system of controls is based in part on certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Furthermore, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

While we seek to design our controls and procedures to provide reasonable assurance that information required to be disclosed in our periodic filings is timely disclosed, these inherent limitations expose us to breakdowns in such controls and procedures.

Item 2. DESCRIPTION OF PROPERTIES.

Apogee rents approximately 5,000 square feet of office space at 129 Morgan Drive, Norwood, Massachusetts from an entity controlled by a major stockholder. See Note 9 to the consolidated financial statements beginning on page F-1 of this Annual Report on Form 10K. The lease for this office space expired on December 31, 2005. Currently, Apogee is renting this facility on a month-to-month basis and believes that this rent is at or below market rate. Rent has been accrued and remains unpaid since September 2008.

Item 3. 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.

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 10 to the consolidated financial statements beginning on page F-1 of this Annual Report on Form 10K.

Due to its financial condition, the Company had been unable to fund payments to its auditors as well as its financial printer. 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 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 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 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.

On August 27, 2010 we received Release No. 62786, informing us that the administrative proceeding were terminated and that final judgment be entered without the imposition of a remedy pursuant to Section 12(j) of the Securities Exchange Act of 1934.

On December 8, 2010 our application to regain trading status on the OTC Bulletin Board was submitted to the Financial Industry Regulatory Authority (“FINRA”). Subsequently, on January 21, 2011 we received notification from FINRA that our Common Stock was clear to enter quotations on the OTC Bulletin Board and OTC Link.

We received a letter dated January 21, 2011 from the SEC informing us that one of our investors, Mr. Max Scheuerer had filed a complaint alleging that the \$126,000 investment he made on October 13, 2010 had been classified as a loan but it was his understanding that it was for the purchase of stock. He further stated that Apogee had refused to return the \$126,000 investment and that we did not provide him any documentation evidencing the transaction. On February 9, 2011 we responded to the SEC providing a detailed memorandum including a chronology of events and documentation supporting our claim that we did not misrepresent Mr. Scheuerer’s investment. We further offered to rectify the situation by converting his investment to common stock. See Note 18 to the consolidated financial statements beginning on page F-1 of this Annual Report on Form 10K.

Item 4. (REMOVED AND RESERVED)

PART II

Item MARKET FOR REGISTRANTS COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND
5. ISSUER PURCHASES OF EQUITY SECURITIES.

Market
Information

After exhausting the appeals process with the American Stock Exchange, or AMEX, and pursuant to the final hearing with the Listings Qualifications Panel of the American Stock Exchange, we were notified on January 30, 2008 that the Listings Qualification Panel upheld their decision to cease the continued listing of our stock. We immediately began the transitioning process to the OTC Bulletin Board® and/or the Pink Sheets© LLC until April 2010.

For a short period of time following the delisting, we were traded solely on the Pink Sheets, however, on January 23, 2008, we announced that our shares were being quoted on the Over-the-Counter Bulletin Board® or OTCBBS, under the symbol “ATCS.OB”. Our stock was listed on the Pink Sheets, LLC under the symbol “ATCS.PK from May 2009 until April 2010. As a result of an “Order of Suspension of Trading” from the SEC, our common stock was suspended from trading from April 16, 2010 through April 29, 2010. Apogee had extremely limited trading in the over the counter market and was deemed a "Grey Market" security. On December 8, 2010 our application to regain trading status on the OTC Bulletin Board was submitted to the Financial Industry Regulatory Authority (“FINRA”). Subsequently, on January 21, 2011 we received notification from FINRA that our Common Stock was clear to enter quotations on the OTC Bulletin Board and OTC Link. See Note 18 to the consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

The following table sets forth, for the periods indicated, the high and low sales prices for the Common stock as reported by the Pink Sheets from January 1, 2009 to December 31, 2010.

| | Common stock | |
|-------|--------------|-----|
| | High | Low |
| 2010: | | |

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| | | |
|----------------|------|------|
| First Quarter | 1.15 | 0.56 |
| Second Quarter | 0.90 | 0.15 |
| Third Quarter | 0.85 | 0.30 |
| Fourth Quarter | 0.90 | 0.30 |
| 2009: | | |
| First Quarter | 0.90 | 0.28 |
| Second Quarter | 1.01 | 0.51 |
| Third Quarter | 1.01 | 0.55 |
| Fourth Quarter | 0.79 | 0.38 |

On December 31, 2010 the last sales price of our common stock was \$0.39 per share.

Penny Stock Regulations

Our stock is presently regulated as a penny stock and broker-dealers will be subject to such regulations that impose additional requirements on us and on broker-dealers that want to publish quotations or make a market in our common stock.

Holders

As of March 17, 2011, there were approximately 71 registered holders of record of Apogee's common stock. This number does not include "street name" or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Recent Sales of Unregistered Equity Securities

During the fiscal year ended December 31, 2010, our unregistered sales of equity securities were reported on Current Reports on Form 8-K. See Note 8 to the consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

Default Upon Securities

As of December 31, 2010, subsequent to the conversion of promissory notes by Mr. Robert Schacter et al and Mr. Friedrich Reiner, \$2,886,628 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 Accruing Post Maturity Interest 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 |

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| | | |
|-------------------|--------------------|-------------|
| 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 |
| January 25, 2010 | July 24, 2010 | 4,665 |
| April 16, 2010 | October 13, 2010 | 16,000 |
| June 4, 2010 | December 1, 2010 | 14,000 |
| Total | | \$1,246,665 |

Herbert M. Stein

| Date of Promissory Note | Maturity Date | Amount Accruing Post Maturity Interest 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 |
| January 25, 2010 | July 24, 2010 | 79,000 |
| February 22, 2010 | August 21, 2010 | 66,000 |
| April 16, 2010 | October 13, 2010 | 86,500 |
| June 4, 2010 | December 1, 2010 | 116,000 |
| Total | | \$1,389,400 |

Others

| Date of Promissory Note | Maturity Date | Amount Accruing Post Maturity Interest 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 |

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| | | |
|-------------------|-------------------|-----------|
| 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 |
| June 10, 2010* | December 1, 2010 | 20,000 |
| Total | | \$250,563 |

* Post maturity interest at 16% for JAZFund LLC

Dividends

During the last five years, we did not declare any dividends on our common stock. It is the present intention of our board of directors to not pay any dividends and retain any earnings to provide funds for the operation and expansion of our business. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our results of operations, financial conditions, contractual and legal restrictions and other factors the board of directors deems relevant.

Item 6. SELECTED CONSOLIDATED FINANCIAL DATA.

The following selected financial data should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements, including the related notes, found elsewhere in this Form 10-K. The tables that follow present selected historical financial data for the years ended December 31, 2010 and 2009 and for the period from October 1, 2008, the date Apogee re-entered development stage, through December 31, 2010.

| | For the Twelve-Month Period Ended December 31, | | Cumulative from Re-entering Development Stage on October 1, 2008 to December 31, 2010 |
|------------------------------------|--|----------------|--|
| | 2010 | 2009 | |
| Statement of Operations Data: | | | |
| Revenue | \$ 65,000 | \$ -0- | \$ 65,000 |
| Costs and expenses | (1,461,522) | (1,814,849) | (4,194,052) |
| Other Income (expenses) | (216,709) | (384,502) | (672,905) |
| Net Loss | \$ (1,613,231) | \$ (2,199,351) | \$ (4,801,957) |
| Shares Outstanding | 13,178,454 | 12,132,332 | 13,178,454 |
| Total Assets | \$ 243,360 | \$ 170,010 | |
| Stockholders' deficiency | \$ (6,785,410) | \$ (5,985,324) | |
| Loss per share (basic and diluted) | \$ (0.13) | \$ (0.18) | |

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

THE FOLLOWING DISCUSSION AND ANALYSIS OF APOGEE'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS SHOULD BE READ IN CONJUNCTION WITH OUR FINANCIAL STATEMENTS AND RELATED NOTES INCLUDED ELSEWHERE IN THIS ANNUAL REPORT ON FORM 10-K. THIS DISCUSSION CONTAINS, IN ADDITION TO HISTORICAL STATEMENTS, FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNDERTAINTIES. 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 FACTORS DISCUSSED ABOVE IN THE SECTION ENTITLED "RISK FACTORS" AS WELL AS OTHER FACTORS IN THIS ANNUAL REPORT ON FORM 10-K.

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 formulations, manufacturing methods and to define regulatory strategies to support its commercialization. Upon 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.

Our sole focus remains on securing additional financing to support for the development of our Life Science Group, to support our operations and repay our existing indebtedness.

At December 31, 2010, we had an accumulated deficit of approximately \$26.7 million, as compared to a deficit of \$25.1 million as of December 31, 2009. Since re-entering development stage on October 1, 2008, we have an accumulated deficit of approximately \$4.8 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 December 31, 2010, we have received approximately \$4.0 million in loans and stock sales. Since December 31, 2010, we have received approximately \$156,000 in funding, which has been inadequate to meet the current needs of the Company resulting in non-payment of loan principal and interest and vendors. See Note 18 to the consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

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.

Revenue Recognition

Consulting and licensing revenue is recognized as services are performed.

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. Royalty revenue from our prior (DDX) products closed as of January 1, 2006.

Royalty revenue is recorded when earned in accordance with the underlying agreements.

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 twelve months ended December 31, 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 approximately \$61,000 for the fiscal year ended December 31, 2010, compared to approximately \$35,000 for the fiscal year ended December 31 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. Significantly lower legal fees were incurred during the fiscal year ended December 31, 2010, compared to 2009 with the settlement of the current and prior SEC investigations 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.

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 to the

consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

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

Results of Operations

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Revenue

Consulting and licensing revenue is recognized as services are performed. During the twelve months ended December 31, 2010, we recognized \$65,000 in consulting revenue as a result of achieving certain research milestones in the framework of our collaboration with Children's Hospital Corporation ("CHB"). We did not recognize any revenue during the twelve months ended December 31, 2009.

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.

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 were approximately \$426,000 for the twelve months ended December 31, 2010, compared to approximately \$703,000 for the twelve months ended December 31, 2009. This decrease of approximately \$277,000, or 39% was the result of a reduction in expenses for our Life Science Group as well as the discontinuation of activities related to both our Health Monitoring Group.

During the twelve months ended December 31, 2010, the cost of utilization of third-party consultants decreased by approximately \$16,000, or 88%, to approximately \$2,000, compared to approximately \$18,000 for the twelve months ended December 31, 2009. This decrease was the result of our discontinuing activities on our Health Monitoring Group as well as decreased utilization of third-party consultants related to our Life Science Group.

For the twelve months ended December 31, 2010, human resource costs decreased by approximately \$221,000, or 39%, to approximately \$340,000, compared to approximately \$561,000 for the twelve months ended December 31, 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 patent impairment charges were warranted for the twelve months ended December 31, 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.

For the twelve months ended December 31, 2010, depreciation and amortization expense decreased by approximately \$44,000, or 72%, to approximately \$17,000, compared to approximately \$62,000 for the twelve months ended December 31, 2009. Leasehold improvements were fully amortized as of December 31, 2009 resulting in a decrease of approximately \$32,000 for the fiscal year ended December 31, 2010. Until such time as funding is available for the purchase of capital equipment, depreciation will continue to decrease.

For the twelve months ended December 31, 2010, we maintained a minimal level of R&D and patent 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 \$1.0 million for the twelve months ended December 31, 2010, compared to approximately \$1.1 million for the twelve months ended December, 31, 2009. The decrease of approximately \$100,000, or 7%, 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). During 2009 we continued to incur legal expenses in connection with the indemnification of our President, Chief Executive Officer and Chairman of the Board of Directors as described below.

For the twelve months ended December 31, 2010 human resource costs increased by approximately \$32,000, or 5%, to approximately \$638,000, compared to approximately \$606,000 for the twelve months ended December 31 2009. With the return to full-time status of our employees, salaries, payroll taxes and employee benefits increased by approximately \$117,000 or 21% for the twelve ended December 31, 2010, to approximately \$680,000, compared to approximately \$562,000 for the twelve months ended December 31, 2009. This increase was partially offset by decreases in the stock compensation expenses as a result of “true-up” adjustments during the fiscal year ended December 31, 2010. For the twelve months ended December 31, 2010 stock compensation expense was approximately \$16,000, compared to approximately \$44,000 for the twelve months ended December 31, 2009. In addition for the twelve months ended December 31, 2010 we recorded “true-up” adjustments to the stock compensation expense of approximately (\$58,000). This “true-up” reduction in this expense 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 \$447,000 and \$134,000, respectively, through December 31, 2010.

Professional expenses decreased by approximately \$123,000, or 38%, to approximately \$203,000 for the twelve months ended December 31, 2010, compared to approximately \$326,000 for the twelve months ended December 31, 2009. For the twelve months ended December 31, 2010, legal expenses decreased by \$141,000, or 57%, to approximately \$105,000, compared to approximately \$246,000 for the twelve months ended December 31, 2009. Legal fees decreased as a result of the settlement of the current SEC situation, as well as, the settlement of the prior SEC investigation and the settlement of the civil action by Joseph Shamy (as described below). See Note 10 to the consolidated financial statements beginning on page F1 of this Annual Report on Form 10K. In light of the settlement we do not anticipate any additional significant legal fees associated with this matter.

Legal fees decreased primarily as a result of the settlement of the SEC investigation as well as a decrease in legal fees associated with the continued indemnification of our President, Chief Executive Officer and Chairman of the Board of Directors in connection with the Shamy matter detailed below.

An investigation by the SEC settled on May 19, 2009, which Apogee first became aware of in May 2005, was ongoing through early 2009. The subject matter of this investigation was Apogee's prior revenue recognition practices that were addressed in Apogee's restatement of our 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, 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 considered recommending that the Commission bring enforcement actions against Apogee 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 us indicated that in any action actually brought against Apogee, 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 10 to the consolidated financial statements beginning on page F1 of this Annual Report on Form 10K.

We had agreed to indemnify certain employees, directors and a former employee in connection with the SEC investigation. As of December 31, 2010, we have incurred approximately \$554,000 to date in legal expenses to

indemnify these individuals in association with this matter. During the twelve months ended December 31, 2010 we did not incur any legal fees associated with this indemnification. During the twelve months ended December 31, 2009 we incurred approximately \$2,000 in legal fees associated with this indemnification. 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 December 31, 2010, we have incurred approximately \$914,000 toward this indemnification. For the twelve months ended December 31, 2010, we have incurred approximately \$3,000, toward this indemnification, compared to approximately \$122,000 for the twelve months ended December 31, 2009. In light of the settlement we do not anticipate any additional legal fees associated with this matter. See Note 10 to the consolidated financial statements beginning on page F1 of this Annual Report on Form 10K.

On October 28, 2009, Apogee received a “Wells Notice” from the staff of the Commission related to our failure to timely file our reports under the Exchange Act in 2009. See Note 10 to the consolidated financial statements beginning on page F1 of this Annual Report on Form 10K.

As noted elsewhere, Apogee, on December 18, 2009, filed our 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 Apogee’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. We were also delinquent on our Form 10-K for the Year ended December 31, 2009. An Order of Suspension of trading in our securities was enacted at that time. We also did not file our Form 10-Q for the quarters ended March 31, 2010 and June 30, 2010.

In June 2010 the SEC and Apogee entered into a Settlement agreement without the above mentioned Hearing, under which we 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 our securities to trade on an exchange. On August 18, 2010 we filed Amendment No.1 to our Form 10-K for the fiscal year ended 2008, Amendment No.1 to our Form 10-Qs for the first, second and third quarters of 2009 as well as our Form 10-K and Form 10-Q for the fiscal year ended December 31, 2009 and the quarters ended March 31, 2010 and June 30, 2010, respectively.

On August 27, 2010 we received Release No. 62786, informing us that the administrative proceeding were terminated and that final judgment be entered without the imposition of a remedy pursuant to Section 12(j) of the Securities Exchange Act of 1934.

On December 8, 2010 our application to regain trading status on the OTC Bulletin Board was submitted to the Financial Industry Regulatory Authority (“FINRA”). Subsequently, on January 21, 2011 we received notification from FINRA that our Common Stock was clear to enter quotations on the OTC Bulletin Board and OTC Link.

This decrease in professional fees was partially offset by an increase in accounting fees of approximately \$14,000, or 61% to approximately \$38,000 for the twelve months ended December 31, 2010, compared to approximately \$24,000 for the 12 months ended December 31, 2009. This increase was attributed to increased activity due to the amended filings processed in 2010.

Investor relations expense decreased by approximately \$4,000, or 27%, to approximately \$11,000 for the twelve months ended December 31, 2010, compared to approximately \$15,000 for the twelve months ended December 31, 2009. As part of our cost reduction, we have been forced to limit our investor relations activities. If additional funding is secured, we will be in a position to resume focusing on increasing awareness of our scientific and corporate developments. During the twelve months ended December 31 2010, we incurred approximately \$8,000 in Sarbanes Oxley consulting expense as a result of testing our internal controls as part of our continued efforts to remain compliant with the Sarbanes-Oxley requirements.

Travel and Entertainment costs increased by approximately \$7,000, to approximately \$8,000 for the twelve months ended December 31, 2010, compared to approximately \$1,000 for the twelve months ended December 31, 2009. Utilities increased by approximately \$11,000, or 47%, to approximately \$35,000 for the twelve months ended December 31, 2010, compared to approximately \$24,000 for the twelve months ended December 31, 2009. These increases were partially offset by a decreased in our corporate insurance of approximately \$28,000, or 96%, to approximately \$1,000 for the twelve months ended December 31, 2010, compared to approximately \$29,000 for the twelve months ended December 31, 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 expenses related to our financing activities. During the twelve months ended December 31, 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 and Mr. Friedrich Reiner's promissory notes into Apogee common stock at \$1.00 per share, we recorded a "gain on extinguishment of debt" of approximately \$342,000, respectively, for the twelve months ended December 31, 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.

During the twelve months ended December 31, 2010 and 2009, we recorded miscellaneous income of approximately \$2,000 and \$2,100, respectively.

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 \$498,000 for the twelve months ended December 31, 2010, compared to approximately \$385,000 for the twelve months ended December 31, 2009. See below for a detail of these expenses.

| Name on Promissory Note | 12 Months ended December 31, | |
|-------------------------|------------------------------|------------|
| | 2010 | 2009 |
| David Spiegel | \$ 180,933 | \$ 142,963 |
| Herbert Stein | 196,775 | 116,636 |
| Robert Schacter et al | 45,933 | 103,750 |
| Others | 74,693 | 22,266 |
| | \$ 498,334 | \$ 385,615 |

Net Loss

Apogee's net loss for the twelve months ended December 31, 2010 was approximately \$1.6 million, or \$0.13 per basic and diluted common share, compared to a net loss of approximately \$2.2 million, or \$0.18 per basic and diluted common share, for the twelve months ended December 31, 2009. This decrease in our net loss was the result of a decrease in legal fees as well as an overall decrease in operating expenditures due to our current cash restraints.

Income Taxes

Apogee incurred no State income taxes for the 12 months ended December 31, 2010 and 2009. There was no Federal income tax expense for either 2010 or 2009. As of December 31, 2010 and 2009, we had available a Federal net operating loss carryforward of approximately \$22 million and \$21 million, respectively and a State net operating loss carryforward of approximately \$15 million and \$14 million, respectively. These net operating loss carryforwards will expire at various times between 2017 and 2030 for the Federal and State net operating loss carryforward.

Apogee has not had a tax audit and the years 2007 through 2010 could be subject to an audit.

Significant changes in ownership, future changes in laws and regulations and the alternative minimum tax may significantly restrict the use of these carryforwards.

Liquidity and Capital Resources

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The tables below summarize our outstanding unsecured interest-bearing promissory notes (including amounts subsequent to December 31, 2010) totaling approximately \$3.4 million:

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% | 12.00% |
| April 16, 2010 | 86,500 | October 13, 2010 | 8.00% | 12.00% |
| June 4, 2010 | 116,000 | December 1, 2010 | 8.00% | 12.00% |
| August 11, 2010 | 45,700 | February 7, 2011 | 8.00% | 8.00% |

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| | | | | |
|--------------------|-------------|----------------|-------|-------|
| September 22, 2010 | 6,300 | March 21, 2011 | 8.00% | 8.00% |
| November 18, 2010 | 9,000 | May 17, 2011 | 8.00% | 8.00% |
| January 6, 2011 | 20,000 | July 5, 2011 | 8.00% | 8.00% |
| March 4, 2011* | 27,100 | | 8.00% | 8.00% |
| March 10, 2011* | 26,000 | | 8.00% | 8.00% |
| March 15, 2011* | 15,000 | | 8.00% | 8.00% |
| March 16, 2011* | 12,500 | | 8.00% | 8.00% |
| March 28, 2011* | 50,000 | | 8.00% | 8.00% |
| | \$1,601,000 | | | |

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% |
| January 25, 2010 | 4,665 | July 24, 2010 | 8.00% | 12.00% |
| April 16, 2010 | 16,000 | October 13, 2010 | 8.00% | 12.00% |
| June 4, 2010 | 14,000 | December 1, 2010 | 8.00% | 12.00% |
| August 11, 2010 | 100,000 | February 7, 2011 | 8.00% | 8.00% |

| | |
|--------------------|-------------|
| March 29, 2011* | 25,000 |
| | \$1,371,665 |

* Date funds received

| Date of Promissory Note | Others | | Maturity Date | Initial Interest Rate | Current Interest Rate |
|----------------------------|-----------|--|-----------------------|-----------------------------|-----------------------------|
| | Amount | | | | |
| 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% |
| November 18, 2010 | 126,000 | | May 17, 2011 | 8.00% | 8.00% |
| January 6, 2011 | 75,000 | | July 5, 2011 | 8.00% | 8.00% |
| | \$451,563 | | | | |

As of December 31, 2010, we had cash of approximately \$20,000 and a working capital deficit of approximately \$6.9 million. This compares to cash of approximately \$5,000 and a working capital deficit of approximately \$6.1 million as of December 31, 2009. During the twelve months ended December 31 2010 we received proceeds from loans, unsecured interest-bearing promissory notes and stock purchases of approximately \$927,000, compared to approximately \$1.1 million for the twelve months ended December 31, 2009, as detailed below:

| Combined Loan Amounts Name on Promissory Note | 12 Months ended December 31, | |
|---|------------------------------|--------------|
| | 2010 | 2009 |
| David Spiegel | \$ 130,000 | \$ 331,665 |
| Herbert Stein | 401,500 | 283,900 |
| Robert Schacter et al | — | 345,000 |
| Others | 251,000 | 202,563 |
| | \$ 782,500 | \$ 1,163,128 |

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 and most notes payable are in default. In addition, these 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, we recorded a \$292,500 gain on extinguishment of this debt at June 30, 2010.

The Board of Directors, on June 4, 2010, approved the issuance of an additional 151,750 in warrants to Mr. Robert Schacter et al. We used the Black Scholes method to value these warrants. As a result of this transaction, we 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.

Mr. Friedrich Reiner requested that his \$30,000 Promissory Note be converted into shares of Apogee Common Stock. On September 22, 2010 the Board of Directors approved this transaction and authorized the issuance of 30,000 shares of Apogee Technology, Inc. Common Stock at a price of \$1.00 per share. The closing price on September 22, 2010 was \$0.45; therefore, we recorded a \$16,500 gain on extinguishment of debt at September 30, 2010. As added consideration for his conversion, the Board of Directors also approved the issuance of an additional 15,000 in warrants. These warrants were valued using the Black Scholes method. As a result of this transaction, we recorded a \$5,290 warrant expense during the third quarter ended September 30, 2010. The terms of these warrants were the same as the above warrants issued to Robert Schacter et al during the second quarter ended June 30, 2010.

On June 26, 2010 Apogee completed an offer to our 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 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 record in Additional Paid-In Capital

For the twelve months ended December 31, 2010, Apogee sold 145,000 shares of our common stock to accredited investors at a price of \$1.00 per share. The aggregate net proceeds to Apogee after fees and expenses were \$141,850. 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 1933, as amended, and Rule 506 of Regulation D promulgated thereunder. The shares of the common stock issued in this private placement have not been 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. In addition, the issuance of warrants were approved by the Board of Directors, pursuant to which these shareholders shall have the right to acquire up to 50% of the number of shares of Common Stock issued as a result of their investment. These warrants are exercisable immediately upon issuance and for a term of three years at an exercise price of \$1.00 per share.

A summary of the equity funding for the twelve months ended December 31, 2010 is as follows:

| Shareholder | Interest Conversion | Debt Conversion | Stock Purchased | Total Shares Purchased |
|-----------------------|---------------------|-----------------|-----------------|------------------------|
| Robert Schacter et al | \$ 82,024 | \$585,000 | \$100,000 | \$ 767,024 |
| Friedrich Reiner | — | 30,000 | 20,000 | 50,000 |
| Herbert M. Stein | 204,098 | — | — | 204,098 |
| Others | — | — | 25,000 | 25,000 |
| | \$286,122 | \$615,000 | \$145,000 | \$1,046,122 |

Net cash used in operating activities for the twelve-month period ended December 31, 2010 decreased to approximately \$800,000 compared to approximately \$1.1 million in the twelve-month period ended December 31, 2009. As of December 31, 2010, our accounts payable and accrued expenses were approximately \$3.8 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 related taxes as well as the Board of Directors' compensation.

Net cash used in investing activities for the twelve months ended December 31, 2010 was approximately \$113,000, compared to approximately \$22,000 for the twelve months ended December 31, 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 \$927,500 for the twelve months ended December 31, 2010. This compares to approximately \$1.1 million for the twelve months ended December 31, 2009. During the twelve-month period ended December 31, 2010, we received the proceeds from unsecured interest bearing promissory notes totaling \$752,500 as described above. See Footnote 7 of the consolidated financials statements - Promissory Notes, Loans and Warrants. We are currently in default on substantially all of the promissory notes. As part of an on-going private placement, Apogee sold 145,000 shares of our common stock to accredited investors at a price of \$1.00 per share. The aggregate gross proceeds to Apogee, before fees and expenses, were \$145,000. 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 three years, but have not yet been successful. As of December 31, 2010 approximately \$2.9 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 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.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Apogee's financial instruments include: cash, loans and accounts payable. At December 31, 2010 and December 31, 2009, 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 8. FINANCIAL STATEMENTS.

The consolidated financial statements and the related report and notes, which are attached hereto, beginning at on page F-1, are incorporated herein by reference.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There was no change in accountants or disagreements with accountants on accounting and financial disclosure during the fiscal year ended December 31, 2010 and 2009.

Item 9A (T). CONTROLS AND PROCEDURES.

- (a) Evaluation of Disclosure Controls and Procedures. Our chief executive officer (principal executive officer) and chief financial officer (principal financial and accounting officer) have reviewed and evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this annual report. Based on that evaluation, our chief executive officer and chief financial officer have concluded that our current disclosure controls and procedures were effective to ensure that we record, process, summarize, and report the information we must disclose in reports that we file or submit under the Exchange Act, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate to allow timely discussions regarding required disclosures.
- (b) Changes in Internal Controls. There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during our fiscal quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.
- (c) Management's Report on Internal Control over Financial Reporting. The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance

with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment, management believes that, as of December 31, 2010, the Company's internal control over financial reporting is effective based on those criteria.

This Annual Report on Form 10-K does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the company to provide only a management's report in this Annual Report on Form 10-K.

Item 9B. **OTHER INFORMATION.**

As of December 31, 2010, subsequent to the conversion of \$585,000 in promissory notes by Mr. Robert Schacter et al and \$30,000 by Mr. Friedrich Reiner, approximately \$2.9 million in promissory notes are in default.

PART III

Item 10. **DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.**

Directors and Executive Officers

The Board of Directors

The Company's Restated Certificate of Incorporation, as amended and Restated By-Laws provide for the Company's business to be managed by or under the direction of the Board of Directors. Under the Company's Restated Certificate of Incorporation, as amended, and Restated Bylaws, the number of directors is fixed from time to time by the Board of Directors. The number of Directors is currently fixed at a minimum of four (4) and a maximum of nine (9). There are currently five members on the Board of Directors.

Set forth below are the names of the directors as of the date of this report, their ages, their offices in the Company, if any, their principal occupations or employment for the past five years, the length of their tenure as directors and the names of other public companies in which such persons hold directorships.

| Name | Age | Position with the Company | Term Ending at |
|------|-----|---------------------------|----------------|
|------|-----|---------------------------|----------------|

| | | | Annual Meeting |
|---------------------------------|----|--|---|
| Herbert M. Stein | 82 | Chairman of the Board, President and Chief Executive Officer | Until successors are duly elected |
| Craig A. Dubitsky(3) | 45 | Director | 2011 |
| Arthur S. Reynolds(1), (2), (3) | 67 | Director | Until successors are duly elected |
| Sheryl B. Stein | 56 | Director | Until successors are duly elected |
| Alan W. Tuck(1), (2), (3) | 62 | Director | 2011 |

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Governance and Nominating Committee

Mr. Herbert M. Stein, a Class III director, has served as the Company's President and Chief Executive Officer since January 2001. Mr. Stein has been a director of the Company since 1996 and has been Chairman of the Board since January 2000. Mr. Stein was Chairman of the Board of Directors of Organogenesis Inc. from 1991 through 1999 and was Chief Executive Officer of Organogenesis from 1987 through 1999.

Mr. Craig A. Dubitsky, a Class I director, has served as a director since June 30, 2004. Mr. Dubitsky is the Founder and Managing Partner of 20-10 LLC, and early stage venture capital and strategic advisory firm focused on the consumer sector. From December 2005 through August 2009, Mr. Dubitsky was Co-Founder and Managing Partner of The Kind Group, a consumer packaged goods incubator and holding company, where he led the creation, design and distribution efforts for Kind's first brand, eos (tm). Mr. Dubitsky served as Senior Vice President of Venture Development for Simon Property Group, the largest retail REIT in the U.S. from October 2000 through March of 2002. Mr. Dubitsky served on the Board of Directors of Method Products, a consumer packaged goods company, from 2001-2005. In addition, Mr. Dubitsky was Founder and Chief Executive Officer of Bigmove, Inc./Masterkey, which was acquired by Public Storage in 2000. He also served as Vice President and LME Specialist at Citigroup from 1994 through 1999. Mr. Dubitsky currently serves on the Board of Directors of The Art Directors Club, the oldest global marketing, communications, and design organization, and serves on the Advisory Board of Tonic, a new media concern, and Help Remedies, a transformational over-the-counter drug company.

Mr. Arthur S. Reynolds, a Class II director, has served as a director since November 2003. Mr. Reynolds is the Founder of Rexon Limited of London and New York where, since 1999, he has served as Managing Director. Mr. Reynolds was Founder, Co-owner and Managing Partner of London-based Value Management & Research (UK) Limited from 1997 to 1999. In addition, Mr. Reynolds has held executive positions at Merrill Lynch International Bank Limited, Banque de la Societe Financiere Europeene, J.P. Morgan & Company and Mobil Corporation.

Ms. Sheryl B. Stein, a Class II director, has served as a director of the Company since August 2000. Since January 1993, Ms. Stein has been employed at Bedford Group, Inc. where she currently serves as Co-Chief Executive Officer.

Mr. Alan W. Tuck, a Class I director, has served as a director of the Company since 1998. He was Chief Strategic Officer of Organogenesis Inc. from September 1997 to July 2000, and, at various times from August 1996 to June 1998, was Strategic Advisor to Dyax Corp., Executive Vice President and Chief Strategic Officer of Biocode, Inc., and Chief Strategic Officer of ImmuLogic Pharmaceutical Corporation. Mr. Tuck was President and Chief Executive Officer of T Cell Sciences, Inc. from February 1992 to May 1996. He is currently a Partner at the Bridgespan Group, a non-profit consulting company.

Executive Officers

The names of, and certain information regarding, executive officers of the Company who are not also directors, are set forth below. The executive officers serve at the pleasure of the Board of Directors.

| Name | Age | Position with the Company |
|----------------|-----|---------------------------|
| Paul J. Murphy | 63 | |

Chief Financial Officer and Vice
President of Finance

Mr. Paul J. Murphy joined the Company in June 2005 in the role of Chief Financial Officer and Vice President of Finance, including the responsibilities of the Company's Principal Accounting Officer. Prior to joining the Company, from June 2004 to June 2005, Mr. Murphy was an independent contractor with JH Cohn, LLP, an accounting firm, working on engagements with public companies to design, assess and test controls for compliance with Section 404 of the Sarbanes-Oxley Act of 2002. From March 2002 until June 2004, Mr. Murphy worked as a self-employed consultant for companies on short-term projects of the type ordinarily undertaken by a Chief Financial Officer. From February 1999 through January 2002, Mr. Murphy was the Senior Vice President, Chief Financial Officer and Treasurer of Artel Video Systems, Inc., a video-networking technology company. From 1979 through 1999, Mr. Murphy worked as a Chief Financial Officer with four companies, three of which were publicly traded issuers.

Family Relationships

Herbert M. Stein is the father of Sheryl B. Stein. There are no other family relationships among our directors, executive officers or persons nominated or chosen to become directors or executive officers.

General Information Concerning the Board of Directors and its Committees

During the fiscal year ended December 31, 2010, there were five (5) meetings of the Board of Directors. In addition, from time to time, the members of the Board of Directors acted by unanimous written consent pursuant to Delaware law. The Board of Directors has four standing committees: the audit committee, the compensation committee, the nominating and corporate governance committee, and the executive committee. Each of the directors attended 100% of the meetings of the Board and/or Board Committees (of which he or she was a member) held during the last fiscal year with the exception of Mr. Arthur Reynolds who attended four (4) or 80% of the meetings and Mr. Craig A. Dubitsky who attended two (2) or 40% of the meetings for the fiscal year ended December 31, 2010.

Audit Committee

The Board of Directors has established a separately designated, standing Audit Committee that performs the role described in section 3(a)(58)(A) of the Securities Exchange Act of 1934. The Audit Committee is currently comprised of Messrs. Arthur S. Reynolds, Chairman, and Alan W. Tuck, each of whom is independent in accordance with the applicable rules promulgated by the SEC and The American Stock Exchange Listing Standards. The Audit Committee selects and retains the independent auditors to audit the Company's financial statements, approves the terms of the engagement of the independent auditors and reviews and approves all fees charged for audits and for any non-audit projects. The Audit Committee's responsibilities also include: overseeing the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independent auditors' qualifications and independence, the performance of the Company's independent auditors and other such matters as may be assigned by the Board of Directors. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which is posted on the Company's website at: <http://www.apogeebio.com>.

The Board of Directors has concluded that Mr. Reynolds meets the definition of an Audit Committee Financial Expert as such term is defined in the rules and regulations of the SEC. During the fiscal year ended December 31, 2010, the Audit Committee held three (3) meetings. Both of the audit committee members attended 100% of the meetings for the fiscal year ended December 31, 2010.

Compensation Committee

The Compensation Committee is currently comprised of Messrs. Alan W. Tuck, Chairman, and Arthur S. Reynolds, each of whom qualifies as an independent director under the rules of The American Stock Exchange. The Compensation Committee reviews and determines salaries, equity grants and incentive compensation of the chief executive officer and other executive officers and is responsible for performing the other related responsibilities set forth in its Duties and Responsibilities. During the fiscal year ended December 31, 2010, no meetings were held by the Compensation Committee.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is currently comprised of Messrs. Craig Dubitsky, Chairman, Arthur S. Reynolds, and Alan W. Tuck each of whom is independent in accordance with the applicable American Stock Exchange Listing Standards. The Nominating and Corporate Governance Committee selects and recommends

individuals to be presented to the shareholders of the Company for election or re-election to the Board or Directors, oversees the evaluation of the Board of Directors and Company management, monitors corporate governance principles, practices and guidelines for the Board of Directors and the Company and is responsible for performing other responsibilities as set forth in its written charter, a copy of which is posted on the Company's website at: <http://www.apogeebio.com>. During the fiscal year ended December 31, 2010, no meetings were held by the Nominating and Corporate Governance Committee.

In evaluating director nominees, the nominating and corporate governance committee considers the following factors:

business-related knowledge, skills and experience of the nominee;

experience with corporate governance matters and compliance obligations of a public company, including experience with disclosure and accounting rules and practices;

integrity of the nominee;

mix of talent and experience and diversity of the directors as a group;

other professional and business commitments of the nominee, including the number of other boards on which the nominee serves, including public and private boards; and

other factors as may be deemed to be in the best interests of the Company and its stockholders.

The Board of Directors currently does not have a written policy regarding attendance by directors at the Company's annual meeting of stockholders; however, the Board has passed a resolution stating a policy that they are strongly encouraged to attend, and the Company schedules a meeting of the Board of Directors on the same date as the annual stockholders meeting. We did not have an annual meeting in either 2010 or 2009.

Director Independence

The Board of Directors has determined that Messrs. Tuck, Reynolds and Dubitsky are independent in accordance with the rules of the Securities and Exchange Commission and The American Stock Exchange. Mr. Stein is not considered independent because he is currently serving as the Company's President and Chief Executive Officer. Ms. Stein is not considered independent because she is the daughter of Mr. Stein, the Company's President and Chief Executive Officer.

Code of Ethics

Our Board of Directors has adopted a code of ethics, which applies to all of our directors, officers and employees. Our code of ethics is specifically intended to comply with Item 406 of Regulation S-K. This code of ethics, which is included as part of the Company's Code of Conduct and Ethics, is posted on the Company's website at: <http://www.apogeebio.com>.

Corporate Governance

Stockholder Communications with the Board

Any stockholder may contact the Chairman of the Board or other members of the Board of Directors by sending an email to the following address: bod@apogeebio.com. Alternatively, a stockholder can contact the Chairman of the Board or the other members of the Board of Directors by writing to: Board of Directors, c/o Compliance Officer, Apogee Technology, Inc., 129 Morgan Drive, Norwood, Massachusetts 02062. All communications received either electronically or in writing will be distributed to the Chairman of the Board or the other appropriate member or members of the Board depending on the facts and circumstances outlined in the communication received.

Director Nominations and Qualifications

The Company's By-Laws contain provisions that address the process by which a stockholder may nominate an individual to stand for election to the Company's Board of Directors at the Annual Meeting of Stockholders. No recommendations were received from stockholders requesting that the Nominating and Corporate Governance

Committee consider a candidate for inclusion as a nominee to be presented at the 2011 Annual Meeting of Stockholders. The nominating and corporate governance committee will consider qualified candidates for director suggested by a stockholder. Stockholders can suggest qualified candidates for director by writing to our corporate secretary at 129 Morgan Drive, Norwood, Massachusetts 02062.

Submissions received that meet the criteria set forth below will be forwarded to the chairman of the nominating and corporate governance committee for further review and consideration. To be timely, a stockholder's notice pertaining to an annual meeting shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the sixtieth (60th) day nor earlier than the close of business on the ninetieth (90th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the ninetieth (90th) day prior to such annual meeting and not later than the close of business on the later of the sixtieth (60th) day prior to such annual meeting or the close of business on the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. A stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended (or any successor provision), and the rules and regulations thereunder with respect to the matters set forth in the By-laws. Nominations not received, in the appropriate manner or during the time frame discussed above will not be voted on at the Annual Meeting. Even if a nomination is received in the correct manner and during that time frame, the proxies that the Company solicits for the meeting may still exercise discretionary voting authority on the nomination under circumstances consistent with the proxy rules of the Securities and Exchange Commission.

Compensation Committee Interlocking, Insider, and Relation Party Relationships

No members of the Apogee Compensation Committee are also employees or former employees of the Company. Nor have any members of the Apogee Compensation Committee had any transactions described under the heading “Certain Relationships and Related Transactions” (Reg. S-K Item 404) or nor have they had any are interlocking relationships with compensation committees of other companies’ Boards of Directors.

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) requires the Company’s directors and officers, and persons who own more than 10% of the Company’s Common Stock, to file with the SEC initial reports of beneficial ownership and reports of changes in beneficial ownership of the Common Stock and other equity securities of the Company. Officers, directors and greater than 10% beneficial owners are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company’s knowledge, based solely on its review of copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31, 2010, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners were complied with.

Item 11. EXECUTIVE, OFFICER, AND DIRECTOR COMPENSATION.

Summary Compensation Table

The following table shows the total compensation paid or accrued during the last two fiscal years ended December 31, 2010 and 2009 to (1) our Chief Executive Officer and President and (2) Chief Financial Officer and Vice President of Finance.

| Name and Principal Position(1) | Year | Salary (\$) | Option Awards (\$)(4) | All Other Compensation (\$) | Total (\$) |
|--|------|-------------------------|--------------------------|-----------------------------------|---------------|
| Herbert M. Stein, President and Chief Executive Officer | 2010 | \$ 295,000(2)(3) (7) | \$ -0- | \$ 2,931(5) | \$ 297,931 |
| Paul J. Murphy, Vice President Finance and Chief Financial Officer | 2010 | \$ 160,000(3) | \$ 1,709 | \$ -0- | \$ 161,709 |

| Name and Principal Position(1) | Year | Salary (\$) | Option Awards (\$)(4) | All Other Compensation (\$) | Total (\$) |
|--|------|------------------|--------------------------|-----------------------------------|---------------|
| Herbert M. Stein, President and Chief Executive Officer | 2009 | \$ 295,000(2)(3) | \$ -0- | \$ 122,160(5) | \$ 417,160 |
| Paul J. Murphy, Vice President Finance and Chief Financial Officer | 2009 | \$ 160,000(3) | \$ 4,449 | \$ -0- | \$ 164,449 |

(1) Currently, none of the officers of the Company are under employment contracts with the exception of Mr. Herbert M. Stein.

Mr. Stein is compensated pursuant to an employment agreement of which the initial term ended on January 1, (2) 2007; the agreement is automatically extended for additional two-year periods unless terminated by Mr. Stein or the Board of Directors no later than 120 days prior to the end of the initial term or any successive term. Mr. Stein is entitled to an annual base salary, effective January 1, 2004, of \$295,000 which may be increased at the discretion of the Company's Board of Directors, and annual bonuses as determined by the Company's Board of Directors.

- (3) In June of 2008, a majority of employees, including Mr. Stein and Mr. Murphy, agreed to reduce their salary by twenty percent (20%). Both Mr. Murphy and Mr. Stein returned to full-time status as of November 3, 2009.
- (4) The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2010, in accordance with ASC Topic 718 of awards of stock options and thus include amounts from awards granted in and prior to 2006. Assumptions used in this calculation are included in Part II - Item 8, Financial Statements and Supplementary Data of the Annual Report on Form 10-K, and Notes 2 and 15 of the Financial Statements beginning on F-1 of this Annual Report on Form 10-K, contained therein.
- (5) The Company has been assuming and will continue to assume the legal costs and related expenses of Herbert M. Stein, in connection with the civil case in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida entitled Joseph Shamy v. Herbert M. Stein, case No.: 50 2005 CA 007719 XXXXMB. Mr. Stein reached a settlement with Mr. Shamy in early 2009. The Company was not a party to this settlement.
- (6) Mr. Stein has not drawn cash compensation since June 30, 2009. Amount above includes accrued salary of approximately \$295,000 and \$128,000 for the fiscal years ended December 31 2010 and 2009, respectively. His salary is being accrued and is included in accrued expenses.

Employment Agreements

In March 2004, the Company entered into an employment agreement with Herbert M. Stein pursuant to which Mr. Stein serves as the Company's Chief Executive Officer and President, as well as Chairman of the Board of Directors, subject to the rights of the shareholders of the Company to elect the Company's directors. The employment agreement is for an initial term ended on January 1, 2007 and is automatically extended for additional two-year periods unless terminated by either party no later than 120 days prior to the end of the initial term or any successive term. Mr. Stein is entitled to an annual base salary, effective January 1, 2004, of \$295,000, which may be increased at the discretion of the Company's Board of Directors, and annual bonuses as determined by the Company's Board of Directors. Upon a change of control of the Company, as defined in the agreement, all stock options held by Mr. Stein shall become fully vested. The Company may terminate the employment agreement with or without cause, as defined in the agreement. In the event of Mr. Stein's death or disability, the agreement provides that he (or his estate) shall be entitled to accrued salary through the date of termination, any bonus the Board of Directors has determined appropriate, and any proceeds or other benefits from insurance policies or other benefit plans to which he (or his estate) would be entitled. In the event that Mr. Stein's employment is terminated for cause, he shall only be entitled to accrued salary through the date of termination. In the event that Mr. Stein's employment is terminated without cause, he shall be entitled to accrued salary through the date of termination, continued base salary payments for the greater of 24 months or the remainder of the term of the agreement, continued medical plan benefits for 24 months following the date of termination, and an amount equal to the highest bonus he has previously received under the agreement, prorated to the date of termination. In the event that Mr. Stein voluntarily terminates his employment, he shall be entitled to accrued salary through the date of termination and an amount equal to the highest bonus he has previously received under the agreement, prorated to the date of termination. As part of the salary reduction implemented in 2009 Mr. Stein's salary was reduced by 20%. As of November 3, 2009 Mr. Stein returned to full-time status. In addition, Mr. Stein has not drawn cash compensation from Apogee since June 30, 2009. We have accrued Mr. Stein's salary and related taxes totaling approximately \$447,000 as of December 31, 2010.

Outstanding Equity Awards At Fiscal Year-End

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The following table shows grants of stock options and grants of unvested incentive plan awards as of December 31, 2010, to each of the executive officers named in the Summary Compensation Table.

| Name | Number of Securities Underlying Unexercised Options (#) | | Option Awards Equity Incentive Plan Awards: | | Option Exercise Price (\$) | Option Expiration Date |
|------------------|---|---------------|---|---|----------------------------|------------------------|
| | Exercisable | Unexercisable | Number of Securities Underlying Unexercised Options (#) | Number of Securities Underlying Unexercised Options (#) | | |
| Herbert M. Stein | 300,000 | -0- | -0- | -0- | \$ 0.950 | 08/17/2016 |
| | 200,000 | -0- | -0- | -0- | \$ 8.920 | 06/07/2014 |
| | 175,000 | -0- | -0- | -0- | \$ 8.650 | 03/25/2014 |
| | 200,000 | -0- | -0- | -0- | \$ 4.080 | 03/27/2013 |
| | 100,000 | -0- | -0- | -0- | \$ 2.710 | 01/21/2013 |
| | 100,000 | -0- | -0- | -0- | \$ 5.500 | 04/03/2012 |
| | 350,000 | -0- | -0- | -0- | \$ 6.300 | 12/21/2011 |
| | 100,000 | -0- | -0- | -0- | \$ 6.300 | 08/16/2011 |
| | 100,000 | -0- | -0- | \$ 6.250 | 02/12/2011 | |
| Paul J. Murphy | 20,000 | 5,000(1) | -0- | -0- | \$ 0.950 | 08/17/2016 |
| | 60,000 | -0- | -0- | -0- | \$ 1.270 | 06/01/2015 |

(1) 25,000 options granted on August 17, 2006; vesting at 20% per year beginning at the first anniversary of the grant date.

Termination or Change in Control Arrangements

Other than Mr. Stein's employment agreement, which may provides for payments in connection with his termination, as discussed above, there are no arrangements with any executive officer that would provide for payments in connection with their termination or a change in control of the Company.

Director Compensation

Directors who are also employees of the Company do not receive compensation for serving as directors. Directors who are not employees of the Company are paid a retainer and are reimbursed for ordinary and necessary travel expenses incurred in connection with attendance at each board meeting. The annual retainer in fiscal 2010 was \$5,000. In fiscal 2010, each non-employee director earned \$1,250 per quarter. In addition members of both the Audit Committee and Compensation Committee received an annual retainer of \$2,000 payable quarterly. During fiscal 2010, the Audit Committee chairperson earned an annual retainer \$13,000 and the Compensation Committee chairperson received an annual retainer of \$4,000, payable quarterly. Except for \$10,000 paid to Mr. Reynolds for the first two quarters of 2008, director fees remain outstanding and payable.

In addition to the cash compensation discussed above, directors are eligible to participate in the Company's 2007 Employee, Director and Consultant Stock Option Plan (the "Plan"). Options granted under the Plan to non-employee directors' vest over a five year period beginning on the first anniversary of the date of grant. During the fiscal years ended December 31, 2010 and 2009 no options were granted to members of the Board of Directors.

| Name | Fees Earned (\$)* | Option Awards (\$) | Total (\$) |
|--------------------|----------------------|--------------------------|---------------|
| Craig A. Dubitsky | \$ 5,000 | \$ 5,659 | \$ 10,659 |
| Arthur S. Reynolds | \$ 20,000 | \$ 5,973 | \$ 25,973 |
| Sheryl B. Stein | \$ 5,000 | \$ 5,659 | \$ 10,659 |
| Alan W. Tuck | \$ 11,000 | \$ 5,815 | \$ 16,815 |

* The Board of Directors has not drawn cash compensation since early 2008. Amounts above have been accrued.

Securities Authorized For Issuance Under Equity Compensation Plans

The table below provides certain aggregate information with respect to the Company's former 1997 Employee, Director and Consultant Stock Option Plan and the 2007 Employee, Director and Consultant Stock Option Plan in effect as of December 31, 2010.

| Plan Category | Number of Securities to be Issued Upon Exercise of Outstanding Options | Weighted Average Exercise Price of Outstanding Options | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in first column) |
|------------------------|---|--|--|
| Equity Compensation | 2,786,600 | \$4.6725 | 162,800 |

Plans Approved
by Security
Holders(1)

Equity
Compensation
Plans not
Approved by
Security Holders
Total

| | | |
|-----------|----------|---------|
| N/A | N/A | |
| 2,786,600 | \$4.6725 | 162,800 |

- (1) This primarily consists of grants made under the 1997 Employee, Director and Consultant Stock Option Plan initially approved by the Company's stockholders in 1997 and 217,000 shares underlying options granted pursuant to the 2007 Employee, Director and Consultant Stock Option Plan. The 1997 Employee, Director and Consultant Stock Option Plan expired by its terms on May 14, 2007. On August 28, 2008, the stockholders approved the 2007 Employee, Director and Consultant Stock Option Plan. The 2007 Employee, Director and Consultant Stock Option Plan authorized 750,000 shares eligible for issuance, however the Plan has an "evergreen" feature that replenishes and restores the Plan to a maximum of 750,000 shares eligible for issuance per year provided, however in no event shall the number of shares eligible for issuance under the Plan be greater than 7% of the number of shares of Common Stock outstanding on a fully diluted basis on the close of business on the on the day prior to the increase.

Item SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND
12. RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information as of December 31, 2010 concerning the beneficial ownership of Common stock by each Stockholder known by the Company to be the beneficial owner of more than 5% of its outstanding shares of Common stock, each current member of the Board of Directors, each executive officer named in the Summary Compensation Table, and all current directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities.

| Name and Address** | Shares Beneficially Owned (1) | |
|---|-------------------------------|---------|
| | Number | Percent |
| Herbert M. Stein 71 Fairlee Road, Waban, MA 02468 | 3,617,972(2) | 27.45% |
| H.M. Stein Associates C/o Herbert M. Stein 71 Fairlee Road, Waban, MA 02468 | 1,466,334(3) | 11.13% |
| David Spiegel 129 Morgan Drive, Norwood, MA 02062 | 1,939,898(4) | 14.72% |
| Sheryl B. Stein 150 East 57th Street, New York, NY 10022 | 912,470(5) | 6.92% |
| Leo Spiegel 3720 South Ocean Boulevard Unit 801, Highland Beach, FL 33487 | 793,386(6) | 6.02% |
| Alan W. Tuck | 326,500(7) | 2.48% |
| Arthur S. Reynolds | 104,500(8) | * |
| Paul J. Murphy | 80,000(9) | * |
| Craig A. Dubitsky | 52,000(10) | * |
| All executive officers and directors as a group (6 persons) | 5,093,442(11) | 32.70% |

* Represents beneficial ownership of less than 1% of the Company's outstanding shares of common stock.

** Addresses are given for beneficial owners of more than 5% of the Company's outstanding stock only.

The number of shares of common stock issued and outstanding on December 31, 2010 was 13,178,454. The calculation of percentage ownership of each listed beneficial owner is based upon the number of shares of common stock issued and outstanding on December 1, 2010, including shares of common stock subject to options and/or warrants held by such person at December 1, 2010 and exercisable within 60 days thereafter. On December 28, 2005, Apogee filed a Form 8-K with the SEC announcing that the Board of Directors approved the accelerated vesting of certain unvested stock options awarded to employees and non-employee members of the Board of Directors. As a result of the Board's approval, the vesting provisions for options covering approximately 880,000 underlying shares of common stock were accelerated. Approximately 665,000 of the underlying Shares, of the total accelerated, belong to executive officers and non-employee members of the Board of Directors. The Board only accelerated the vesting of those options having exercise prices in excess of \$2.00 per share and did not accelerate the vesting of any options with exercise prices below \$2.00 per share. The persons and entities named in the table have sole voting and investment power with respect to all Shares shown as beneficially owned by them, except as noted below.

(2) Includes 91,100 shares of common stock owned directly by Mr. Stein and 204,098 shares of common stock issued to Mr. Stein upon conversion of interest owed through April 15 2010, 1,625,000 shares of common stock which may be purchased by Mr. Stein upon the exercise of fully vested options, 120,040 shares of common stock which may be purchased by Mr. Stein upon exercise of fully vested warrants, 111,400 shares of common stock owned by Mr. Stein's wife, and 1,466,334 shares of common stock owned by H.M. Stein Associates ("HMSA").

(3) The partners of HMSA are Herbert M. and Renee Stein, their daughters, Erica, Sheryl and Sharyn and Fairlee Corporation. Mr. Stein has an 8% general partnership interest in HMSA. Mr. Stein and his wife, Renee Stein, are the sole stockholders of Fairlee Corporation, which has a 1% general partnership interest in HMSA. Mr. Stein disclaims beneficial ownership of 91% of such shares.

(4) Includes 1,731,232 shares of common stock owned directly by Mr. Spiegel, 119,666 shares of common stock which may be purchased by Mr. Spiegel upon exercise of fully vested warrants, 82,700 shares of common stock owned by The Spiegel Family Limited Partnership and 6,300 shares of common stock which may be purchased by The Spiegel Family Limited Partnership upon exercise of fully vested warrants. Mr. Spiegel has sole voting and investment power with respect to these shares, but disclaims beneficial ownership of 68% of such shares.

(5) Includes 260,400 shares of common stock owned directly by Ms. Stein, 132,000 shares of common stock which may be purchased by Ms. Stein upon exercise of fully vested options and 19,400 shares of common stock owned by H.M. Stein & Co. and 500,670 shares of common stock owned by HMSA.

(6) Includes 783,636 shares of common stock owned directly by Mr. Spiegel and 9,750 shares of common stock which may be purchased by Mr. Spiegel upon exercise of fully vested warrants.

(7) Includes 127,000 shares of common stock owned directly by Mr. Tuck, 129,500 shares of common stock which may be purchased by Mr. Tuck upon exercise of fully vested options, 60,000 shares owned by Mr. Tuck's wife and 10,000 shares held in a trust for Mr. Tuck's brother of which Mr. Tuck disclaims beneficial ownership.

(8) Includes 104,500 shares of common stock which may be purchased by Mr. Reynolds upon exercise of fully vested options.

(9) Includes 80,000 shares of common stock which may be purchased by Mr. Murphy upon exercise of fully vested options.

(10) Includes 52,000 shares of common stock which may be purchased by Mr. Dubitsky upon exercise of fully vested options.

Includes 2,123,000 shares of common stock which may be purchased upon exercise of fully vested options,
(11) 255,756 shares of common stock which may be purchased upon exercise of fully vested warrants.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

In April 1997, the Company moved its principal executive offices to a facility owned by Mr. David Spiegel, a major shareholder of the Company. On October 1, 2001 the Company signed a 24-month lease for this facility, expiring September 30, 2003. Subsequently, the Company signed two lease extensions. The most recent lease extension expired on December 31, 2005.

The Company is currently renting this facility on a month-to-month basis. The Company rents the facility for \$4,400 per month effective October 1, 2001. Rent paid during 2010 was \$17,600 for the fiscal year ended December 31, 2008. Rent of \$52,800 for each of the fiscal years ended December 31, 2009 and 2010 remains unpaid and is included in accrued liabilities. Total rent due as of December 31, 2010 was \$105,600. The Company believes that amounts paid pursuant to this lease are at or below market value.

Policy for Approval of Related Transactions

Pursuant to the written charter of our Audit Committee, the Audit Committee is responsible for reviewing and approving, prior to our entry into any such transaction, all transactions in which we are a participant and in which any of the following persons has or will have a direct or indirect material interest:

our executive officers;

our directors;

the beneficial owners of more than 5% of our securities;

the immediate family members of any of the foregoing persons; and

any other persons whom the Board determines may be considered related persons.

loans by directors and executive officers to Apogee.

For purposes of these procedures, "immediate family members" means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and any person (other than a tenant or employee) sharing the household with the executive officer, director or 5% beneficial owner.

In reviewing and approving such transactions, the Audit Committee shall obtain, or shall direct our management to obtain on its behalf, all information that the committee believes to be relevant and important to a review of the transaction prior to its approval. Following receipt of the necessary information, a discussion shall be held of the relevant factors if deemed to be necessary by the committee prior to approval. If a discussion is not deemed to be necessary, approval may be given by written consent of the committee. This approval authority may also be delegated to the chairman of the Audit Committee in some circumstances. No related person transaction shall be entered into prior to the completion of these procedures.

The Audit Committee or its chairman, as the case may be, shall approve only those related person transactions that are determined to be in, or not inconsistent with, the best interests of us and our stockholders, taking into account all available facts and circumstances as the committee or the chairman determines in good faith to be necessary. These facts and circumstances will typically include, but not be limited to, the benefits of the transaction to us; the impact on a director's independence in the event the related person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms of comparable transactions that would be available to unrelated third parties or to employees generally. No member of the Audit Committee shall participate in any review, consideration or approval of any related person transaction with respect to which the member or any of his or her immediate family members is the related person.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following table presents fees for professional audit services rendered by Miller Wachman LLP, our independent registered public accounting firm, for the audit of the Company's annual financial statements for the years ended December 31, 2010 and December 31, 2009, and fees billed for other services rendered by Miller Wachman LLP during those periods.

| | 2010 | 2009 |
|------------------------|-----------|-----------|
| Audit fees:(1) | \$ 40,000 | \$ 60,000 |
| Audit related fees:(2) | -0- | -0- |
| Tax fees:(3) | 4,000 | -0- |
| All other fees:(4) | -0- | -0- |
| Total | \$ 44,000 | \$ 60,000 |

(1) Audit fees consisted of audit of annual and review of quarterly financial statements, as well as work generally only the independent auditor can reasonably be expected to provide, such as statutory audits.

(2) The Company incurred no fees in this category during fiscal years 2010 and 2009.

(3) Tax fees consist principally of assistance with matters related to tax compliance and reporting.

(4) The Company incurred no fees in this category during fiscal years 2010 and 2009.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-audit Services of Independent Auditors

Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent auditor. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent auditor.

Prior to engagement of the independent auditor for the next year's audit, management will submit an aggregate of services expected to be rendered during that year for each of four categories of services to the Audit Committee for approval.

1. **Audit** services include audit of annual and review of quarterly financial statements financial statements, as well as work that generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, and attest services and consultation regarding financial accounting and/or reporting standards.

2. **Audit-Related** services are for assurance and related services that are traditionally performed by the independent auditor, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

3. **Tax** services include all services performed by the independent auditor's tax personnel except those services specifically related to the audit of the financial statements, and includes fees in the areas of tax compliance, tax planning, and tax advice.

4. **Other Fees** are those associated with services not captured in the other categories. The Company generally does not request such services from the independent auditor.

Prior to engagement, the Audit Committee pre-approves these services by category of service. The fees are budgeted and the Audit Committee requires the independent auditor and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original pre-approval. In those instances, the Audit Committee requires specific pre-approval before engaging the independent auditor.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

PART IV

Item 15. EXHIBITS.

The following is a list of exhibits filed as part of this Annual Report on Form 10-K.

| Exhibit No | Description |
|---------------|---|
| 3.1 | Certificate of Incorporation of Apogee Technology, Inc., incorporated herein by reference to Exhibit 3.1 to the Registrant's Form 10-KSB, as amended (File No. 000-17053). |
| 3.2 | Certificate of Amendment of the Certificate of Incorporation of Apogee Technology, Inc. as filed with the Secretary of State of the State of Delaware on August 29, 2007. |
| 3.3 | Amendment of Certificate of Incorporation of Apogee Technology, Inc., incorporated herein by reference to Exhibit 3.2 to the Registrant's Form 10-QSB, as amended (File No. 000-17053). |
| 3.4 | Certificate of Amendment to Certificate of Incorporation of Apogee Technology, Inc., incorporated herein by reference from Exhibit 3.3 to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2001 (File. No. 000-30656). |
| 3.5 | Restated By-Laws of Apogee Technology, Inc., incorporated herein by reference from Exhibit 3.4 to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2001 (File. No. 000-30656). |
| 4.1 | Apogee Technology, Inc. Amended and Restated Common stock Purchase Warrant, filed with the Current Report on Form 8-K, dated December 7, 2005 (File No. 001-10456). |
| 4.2 | Form of Biscayne Capital Markets, Inc. Warrant, incorporated herein by reference from Exhibit 10.7 to the Registrant's Form 8-K as filed on August 9, 2005 (File No. 001-10456). |
| 4.3 | Form of Warrant previously filed on a Current Report on Form 8-K, August 29, 2008 as an exhibit to a Current Report on Form 8-K. |
| 4.4 | Form of Warrant previously filed on a Current Report on Form 8-K, September 10, 2008 as an exhibit to a Current Report on Form 8-K. |
| 4.5 | Form of Warrant previously filed on a Current Report on Form 8-K, October 30, 2008 as an exhibit to a Current Report on Form 8-K. |
| 4.6 | Form of Warrant previously filed on a Current Report on Form 8-K, January 8, 2009 as an exhibit to a Current Report on Form 8-K. |
| 4.7 | Form of Warrant previously filed on a Current Report on Form 8-K, January 12, 2009 as an exhibit to a Current Report on Form 8-K. |
| 4.8 | Form of Warrant previously filed on a Current Report on Form 8-K, February 4, 2009 as an exhibit to a Current Report on Form 8-K. |
| 4.9 | Form of Warrant previously filed on a Current Report on Form 8-K, February 19, 2009 as an exhibit to a Current Report on Form 8-K. |
| 4.10 | Form of Warrant previously filed on a Current Report on Form 8-K, March 20, 2009 as an exhibit to a Current Report on Form 8-K. |
| 4.11 | |

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Form of Warrant previously filed on a Current Report on Form 8-K, April 15, 2009 as an exhibit to a Current Report on Form 8-K.

4.12 Form of Warrant previously filed on a Current Report on Form 8-K, May 20, 2009 as an exhibit to a Current Report on Form 8-K.

4.13 Form of Warrant previously filed on a Current Report on Form 8-K, June 15, 2009 as an exhibit to a Current Report on Form 8-K.

4.14 Form of Warrant previously filed on a Current Report on Form 8-K, July 2, 2009 as an exhibit to a Current Report on Form 8-K.

4.15 Form of Warrant previously filed on a Current Report Form 8-K, November 12, 2009 as an exhibit to a Current Report on Form 8-K.

4.16 Form of Warrant previously filed on a Current Report Form 8-K, December 23, 2009 as an exhibit to a Current Report on Form 8-K.

10.1 1997 Employee, Director and Consultant Stock Plan.

10.2* License Agreement dated February 2, 2001 by and between the Registrant and STMicroelectronics, NV, incorporated herein by reference from Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended March 31, 2001. (File No. 000-30656).

10.3 Termination of Registration Rights Agreement, dated December 5, 2005 filed with the Current Report on Form 8-K, dated December 7, 2005 (File No. 001-10456).

- 10.4 Asset Purchase Agreement dated as of October 5, 2005, by and among SigmaTel, Inc., Apogee Technology, Inc., certain stockholders, and with respect to the provisions of Section 8.15 only, David B. Meyers, incorporated herein by reference from Exhibit 99.1 to the Registrant's Form 8-K as filed on October 7, 2005 (File No. 001-10456).
- 10.5 Indemnification Agreement dated as of October 5, 2005, among SigmaTel, Inc., Apogee Technology, Inc., Herbert M. Stein, H.M. Stein Associates, and Sheryl B. Stein, incorporated herein by reference from Exhibit 99.3 to the Registrant's Form 8-K as filed on October 7, 2005 (File No. 001-10456).
- 10.6* Transfer Employment and Royalty Agreement, dated May 11, 2004 and incorporated herein by reference from Exhibit 10.16 to the Registrant's Form 10-KSB for the fiscal year ended December 31, 2005 (File No. 001-10456).
- 10.7 2007 Employee, Director and Consultant Stock Plan, incorporated herein by reference from Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2007.
- 10.8 Promissory Note dated as of December 11, 2007 by and between Apogee Technology, Inc. and Herbert M. Stein, previously filed on December 14, 2007 as an exhibit to a Current Report on Form 8-K.
- 10.9 Promissory Note dated as of December 11, 2007 by and between Apogee Technology, Inc. and David Spiegel, previously filed on December 14, 2007 as an exhibit to a Current Report on Form 8-K.
- 10.10 Promissory Note dated as of August 27, 2008 by and between Apogee Technology, Inc. and Herbert M. Stein previously filed on a Current Report on Form 8-K, August 29, 2008 as an exhibit to a Current Report on Form 8-K.
- 10.11 Promissory Note dated as of August 27, 2008 by and between Apogee Technology, Inc. and David Spiegel previously filed on a Current Report on Form 8-K, August 29, 2008 as an exhibit to a Current Report on Form 8-K.
- 10.12 Promissory Note dated as of September 5, 2008 by and between Apogee Technology, Inc. and Herbert M. Stein previously filed on a Current Report on Form 8-K, September 10, 2008 as an exhibit to a Current Report on Form 8-K.
- 10.13 Promissory Note dated as of September 5, 2008 by and between Apogee Technology, Inc. and David Spiegel previously filed on a Current Report on Form 8-K, September 10, 2008 as an exhibit to a Current Report on Form 8-K.
- 10.14 Promissory Note dated as of September 5, 2008 by and between Apogee Technology, Inc. and TYJO Corporation Money Purchase Pension Plan previously filed on a Current Report on Form 8-K, September 10, 2008 as an exhibit to a Current Report on Form 8-K.
- 10.15 Promissory Note dated as of September 5, 2008 by and between Apogee Technology, Inc. and Robert Schacter, as Custodian for Tyler Schacter UTMA/CA previously filed on a Current Report on Form 8-K, September 10, 2008 as an exhibit to a Current Report on Form 8-K.
- 10.16 Promissory Note dated as of September 5, 2008 by and between Apogee Technology, Inc. and Robert Schacter as Custodian for Tyler Schacter UTMA/CA previously filed on a Current Report on Form 8-K, September 10, 2008 as an exhibit to a Current Report on Form 8-K.
- 10.17 Promissory Note dated as of October 27, 2008 by and between Apogee Technology, Inc. and Herbert M. Stein previously filed on a Current Report on Form 8-K, October 30, 2008 as an exhibit to a Current Report on Form 8-K.
- 10.18

Promissory Note dated as of October 27, 2008 by and between Apogee Technology, Inc. and David Spiegel previously filed on a Current Report on Form 8-K, October 30, 2008 as an exhibit to a Current Report on Form 8-K.

10.19 Promissory Note dated as of October 27, 2008 by and between Apogee Technology, Inc. and TYJO Corporation Money Purchase Pension Plan previously filed on a Current Report on Form 8-K, October 30, 2008 as an exhibit to a Current Report on Form 8-K.

10.20 Promissory Note dated as of January 6, 2009 by and between Apogee Technology, Inc. and David Spiegel previously filed on a Current Report on Form 8-K, January 8, 2009 as an exhibit to a Current Report on Form 8-K.

10.21 Promissory Note dated as of January 6, 2009 by and between Apogee Technology, Inc. and Annette Jaynes previously filed on a Current Report on Form 8-K, January 8, 2009 as an exhibit to a Current Report on Form 8-K.

10.22 Promissory Note dated as of January 6, 2009 by and between Apogee Technology, Inc. and Robert Schacter previously filed on a Current Report on Form 8-K, January 8, 2009 as an exhibit to a Current Report on Form 8-K.

10.23 Promissory Note dated as of January 8, 2009 by and between Apogee Technology, Inc. and TYJO Corporation Money Purchase Pension Plan previously filed on a Current Report on Form 8-K, January 12, 2009 as an exhibit to a Current Report on Form 8-K.

10.24 Promissory Note dated as of February 2, 2009 by and between Apogee Technology, Inc. and Herbert M. Stein previously filed on a Current Report on Form 8-K, February 4, 2009 as an exhibit to a Current Report on Form 8-K.

- 10.25 Promissory Note dated as of February 2, 2009 by and between Apogee Technology, Inc. and TYJO Corporation Money Purchase Pension Plan previously filed on a Current Report on Form 8-K, February 4, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.26 Promissory Note dated as of February 17, 2009 by and between Apogee Technology, Inc. and Herbert M. Stein previously filed on a Current Report on Form 8-K, February 19, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.27 Promissory Note dated as of February 17, 2009 by and between Apogee Technology, Inc. and TYJO Corporation Money Purchase Pension Plan previously filed on a Current Report on Form 8-K, February 19, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.28 Promissory Note dated as of February 17, 2009 by and between Apogee Technology, Inc. and Leo Spiegel previously filed on a Current Report on Form 8-K, February 19, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.29 Promissory Note dated as of February 17, 2009 by and between Apogee Technology, Inc. and David B. Meyers.
- 10.30 Promissory Note dated as of February 17, 2009 by and between Apogee Technology, Inc. and Annette Jaynes.
- 10.31 Promissory Note dated as of March 19, 2009 by and between Apogee Technology, Inc. and David Spiegel previously filed on a Current Report on Form 8-K, March 20, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.32 Promissory Note dated as of March 19, 2009 by and between Apogee Technology, Inc. and Herbert M. Stein previously filed on a Current Report on Form 8-K, March 20, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.33 Promissory Note dated as of March 19, 2009 by and between Apogee Technology, Inc. and TYJO Corporation Money Purchase Pension Plan previously filed on a Current Report on Form 8-K, March 20, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.34 Promissory Note dated as of March 19, 2009 by and between Apogee Technology, Inc. and Annette Jaynes.
- 10.35 Promissory Note dated as of March 20, 2009, as amended, by and between Apogee Technology, Inc. and David Spiegel previously filed on a Current Report on Form 8-K/A, April 7, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.36 Promissory Note dated as of April 13, 2009 by and between Apogee Technology, Inc. and Herbert M. Stein previously filed on a Current Report on Form 8-K, April 15, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.37 Promissory Note dated as of April 13, 2009 by and between Apogee Technology, Inc. and TYJO Corporation Money Purchase Pension Plan previously filed on a Current Report on Form 8-K, April 15, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.38 Promissory Note dated as of April 13, 2009 by and between Apogee Technology, Inc. and the Spiegel Family Limited Partnership previously filed on a Current Report on Form 8-K, April 15, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.39 Promissory Note dated as of April 13, 2009 by and between Apogee Technology, Inc. and JAZFund LLC previously filed on a Current Report on Form 8-K, April 15, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.40 Promissory Note dated as of April 13, 2009 by and between Apogee Technology, Inc. and Annette Jaynes.
- 10.41 Promissory Note dated as of May 18, 2009 by and between Apogee Technology, Inc. and Herbert M. Stein previously filed on a Current Report on Form 8-K, May 20, 2009

- as an exhibit to a Current Report on Form 8-K.
- 10.42 Promissory Note dated as of May 18, 2009 by and between Apogee Technology, Inc. and the Spiegel Family Limited Partnership previously filed on a Current Report on Form 8-K, May 20, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.43 Promissory Note dated as of May 19, 2009 by and between Apogee Technology, Inc. and David Spiegel previously filed on a Current Report on Form 8-K, May 20, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.44 Promissory Note dated as of May 19, 2009 by and between Apogee Technology, Inc. and Annette Jaynes.
- 10.45 Promissory Note dated as of June 10, 2009 by and between Apogee Technology, Inc. and David Spiegel previously filed on a Current Report on Form 8-K, June 15, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.46 Promissory Note dated as of June 10, 2009, 2009 by and between Apogee Technology, Inc. and TYJO Corporation Money Purchase Pension Plan previously filed on a Current Report on Form 8-K, June 15, 2009 as an exhibit to a Current Report on Form 8-K.

- 10.47 Promissory Note dated as of July 1, 2009 and between Apogee Technology, Inc. and Herbert M. Stein previously filed on a Current Report on Form 8-K, July 2, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.48 Promissory Note dated as of July 1, 2009 by and between Apogee Technology, Inc. and David Spiegel previously filed on a Current Report on Form 8-K, July 2, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.49 Promissory Note dated as of November 5, 2009 by and between Apogee Technology, Inc. and Mr. Herbert M. Stein previously filed on a Current Report Form 8-K, November 12, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.50 Promissory Note dated as of November 5, 2009 by and between Apogee Technology, Inc. and Ms. Erica J. Stein previously filed on a Current Report Form 8-K, November 12, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.51 Promissory Note dated as of November 5, 2009 by and between Apogee Technology, Inc. and Mr. David Spiegel previously filed on a Current Report Form 8-K, November 12, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.52 Promissory Note dated as of November 5, 2009 by and between Apogee Technology, Inc. and Mr. Leo Spiegel previously filed on a Current Report Form 8-K, November 12, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.53 Promissory Note dated as of November 5, 2009 by and between Apogee Technology, Inc. and TYJO Corporation Money Purchase Pension Plan previously filed on a Current Report Form 8-K, November 12, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.54 Promissory Note dated as of December 21, 2009 by and between Apogee Technology, Inc. and Mr. Herbert M. Stein previously filed on a Current Report Form 8-K, December 23, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.55 Promissory Note dated as of December 21, 2009 by and between Apogee Technology, Inc. and Mr. David Spiegel previously filed on a Current Report Form 8-K, December 23, 2009 as an exhibit to a Current Report on Form 8-K.
- 10.56 Promissory Note dated as of January 25, 2010 by and between Apogee Technology, Inc. and David Spiegel. (Previously filed on a Current Report on Form 8-K, January 27, 2010.)
- 10.57 Promissory Note dated as of January 25, 2010 by and between Apogee Technology, Inc. and Herbert M. Stein. (Previously filed on a Current Report on Form 8-K, January 27, 2010.)
- 10.58 Promissory Note dated as of January 25, 2009 by and between Apogee Technology, Inc. and Friedrich Reiner. (Previously filed on a Current Report on Form 8-K, January 27, 2010.)
- 10.59 Form of Warrant. (Previously filed on a Current Report on Form 8-K, January 27, 2010.)
- 10.60 Promissory Note dated as of February 22, 2010 by and between Apogee Technology, Inc. and Herbert M. Stein. (Previously filed on a Current Report on Form 8-K, February 24, 2010.)
- 10.61 Form of Warrant. (Previously filed on a Current Report on Form 8-K, February 24, 2010.)
- 10.62 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.)
- 10.63 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.)
- 10.64 Form of Warrant. (Previously filed on a Current Report on Form 8-K, April 22, 2010.)
- 10.65 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.)
- 10.66 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.)
- 10.67 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.)
- 10.68 Form of Warrant. (Previously filed on a Current Report on Form 8-K, June 4, 2010.)
- 10.69 Common Stock Purchase Warrant (Previously filed on a Current Report on Form 8-K, July 23, 1010.)
- 10.70 Promissory Note dated as of August 11, 2010 by and between Apogee Technology, Inc. and Herbert M. Stein. (Previously filed on a Current Report on Form 8-K, August 13, 2010.)
- 10.71 Promissory Note dated as of August 11, 2010 by and between Apogee Technology, Inc. and David Spiegel. (Previously filed on a Current Report on Form 8-K, August 13, 2010.)
- 10.72 Form of Warrant. (Previously filed on a Current Report on Form 8-K, August 13, 2010.)
- 10.73 Promissory Note dated as of September 22, 2010 by and between Apogee Technology, Inc. and Herbert M. Stein. (Previously filed on a Current Report on Form 8-K, September 27, 2010.)
- 10.74 Form of Warrant. (Previously filed on a Current Report on Form 8-K, September 27, 2010.)
- 10.75 Common Stock Purchase Warrant (Previously filed on a Current Report on Form 8-K, September 27, 1010.)

- 10.76 Promissory Note dated as of November 18, 2010 by and between Apogee Technology, Inc. and Herbert M. Stein. (Previously filed on a Current Report on Form 8-K, November 22, 1010.)
- 10.77 Promissory Note dated as of November 18, 2010 by and between Apogee Technology, Inc. and Max Scheuerer. (Previously filed on a Current Report on Form 8-K, November 22, 1010.)
- 10.78 Form of Warrant. (Previously filed on a Current Report on Form 8-K, November 22, 2010.)
- 23 Consent of Independent Accountants
- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Principal Executive Officer.
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Principal Financial Officer.
- 32 Statement pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer and Principal Financial Officer.

* Confidential treatment requested as to certain portions of the document, which portions have been omitted and filed separately with the Securities and Exchange Commission.

Where a document is incorporated by reference from a previous filing, the exhibit number of the document in that previous filing is indicated in parentheses after the description of such document.

SIGNATURES

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

APOGEE TECHNOLOGY, INC.

/s/ Herbert M. Stein

By:

Herbert M. Stein, President

Chief Executive Officer,

Chairman of the Board

Date: March 31, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below and on the dates indicated.

| Signatures | Title | Date |
|--|---|----------------|
| By: /s/ Herbert M. Stein Herbert M. Stein | President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer) | March 31, 2011 |
| By: /s/ Paul J. Murphy Paul J. Murphy | Chief Financial Officer Vice President of Finance and Treasurer (Principal Financial Office and Principal Accounting Officer) | March 31, 2011 |
| By: /s/ Craig A. Dubitsky Craig A. Dubitsky | Director | March 31, 2011 |
| By: /s/ Arthur S. Reynolds Arthur S. Reynolds | Director | March 31, 2011 |
| By: /s/ Sheryl B. Stein Sheryl B. Stein | Director | March 31, 2011 |
| By: /s/ Alan W. Tuck | Director | March 31, 2011 |

Alan W. Tuck

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ANNUAL REPORT ON FORM 10-K

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

APOGEE TECHNOLOGY, INC.
(A DEVELOPMENT STAGE COMPANY)

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| Consolidated Balance Sheets December 31, 2010 and December 31, 2009 | F-2 |
| Consolidated Statements of Operations-Years Ended December 31, 2010 and 2009 and for the period from October 1, 2008 (date re-entering development stage) through December 31, 2010 | F-3 |
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of Apogee Technology, Inc.

We have audited the accompanying consolidated balance sheets of Apogee Technology, Inc. and Subsidiary (a development stage company), (“the Company”), as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders’ deficiency, and cash flows for each of the years in the two-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Apogee Technology, Inc. and Subsidiary as of December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the years in the two-year period then ended in conformity with accounting standards generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has had recurring operating losses, has negative cash flows from operations of approximately \$800,000, negative working capital of approximately \$7,000,000, and a stockholders’ deficiency of approximately \$6,800,000, is in arrears with a majority of its vendors and is in default on a majority of its promissory notes. These conditions raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters also are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Miller Wachman LLP
Boston, Massachusetts
March 29, 2011

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

CONSOLIDATED BALANCE SHEETS

| | DECEMBER 31, 2010 | DECEMBER 31, 2009 |
|---|----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 19,719 | \$ 4,704 |
| Accounts receivable | 25,000 | — |
| Prepaid expenses and other current assets | 2,213 | 2,694 |
| Total current assets | 46,932 | 7,398 |
| Property and equipment, net | 25,440 | 44,042 |
| Other assets | | |
| Patents, net | 170,988 | 118,570 |
| | \$ 243,360 | \$ 170,010 |
| LIABILITIES AND STOCKHOLDERS' DEFICIENCY | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 3,773,620 | \$ 3,092,189 |
| Officer loans and notes payable | 1,470,134 | 1,060,542 |
| Shareholder loans and notes payable | 1,346,443 | 1,206,283 |
| Other loans and notes payable | 438,573 | 796,320 |
| Total current liabilities | 7,028,770 | 6,155,334 |
| Stockholders' deficiency | | |
| Preferred stock, \$0.0001 par value per share; 5,000,000 shares authorized, none issued and outstanding. | | |
| Common stock, \$0.01 par value per share; 40,000,000 shares authorized, 13,178,454 issued and outstanding at December 31, 2010 and 12,132,332 issued and outstanding at December 31, 2009 | 131,785 | 121,323 |
| Additional paid-in capital | 19,776,466 | 18,973,783 |
| Accumulated deficit | (21,891,704) | (21,891,704) |
| Accumulated deficit during development stage | (4,801,957) | (3,188,726) |
| Total stockholders' deficiency | (6,785,410) | (5,985,324) |
| | \$ 243,360 | \$ 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

| | YEARS ENDED DECEMBER 31, | | Cumulative from Re-entering of Development Stage on October 1, 2008 through December 31, 2010 |
|--|--------------------------|----------------|--|
| | 2010 | 2009 | |
| Revenues | | | |
| Consulting | \$ 65,000 | \$ — | \$ 65,000 |
| Costs and expenses | | | |
| Research and development | 426,240 | 703,030 | 1,608,350 |
| Selling, general and administrative | 1,035,282 | 1,111,819 | 2,585,702 |
| | 1,461,522 | 1,814,849 | 4,194,052 |
| Loss from operations | (1,396,522) | (1,814,849) | (4,129,052) |
| Other income (expense) | | | |
| Gain on extinguishment of debt | 341,810 | — | 341,810 |
| Warrant expense | (62,044) | — | (62,044) |
| Interest and other expense | (498,510) | (386,608) | (957,496) |
| Interest and other income | 2,035 | 2,106 | 4,825 |
| | (216,709) | (384,502) | (672,905) |
| Net loss | \$ (1,613,231) | \$ (2,199,351) | \$ (4,801,957) |
| Basic and diluted loss per common share | \$ (0.13) | \$ (0.18) | |
| Weighted average common shares outstanding – basic and diluted | 12,695,064 | 12,132,332 | |

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 STOCKHOLDERS' DEFICIENCY

| | Shares | Common Stock | Additional Paid-in Capital | Accumulated Deficit | Accumulated Deficit During the Development Stage | Total |
|---|------------|-----------------|----------------------------------|------------------------|--|---------------|
| Balance January 1, 2009 | 12,132,332 | \$ 121,323 | \$ 18,786,046 | \$(21,891,704) | \$ (989,375) | \$(3,973,710) |
| Net loss | — | — | — | — | (2,199,351) | (2,199,351) |
| Issuance of stock* | — | — | 11,480 | — | — | 11,480 |
| Issuance of warrants | — | — | 112,982 | — | — | 112,982 |
| Stock based compensation for employees and directors | — | — | 63,275 | — | — | 63,275 |
| Balance at December 31, 2009 | 12,132,332 | \$ 121,323 | \$ 18,973,783 | \$(21,891,704) | \$ (3,188,726) | \$(5,985,324) |
| Net loss | — | — | — | — | (1,613,231) | (1,613,231) |
| Issuance of stock | 1,046,122 | 10,462 | 1,035,661 | — | — | 1,046,123 |
| Gain on extinguishment of debt | — | — | (341,810) | — | — | (341,810) |
| Issuance of warrants | — | — | 142,898 | — | — | 142,898 |
| Stock based compensation for employees and directors | — | — | (34,066) | — | — | (34,066) |
| Balance at December 31, 2010 | 13,178,454 | \$ 131,785 | \$ 19,776,466 | \$(21,891,704) | \$ (4,801,957) | \$(6,785,410) |

* Write-off of unrealized finder's fee.

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

| | YEARS ENDED DECEMBER 31, | | Cumulative from Re-entering of Development Stage on October 1, 2008 through December 31, 2010 |
|---|-----------------------------|---------------|---|
| | 2010 | 2009 | 2010 |
| Cash flows from operations | | | |
| Net loss | \$(1,613,231) | \$(2,199,351) | \$ (4,801,957) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation and amortization | 79,312 | 98,011 | 234,775 |
| Stock compensation expense for employees and directors | (34,066) | 63,275 | 57,588 |
| Original issue discount | 105,360 | 87,423 | 215,268 |
| Warrant expense | 62,044 | — | 62,044 |
| Patent impairment | — | 17,267 | 205,674 |
| Disposal of sensor equipment | — | 3,731 | 3,731 |
| Gain on extinguishment of debt | (341,810) | — | (341,810) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (25,000) | — | (25,000) |
| Prepaid expenses and other current assets | 480 | 5,641 | 32,900 |
| Accounts payable and accrued expenses | 967,554 | 824,915 | 2,187,507 |
| Net cash used in operating activities | (799,357) | (1,099,088) | (2,169,280) |
| Cash flows from investing activities | | | |
| Purchases of property and equipment | — | — | |
| Patent costs | (113,128) | (21,580) | (156,824) |
| Net cash used in investing activities | (113,128) | (21,580) | (156,824) |
| Cash flows from financing activities | | | |
| Bank overdraft | — | (49,236) | — |
| Proceeds for shareholder loans and notes payable | 130,000 | 331,665 | 576,665 |
| Proceeds from officer loans and notes payable | 401,500 | 283,900 | 710,400 |
| Proceeds from other loans and notes payable | 251,000 | 547,563 | 906,562 |
| Proceeds and adjustment from sale of equity securities* | 145,000 | 11,480 | 156,480 |
| Net cash provided by financing activities | 927,500 | 1,125,372 | 2,350,107 |

| | | | |
|--|------------|------------|------------|
| Increase/decrease in cash | 15,015 | 4,704 | 24,003 |
| Cash — beginning | 4,704 | — | (4,284) |
| Cash — ending | \$ 19,719 | \$ 4,704 | \$ 19,719 |
| Supplemental Cash Flow Information: | | | |
| Non-cash financing activities | \$— | \$— | \$ — |
| Warrants issued in connection with notes payable and stock sales | \$ 142,898 | \$ 112,892 | \$ 266,722 |
| Converted promissory notes to common stock | \$ 615,000 | \$— | \$ 615,000 |
| Converted interest to common stock | \$ 286,122 | \$— | \$ 286,122 |

* Includes write-off of unrealized finder's fee of \$11,480 in 2009

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

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY

(A Development Stage Company)

Notes to the Consolidated Financial Statements

December 31, 2010 and 2009

1. The Company and Basis of Presentation

The Company

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 and focused on the proof-of-concept stability studies of PyraDerm system and relevant formulation and process development activities. In 2010 Apogee, while still operating under the same conditions, has continued these efforts concentrating on the development of analytical and quality control systems, as well as further advancement of microneedle with improved stability. We believe that these development efforts are critically important for the successful commercialization of our microneedle platform. 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, 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. Apogee has

recurring operating losses, negative cash flows from operations, negative working capital of approximately \$7.0 million and stockholder's deficiency of approximately \$6.8 million. We are in arrears with substantially all of our vendors, and in default on a majority of our Promissory Notes and occasionally have been in arrears with payroll and related expenses. Net losses were approximately \$1.6 million and negative cash flows from operations were approximately \$800,000 for the twelve months ended December 31, 2010. This raises substantial doubt about our ability to continue as a going concern. 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 obtaining additional funding which is not assured.

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APOGEE TECHNOLOGY, INC. AND SUBSIDIARY

(A Development Stage Company)

Notes to the Consolidated Financial Statements

December 31, 2010 and 2009

As of December 31, 2010, we had cash of approximately \$20,000. See Note 18 - Subsequent Events – Additional Financing. As of March 31, 2011, we had cash of approximately \$15,000.

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 three years, 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 pay operating expenses, primarily payroll and related expenses, preserve our intellectual property, maintain our technical capabilities and know-how, and support our technology development in accordance with our licensing agreement. As more fully described in Note 18, during 2011 through March 29, 2011, we received a total of approximately \$131,000 from Mr. Stein and \$25,000 from Mr Spiegel in the form of loans. 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 and continued during 2010.

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, Apogee received a "Wells Notice" from the staff of the Securities and Exchange Commission, which stated that the staff's intent was to recommend that the Commission institute a public administrative proceeding against the Apogee, alleging that it violated Section 13(a) of the Securities Exchange Act of 1934. In connection with the contemplated proceedings, the staff could have sought a suspension or revocation of registration of each class of our registered securities. Also, the staff might have considered whether contempt proceedings in a federal district court were appropriate. We submitted a response to this letter on November 16, 2009.

On December 18, 2009 we filed our delinquent financial report on Form 10-K for the year ended December 31, 2008. This report contained a Disclaimer of Opinion by our Independent Accountants due to significant uncertainty as to our 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. This Disclaimer of Opinion was removed on a subsequent filing. We were also delinquent on our Form 10-K for the Year

ended December 31, 2009 An Order of Suspension of trading in our securities was enacted at that time. We also did not file its Form 10-Q for the quarters ended March 31, 2010 and June 30, 2010.

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In June 2010 the SEC and Apogee entered into a Settlement agreement without a Hearing, under which we would file all our delinquent filings without a material deficiency by a mutually agreed date. Failure to do so would activate an Order to revoke the ability for our securities to trade on an exchange. On August 18, 2010 we filed Amendment No.1 to our Form 10-K for the fiscal year ended 2008, Amendment No.1 to our Form 10-Qs for the first, second and third quarters of 2009 as well as our Form 10-K and Form 10-Q for the fiscal year ended December 31, 2009 and the quarters ended March 31, 2010 and June 30, 2010, respectively.

On August 27, 2010 we received Release No. 62786, informing us that the administrative proceeding were terminated and that final judgment be entered without the imposition of a remedy pursuant to Section 12(j) of the Securities Exchange Act of 1934.

On December 8, 2010 our application to regain trading status on the OTC Bulletin Board was submitted to the Financial Industry Regulatory Authority ("FINRA"). On January 21, 2011 we received notification from FINRA that our Common Stock was clear to enter quotations on the OTC Bulletin Board and OTC Link.

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.

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 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.

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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”) ASC 915 “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, 2010.

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.

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 13 – Income Taxes and Tax Loss Carryforwards.

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APOGEE TECHNOLOGY, INC. AND SUBSIDIARY

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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 2010 and 2009 was 12,695,064 and 12,132,332, 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 10 – Legal and Related Indemnification Arrangements with our Executives and Others.

Advertising

Advertising costs are expenses when incurred and were not significant for the years ended December 31, 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”).

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.

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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.

Fair value of financial instruments

Carrying amounts of certain of our financial instruments, including cash and notes 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.

Recently Adopted Accounting Pronouncements and Regulations

In April 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-17, "Revenue Recognition — Milestone Method (Topic 605). The objective of this update is to provide guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions, in particular for instances whereby a portion or all of the consideration is contingent upon milestone events such as achieving a specific result from the research or development efforts. Under this guidance, a vendor can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. Determining whether a milestone is substantive is a matter of judgment made at the inception of the arrangement. In addition, this update requires specific disclosures. This update is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted. We do not expect any significant changes to our financial accounting and reporting as a result of the issuance of ASU 2010-17.

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. Accounts Receivable

Accounts Receivable was \$25,000 at December 31, 2010 and \$-0- at December 31, 2009. No valuation reserve is required.

4. Property and Equipment

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

| | December 31, 2010 | December 31, 2009 |
|------------------------|----------------------|----------------------|
| Equipment | \$ 162,789 | \$ 162,789 |
| Software | 32,943 | 32,943 |
| Furniture and fixtures | 22,047 | 22,047 |
| Leasehold improvements | 92,892 | 92,892 |

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| | | | | |
|-------------------------------|----|------------|----|------------|
| | \$ | 310,671 | \$ | 310,671 |
| Less accumulated depreciation | | (285,231) | | (266,629) |
| | \$ | 25,440 | \$ | 44,042 |

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Depreciation expense was \$18,602 and \$31,787 for the years ended December 31, 2010 and 2009, respectively.

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

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

5. Asset Impairment

We did not record any patent impairment charge for the year fiscal year ended December 31, 2010. 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 twelve months ended December 31, 2010 and 2009, we amortized approximately \$60,700 and \$34,600, respectively, of patent application related expenses.

The value of patent costs is summarized in the table below:

| | Gross Carrying Value | Accumulated Amortization | Accumulated Impairment | Net Book Value |
|-------------------|----------------------|--------------------------|------------------------|----------------|
| December 31, 2009 | \$436,099 | (71,855) | (245,674) | \$118,570 |
| December 31, 2010 | \$549,227 | (132,565) | (245,674) | \$170,988 |

Estimated amortization is as follows:

| Year ended December 31, | |
|-------------------------|--------|
| 2011 | 60,711 |
| 2012 | 60,711 |
| 2013 | 26,941 |
| 2014 | 22,625 |

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 | December 31, 2010 | December 31, 2009 |
|--|----------------------|----------------------|
| Legal and accounting expenses | \$ 1,761,000 | \$ 1,691,000 |
| Consulting expenses | 53,000 | 70,000 |
| Interest owed to Promissory Note holders | 519,000 | 412,000 |
| Corporate insurance | 1,000 | 4,000 |
| Director and Advisory Committee fees | 155,000 | 100,000 |
| Rent | 106,000 | 70,000 |
| Other expenses | 570,000 | 420,000 |
| | \$ 3,165,000 | \$ 2,767,000 |

| Accrued Expenses | December 31, 2010 | December 31, 2009 |
|---|----------------------|----------------------|
| Accrued audit expenses | \$ 29,000 | \$ 100,000 |
| Accrued legal expenses | 48,000 | 25,000 |
| Accrued consulting expenses | 65,000 | 46,000 |
| Accrued Officer payroll and payroll taxes | 447,000 | 134,000 |
| Other accrued expenses | 20,000 | 20,000 |
| | \$ 609,000 | \$ 325,000 |

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7. Promissory Notes, Loans and Warrants

During the twelve months ended December 31, 2010, Apogee received \$752,500, consisting of \$401,500 from Mr. Herbert M. Stein, President, Chief Executive Officer and Chairman of the Board of Directors, \$130,000 from Mr. David Spiegel, a major shareholder, \$126,000 from Max Scheuerer, \$75,000 from Erica Stein and \$20,000 from JAZFund LLC. 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 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.

As a result of the above conversion, total unpaid interest of approximately \$519,000 is due as of December 31, 2010, consisting of \$127,000 to Mr. Stein, \$339,000 to Mr. Spiegel and \$53,000 to others.

In addition to loans, we received \$145,000, consisting of \$100,000 from TYJO Corp. Money Purchase Pension Plan and \$45,000 from others, for the purchase of one hundred forty-five thousand (145,000) shares of Apogee Technology, Inc. Common Stock at \$1.00 per share.

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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, Apogee 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.

Mr. Friedrich Reiner requested that his \$30,000 Promissory Note be converted into shares of Apogee Common Stock. On September 22, 2010 the Board of Directors approved this transaction and authorized the issuance of 30,000 shares of Apogee Technology, Inc. Common Stock at a price of \$1.00 per share. The closing price on September 22, 2010 was \$0.45; therefore, Apogee recorded a \$16,500 gain on extinguishment of debt at September 30, 2010.

In addition, unpaid rent and utilities of approximately \$106,000 and \$66,000, respectively, are owed to Mr. Spiegel as of December 31, 2010.

Through December 31, 2010, Apogee has received total proceeds from loans and promissory notes and stock purchases of approximately \$4.0 million, consisting of approximately \$3.3 million in loans and promissory notes and \$760,000 in stock purchases. The loans and promissory notes outstanding at December 31, 2010 consisted of approximately \$1.3 million, \$1.5 million and \$500,000 in loans and promissory notes from Mr. Spiegel, Mr. Stein, and others, respectively.

As of December 31, 2010, promissory notes in the amount of \$2.9 million are in default and accruing post-maturity interest.

| Date of Promissory Note | Amount | Maturity Date | Promissory Notes and Loans Due To David Spiegel | |
|-------------------------------|------------|-------------------|--|-----------------------------|
| | | | Initial Interest Rate | Current Interest Rate |
| December 11, 2007 | \$ 150,000 | March 10, 2008 | 8.00 % | 12.00 % |

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| | | | | |
|----------------------|--------------|-----------------------|--------|---------|
| 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 % |
| December 29, 2009 | 4,665 | July 24, 2010 | 8.00 % | 12.00 % |
| April 16, 2010 | 16,000 | October 13, 2010 | 8.00 % | 12.00 % |
| June 4, 2010 | 14,000 | December 1, 2010 | 8.00 % | 12.00 % |
| August 11, 2010 | 100,000 | February 7, 2011 | 8.00 % | 8.00 % |
| | \$ 1,346,665 | | | |

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| | | Promissory Notes and Loans Due To 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 % |

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| | | | | |
|-----------------------|--------------|----------------------|--------|---------|
| 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 % |
| January 25, 2010 | 79,000 | July 24, 2010 | 8.00 % | 12.00 % |
| February 22, 2010 | 66,000 | August 21, 2010 | 8.00 % | 12.00 % |
| April 16, 2010 | 86,500 | October 13, 2010 | 8.00 % | 12.00 % |
| June 4, 2010 | 116,000 | December 1, 2010 | 8.00 % | 12.00 % |
| August 11, 2010 | 45,700 | February 7, 2011 | 8.00 % | 8.00 % |
| September 22, 2010 | 6,300 | March 21, 2011 | 8.00 % | 8.00 % |
| November 18, 2010 | 9,000 | May 17, 2011 | 8.00 % | 8.00 % |
| January 6, 2011 | 20,000 | July 5, 2011 | 8.00 % | 8.00 % |
| | \$ 1,470,400 | | | |

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY

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| Date of Promissory Note | Amount | Maturity Date | Promissory Notes and Loans Due To Others | |
|-------------------------|------------|--------------------|--|-----------------------|
| | | | 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 % |
| June 4, 2010* | 20,000 | December 1, 2010 | 12.00 % | 16.00 % |
| November 18, 2010 | 126,000 | May 17, 2011 | 8.00 % | 8.00 % |
| January 6, 2011 | 75,000 | July 5, 2011 | 8.00 % | 8.00 % |
| | \$ 451,563 | | | |

The promissory notes issued to Messrs. Stein, Spiegel and Others from December 11, 2007 through December 31, 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 2010 was approximately 14%.

*The promissory notes issued to JAZFund LLC on April 13, 2009 and June 4, 2010 in the amounts of \$30,000 and \$20,000, respectively, are incurring a post-maturity rate of 16% compounded monthly. These promissory notes originally were issued with simple interest of 12% per year and were to be repaid in cash after 180 days.

The following tables represent the net payable from promissory notes and loans as of December 31, 2010.

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| | Officer Loans Herbert M. Stein | Shareholder Loans David Spiegel | Loans Other | Total |
|--|-----------------------------------|------------------------------------|----------------|--------------|
| Total proceeds from Loans and Promissory Notes | \$ 1,470,400 | \$ 1,346,665 | \$ 451,563 | \$ 3,268,628 |
| Discount (Fair Market Value of Warrants) | (266) | (222) | (12,989) | (13,477) |
| | \$ 1,470,134 | \$ 1,346,443 | \$ 438,574 | \$ 3,255,151 |

In connection with the issuance of the promissory notes and the sale of Apogee Technology, Inc. common stock, we issued warrants to purchase additional shares of our common stock. Each warrant expires three years from issue date with an exercise price of \$1.00 per share. As of December 31, 2010, these warrants represent, in the aggregate, an underlying one hundred nineteen thousand six hundred sixty-six (119,666) shares of common stock for Mr. Spiegel, an underlying one hundred twenty-two thousand forty (120,040) shares of common stock for Mr. Stein, an underlying three hundred thirty-four thousand five hundred (334,500) shares of common stock for Mr. Schacter, and an underlying one hundred seventy-seven thousand three hundred six (177,306) 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 50% 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. Apogee used the Black Scholes method to value these warrants. As a result of this transaction, we recorded an additional warrant expense of \$56,754 during the second quarter ended June 30, 2010.

Also included below and, in consideration of the conversion of Mr. Friedrich Reiner's \$30,000 Promissory Note to Apogee Technology, Inc. common stock, the Board of Directors on September 22, 2010 approved the issuance of an additional 15,000 in warrants to Mr. Reiner. Apogee used the Black Scholes method to value these warrants. As a result of this transaction, we recorded a \$5,290 discount value during the third quarter ended September 30, 2010.

Both the warrants issued to Mr. Robert Schacter et al and Mr. Friedrich Reiner 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.

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY

(A Development Stage Company)

Notes to the Consolidated Financial Statements

December 31, 2010 and 2009

David Spiegel

| Date of Warrant | Number of Shares | Stock Price | Term of Warrant | Strike Price | Risk Free | Volatility | Value Per | Total Value |
|-------------------|------------------|---------------------|-----------------|--------------|---------------|------------|-----------|-------------|
| | | At Date of Issuance | | | Interest Rate | | Warrant | |
| 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 |
| August 11, 2010 | 10,000 | \$0.30 | 3 Years | \$1.00 | 0.81 | 157.16541% | \$0.2115 | 2,115.00 |
| Total | 119,666 | | | | | | | \$56,056.82 |

Herbert M. Stein

Stock Price

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| Date of Warrant | Number of Shares | 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 | 104.54508% | \$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 |
| August 11, 2010 | 4,570 | \$0.30 | 3 Years | \$1.00 | 0.81 | 157.16541% | \$0.2115 | 966.56 |
| September 22, 2010 | 630 | \$0.45 | 3 Years | \$1.00 | 0.68 | 166.23169% | \$0.3527 | 222.20 |
| November 18, 2010 | 900 | \$0.35 | 3 Years | \$1.00 | 0.77 | 170.06822% | \$0.2709 | 243.81 |
| Total | 120,040 | | | | | | | \$59,515.74 |

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Notes to the Consolidated Financial Statements

December 31, 2010 and 2009

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 |
| June 4, 2010 | 25,000 | \$0.50 | 3 Years | \$1.00 | 1.17 | 153.12821% | \$0.3740 | 9,350.00 |
| June 4, 2010 | 151,750 | \$0.50 | 3 Years | \$1.00 | 1.17 | 153.12821% | \$0.3740 | 56,754.50 |
| July 9, 2010 | 12,500 | \$0.55 | 3 Years | \$1.00 | 1.03 | 156.64976% | \$0.4240 | 5,300.00 |
| September 22, 2010 | 12,500 | \$0.45 | 3 Years | \$1.00 | 0.68 | 166.23169% | \$0.3527 | 4,408.75 |
| Total* | 334,500 | | | | | | | \$142,799.73 |

*322,500 warrants issued in the name of TYJO Corporation Money Purchase Pension Plan, 6,000 warrants issued in the name of Mr. Robert Schacter, as Custodian for Tyler Schacter UTMA/CA and 6,000 warrants issued in the name of Mr. Robert Schacter, as Custodian for Joseph Schacter UTMA/CA.

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY

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Notes to the Consolidated Financial Statements

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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 |
| 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 |
| July 21, 2010 | 22,500 | \$0.55 | 3 Years | \$1.00 | 0.91 | 156.39589% | \$0.4233 | 9,524.00 |
| September 22, 2010 | 15,000 | \$0.45 | 3 Years | \$1.00 | 0.68 | 166.23169% | \$0.3527 | 5,290.50 |
| November 18, 2010 | 63,000 | \$0.35 | 3 Years | \$1.00 | 0.77 | 170.06822% | \$0.2709 | 17,066.70 |
| Total | 177,306 | | | | | | | \$70,012.41 |

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

8. Stockholders' Deficiency

Sale of Common Stock

On May 24, 2010, June 4, 2010 and July 9, 2010, Apogee received \$50,000, \$25,000 and \$25,000, respectively, from TYJO Corporation Money Purchase Pension Plan for the purchase of 100,000 shares of Apogee common stock and warrants to purchase 50,000 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.

In addition Apogee 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 through September 30, 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.

In 2009, \$11,480 of accrued potential finder's fees associated with the 2008 private placement was adjusted to additional paid-in capital.

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, we recorded a \$292,500 gain on extinguishment of this debt at June 30, 2010. As of December 31, 2010, 685,000 shares of Apogee Common Stock have been issued to Mr. Robert Schacter et al.

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APOGEE TECHNOLOGY, INC. AND SUBSIDIARY

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Mr. Friedrich Reiner requested that his \$30,000 Promissory Note be converted into shares of Apogee Common Stock. On September 22, 2010 the Board of Directors approved this transaction and authorized the issuance of 30,000 shares of Apogee Technology, Inc. Common Stock at a price of \$1.00 per share. The closing price on September 22, 2010 was \$0.45; therefore, we recorded a \$16,500 gain on extinguishment of debt at September 30, 2010. As of December 31, 2010, 50,000 shares of Apogee Common Stock have been issued to Mr. Reiner.

Interest Conversion

On June 26, 2010 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'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

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. Apogee used the Black Scholes method to value these warrants. As a result of this transaction, we 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.

Additionally, in consideration of the conversion of Mr. Friedrich Reiner's \$30,000 Promissory Note to Apogee Technology, Inc. common stock, the Board of Directors, on September 22, 2010, approved the issuance of an additional 15,000 in warrants to Mr. Reiner. Apogee used the Black Scholes method to value these warrants. As a result of this transaction, we recorded a \$5,290 warrant expense during the third quarter ended September 30, 2010.

Stock Options

During the twelve months ended December 31, 2010 and December 31, 2009 no stock options were awarded.

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 each fiscal year ended December 31, 2010 and 2009. Rent has been accrued and remains unpaid since January 2009 totaling \$105,600 through December 31, 2010. See also Note 7 – Promissory Notes, Loans and Warrants from Officers and Significant Stockholders.

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APOGEE TECHNOLOGY, INC. AND SUBSIDIARY

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

Apogee assumed and if necessary 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 December 31, 2010, we have incurred approximately \$914,000 toward this indemnification. For the twelve months ended December 31, 2010 and 2009, we incurred approximately \$3,000 and \$122,000, respectively, toward this indemnification.

Apogee first became aware of an investigation by the SEC in May 2005. The subject matter of this investigation was Apogee's prior revenue recognition practices that were addressed in the restatement of our 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 Apogee 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 Apogee indicates that in any action actually brought against us, 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 Apogee, 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 December 31, 2010, we have incurred approximately \$554,000 toward this indemnification. For the twelve months ended December 30, 2010 we did not incur any legal expenses associated with this indemnification. This compares to approximately \$1,600 for the twelve months ended December 31, 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.

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Due to its financial condition, the Company had been unable to fund payments to its auditors as well as its financial printer. 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 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 Company also did not file its Form 10-Q for the quarter ended March 31, 2010 and June 30, 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 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.

On August 27, 2010 we received Release No. 62786, informing us that the administrative proceeding were terminated and that final judgment be entered without the imposition of a remedy pursuant to Section 12(j) of the Securities Exchange Act of 1934.

On December 8, 2010 our application to regain trading status on the OTC Bulletin Board was submitted to the Financial Industry Regulatory Authority (“FINRA”). Subsequently, on January 21, 2011 we received notification from FINRA that our Common Stock was clear to enter quotations on the OTC Bulletin Board and OTC Link.

11. Loss Per Common Share

See Note 2 – Loss Per Share

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APOGEE TECHNOLOGY, INC. AND SUBSIDIARY

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12. Employee Retirement 401(k) Plan

Apogee sponsors a 401(k) retirement plan for the benefit of its employees. The plan imposes no contribution requirement or liability upon Apogee. Plan participation is voluntary and unconditional to all employees over 18 and plan contributions are discretionary to the limits allowed by the Internal Revenue Code and are immediately 100% vested. There were no employer contributions during 2010 or 2009.

13. Tax Loss Carryforwards

The components of the approximate provision (benefit) for income tax expense (income) consisted of the following:

| | Years Ended | |
|--------------------------------------|----------------------|----------------------|
| | December 31, 2010 | December 31, 2009 |
| Federal deferred | (476,000) | \$ (800,000) |
| State deferred | (84,000) | (100,000) |
| Increase in valuation allowance | 560,000 | 900,000 |
| Provision (benefit) for income taxes | \$ — | \$ — |

A reconciliation of the approximate statutory federal rate to the effective rate for all periods is as follows:

| | | |
|--------------------------------|-----|---|
| Statutory Federal rate benefit | 34 | % |
| State, net of Federal effect | 6 | |
| Valuation allowance for period | (40 |) |
| Effective rate | — | % |

The significant components of our approximate deferred assets consist of the following:

| | December 31, 2010 | December 31, 2009 |
|--|----------------------|----------------------|
| Deferred tax assets | | |
| Net operating loss carryforwards | 8,000,000 | \$ 7,300,000 |
| Research and development credits and other | 1,000,000 | 1,000,000 |
| Less valuation reserve | (9,000,000) | (8,300,000) |
| Net deferred tax assets | \$ — | \$ — |

The valuation reserve increased by approximately \$700,000 in 2010, primarily due to the generation of net operating loss carryforwards and credits for which realization is not reasonably assured.

The following approximates the net loss carryforwards we have available in the future for Federal and State tax purposes.

| | December 31, 2010 | December 31, 2009 |
|----------------------------------|----------------------|----------------------|
| Net operating loss carryforwards | | |
| Federal | \$ 22,000,000 | \$ 21,000,000 |
| State | \$ 15,000,000 | \$ 14,000,000 |

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| | December 31, 2010 | December 31, 2009 |
|--|----------------------|----------------------|
| Business credits available in the future | | |
| Federal | \$ 960,000 | \$ 960,000 |
| State | \$ 300,000 | \$ 40,000 |

The net operating loss carryforwards will begin to expire in 2017 for Federal tax purposes and in 2011 for State tax purposes at a rate of approximately \$1 million per year through 2025, increasing thereafter through 2030. The Federal and State credits will begin to expire in 2018.

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

14. Supplemental Cash Flow Information

For the fiscal year ended December 31, 2010 we recorded approximately \$500,000 in interest expense, all of which remains unpaid.

15. Stock Based Compensation

Included in our net loss for the year ended December 31, 2010 was a stock based compensation charge of approximately \$24,000 due to the adoption of ASC Topic 718 (formerly SFAS 123(R)). This amount was offset by a “true-up” reduction of \$58,000 as a result of a higher realized forfeiture rate applied to existing options. This compares to a compensation charge of approximately \$63,000 for the year ended December 31, 2009.

A summary of the Apogee’s stock compensation activity with respect to the twelve months ended December 31, 2010 and 2009 follows:

| Stock Options | Shares | Weighted- Average Exercise Price | Weighted- Average Remaining Contractual Term |
|----------------------------------|------------|---|--|
| Outstanding at December 31, 2008 | 3,068,100 | \$ 4.4048 | 5.1333 |
| Granted | — | — | — |
| Exercised | — | — | — |
| Cancelled, forfeited or expired | (138,600) | (1.5838) | — |
| Outstanding at December 31, 2009 | 2,929,500 | 4.5383 | 4.1215 |
| Granted | — | — | — |
| Exercised | — | — | — |
| Cancelled, forfeited or expired | (142,900) | (1.9209) | — |
| Outstanding at December 31, 2010 | 2,786,600 | 4.6725 | 3.2594 |

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| | | | |
|----------------------------------|-----------|-----------|--------|
| Vested at December 31, 2010 | 2,623,800 | 4.9047 | 3.0271 |
| Exercisable at December 31, 2010 | 2,623,800 | \$ 4.9047 | 3.0271 |

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The following table summarizes information about options outstanding as of December 31, 2010:

| Range of Exercise Prices | Number Outstanding | Options Outstanding | | Options Exercisable | |
|-----------------------------------|--------------------|---|---------------------------------|---------------------------|---------------------------------|
| | | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Vested Number Exercisable | Weighted Average Exercise Price |
| \$ 0.45 — 1.69 | 929,000 | 5.9039 | \$0.9899 | 766,200 | \$1.0026 |
| \$ 2.71 — 6.50 | 1,262,600 | 1.2868 | 5.3971 | 1,262,600 | 5.3971 |
| \$ 8.45 — 12.15 | 595,000 | 3.3163 | 8.8849 | 595,000 | 8.8849 |
| Total at December 31, 2010 | 2,786,600 | 3.2594 | \$4.6725 | 2,623,800 | \$4.9048 |

Apogee did not grant options during the twelve months ended December 31, 2010 and 2009. No options were exercised during twelve months ended December 31, 2010 and 2009. In addition, during the twelve months ended December 31, 2010, options to purchase 111,200 shares of Apogee common stock vested. The weighted average fair value of these options was \$0.7870. During the twelve months ended December 31, 2010 options to purchase 142,900 shares of Apogee common stock were cancelled including 120,400 which expired. As of December 31, 2010, approximately 162,800 options to purchase approximately 162,800 shares of Apogee common stock with an approximate value of \$27,000 are not yet vested.

16. Commitments and Contingencies

Leases

We did not have any operating leases at December 31, 2010 or December 31, 2009.

Employment Contract

On June 7, 2004, Apogee entered into a three-year employment contract with its chief executive officer and president whereby he will receive an annual salary of \$295,000. Apogee's board of directors will annually consider granting increases in salary, as well as potential bonuses. In June of 2008, in order to reduce overhead expenses, a 20% pay cut was imposed on most officers and employees including the chief executive officer. In addition, Mr. Herbert M. Stein has not drawn cash compensation from Apogee since June 30, 2009. This employment contract automatically renews for successive periods of two years unless either party notifies the other of its intention not to renew. As part of the salary reduction implemented in 2009 Mr. Stein's salary was reduced by 20%. Effective as of November 3, 2010 Mr. Stein returned to full-time status. Mr. Stein has not drawn cash compensation from Apogee since June 30, 2009. We have accrued Mr. Stein's salary and related taxes. As of December 31, 2010 we have accrued approximately \$447,000 in accrued salary and related taxes.

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17. Supplementary Quarterly Financial Information (Unaudited)

Summarized quarterly financial information for the 12 months ended December 31, 2010 and 2009 are as follows: (in thousands, except per share data):

| | 2010 | | | |
|---|----------|----------|----------|----------|
| | 1st Qtr. | 2nd Qtr. | 3rd Qtr. | 4th Qtr. |
| Net revenue | \$— | \$15 | \$25 | \$25 |
| Costs and expenses | 329 | 356 | 371 | 406 |
| Operating loss | (329) | (340) | (346) | (381) |
| Net loss | (456) | (197) | (456) | (504) |
| Basic and diluted loss per common share | (0.04) | (0.02) | (0.03) | (0.04) |

| | 2009 | | | |
|---|----------|----------|----------|----------|
| | 1st Qtr. | 2nd Qtr. | 3rd Qtr. | 4th Qtr. |
| Net revenue | \$— | \$— | \$— | \$— |
| Costs and expenses | 606 | 432 | 415 | 362 |
| Operating loss | (606) | (432) | (415) | (362) |
| Net loss | (691) | (529) | (512) | (467) |
| Basic and diluted loss per common share | (0.06) | (0.04) | (0.04) | (0.04) |

18. Subsequent Events

Additional Financings

The following table details all financings subsequent to our year ended December 31, 2010:

| Date of Loan or Promissory Note and Warrant | Amount of Loan or Note | Maturity Date | Number of Interest Warrants | Risk Free Interest Rate | Volatility | Value Per Warrant | Total Value of Warrants |
|---|------------------------|---------------|-----------------------------|-------------------------|------------|-------------------|-------------------------|
| Herbert M. Stein* | | | | | | | |
| March 4, 2011 | \$ 27,100 | | | | | | |
| March 10, 2011 | 26,000 | | | | | | |
| March 15, 2011 | 15,000 | | | | | | |
| March 16, 2011 | 12,500 | | | | | | |
| March 28, 2011 | 50,000 | | | | | | |
| | \$130,600 | | | | | | |

| Date of Loan or Promissory Note | Amount of Loan or Note | Maturity Date | Number of Warrants | Risk Free Interest Rate | Volatility | Value Per Warrant | Total Value of Warrants |
|---------------------------------|------------------------|---------------|--------------------|-------------------------|------------|-------------------|-------------------------|
| | | | | | | | |

| Note and Warrant | Note | Date | Interest Warrants Rate | Volatility Warrant | Warrants |
|------------------|-----------|------|------------------------|--------------------|----------|
| David Spiegel* | | | | | |
| March 29, 2011 | \$ 25,000 | | | | |

* Date funds received

SEC – Investor Complaint

We received a letter dated January 21, 2011 from the SEC informing us that one of our investors, Mr. Max Scheuerer had filed a complaint alleging that the \$126,000 investment he made on October 13, 2010 had been classified as a loan but it was his understanding that it was for the purchase of stock. He further stated that Apogee had refused to return the \$126,000 investment and that we did not provide him any documentation evidencing the transaction.

On February 9, 2011 we responded to the SEC providing a detailed memorandum including a chronology of events and documentation supporting our claim that we did not misrepresent Mr. Scheuerer's investment. We further offered to rectify the situation by converting his investment to common stock.

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OTC Bulletin Board

On January 21, 2011 we received notification from FINRA that our Common Stock was clear to enter quotations on the OTC Bulletin Board and OTC Link.

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