APOGEE TECHNOLOGY INC
Form 10-Q
August 15, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

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

For the transition period from to

Commission file number 001-10456

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

DELAWARE (State or other jurisdiction of incorporation)	04-3005815 (I.R.S. Employer Identification No.)

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

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

NOT APPLICABLE
(Former name, former address and former fiscal year,
if changed since last report)

Securities registered under Section 12(g) of the Exchange Act:
Common Stock
(Title of Class)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) of this chapter) during the proceeding 12 months (or such shorter periods that the registrant was required to submit and post such files). x Yes o No

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

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 13,178,454 shares of common stock as of August 1, 2011 were outstanding.

APOGEE TECHNOLOGY, INC.

(A Development Stage Company)

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PART I - FINANCIAL INFORMATION

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

	JUNE 30, 2011 (Unaudited)	DECEMBER 31, 2010 (Audited)
ASSETS		
Current assets		
Cash	$1,147	$ 19,719
Accounts Receivable	—	25,000
Prepaid expenses and other current assets	1,000	2,213
Total current assets	2,147	46,932
Property and equipment, net	17,343	25,440
Other assets		
Patents, net	161,224	170,988
	$180,714	$ 243,360
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued expenses	$4,321,614	$ 3,773,620
Officer loans and notes payable	1,665,000	1,470,134
Shareholder loans and notes payable	1,371,665	1,346,443
Other loans and notes payable	435,496	438,573
Total current liabilities	7,793,775	7,028,770
Stockholders' deficiency		
Preferred stock, par value $0.0001 per share; 5,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.01 par value; 40,000,000 shares authorized, 13,178,454 issued and outstanding at June 30, 2011 and at December 31, 2010	131,785	131,785
Additional paid-in capital	19,828,868	19,776,466
Accumulated deficit	(21,891,704)	(21,891,704)
Accumulated deficit during development stage	(5,682,010)	(4,801,957)

Total stockholders’ deficiency	(7,613,061)	(6,785,410)
	$180,714	$ 243,360

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

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

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Cumulative from Re-entering Development Stage on October 1, 2008 to June 30, 2011
Revenues					
Product sales	$—	$—	$—	$—	$ —
Consulting	45,000	15,000	65,000	15,000	130,000
	45,000	15,000	65,000	15,000	130,000
Costs and expenses					
Research and development	115,576	75,534	219,964	198,105	1,828,313
Selling, general and administrative	223,460	280,198	489,277	486,456	3,074,980
	339,036	355,732	709,241	684,561	4,903,293
Operating loss	(294,036)	(340,732)	(644,241)	(669,561)	(4,773,293)
Other income (expense)					
Gain on extinguishment of debt	—	325,310	—	325,310	341,810
Warrant Expense	—	(56,754)	—	(56,754)	(62,044)
Interest and other expense	(115,023)	(124,784)	(236,858)	(252,595)	(1,194,354)
Interest and other income	1,000	325	1,046	824	5,871
	(114,023)	144,097	(235,812)	16,785	(908,717)
Net loss	$(408,059)	$(196,635)	$(880,053)	$(652,776)	$ (5,682,010)
Accumulated deficit - beginning	$(27,165,655)	$(25,536,571)	$(26,693,661)	$(25,080,430)	$ —
Accumulated deficit - ending	$(27,573,714)	$(25,733,206)	$(27,573,714)	$(25,733,206)	$ (5,682,010)
Basic and diluted loss per common share	$(0.03)	$(0.02)	$(0.07)	$(0.05)	
	13,178,454	12,336,460	13,178,454	12,234,960	

Weighted average common shares outstanding - basic and diluted	

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

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

	SIX MONTHS ENDED JUNE 30,		Cumulative from Re-entering Development Stage on OCTOBER 1, 2008 through JUNE 30, 2011
	2011	2010	
Cash flows from operations			
Net loss	$(880,053)	$(652,776)	$ (5,682,010)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	39,861	34,897	274,635
Stock compensation expense for employees and directors	48,819	(46,302)	106,408
Original issue discount	992	65,219	216,260
Warrant Expenses	—	56,754	62,044
Patent impairment	—	—	205,674
Disposal of sensor equipment	—	—	3,731
Gain on extinguishment of debt	—	(325,310)	(341,810)
Changes in operating assets and liabilities:			
Accounts receivable	25,000	—	—
Prepaid expenses and other current assets	1,213	495	34,113
Accounts payable and accrued expenses	547,996	475,885	2,735,502
Net cash (used) in operating activities	(216,172)	(391,138)	(2,385,453)
Cash flows from investing activities			
Patent costs	(22,000)	(83,128)	(178,824)
Net cash (used) by investing activities	(22,000)	(83,128)	(178,824)
Cash flows from financing activities			
Proceeds for shareholder loans and notes payable	25,000	30,000	601,665
Proceeds from officer loans and notes payable	194,600	320,500	905,000
Proceeds from other loans and notes payable	—	75,000	906,563
Proceeds and adjustment from sale of equity securities	—	50,000	156,480
Net cash provided by financing activities	219,600	475,500	2,569,708
Increase (decrease) in cash	(18,572)	1,234	5,431

Cash — beginning	19,719	4,704	(4,284)
Cash— ending	$1,147	$5,938	$ 1,147
Supplemental Cash Flow Information:			
Non-cash financing activities			
Warrants issued in connection with notes payable and stock sales	$3,582	$103,060	$ 270,304
Converted promissory notes to common stock	$ —	$585,000	$ 615,000
Converted interest to common stock	$ —	$286,122	$ 286,122

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

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
June 30, 2011 and June 30, 2010

1. The Company and Basis of Presentation

The Company

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

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

Our 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 and continuing in 2011, 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 our microneedle with improved stability. We believe that these development efforts are critically important for the successful commercialization of our microneedle platform. Apogee also continued to pursue patent applications related to our 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 and continuing in 2011, we invested our limited resources in the development 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 $7.8 million and stockholder's deficiency of approximately $7.6 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 $880,000 and negative cash flows from operations were approximately $216,000 for the six months ended June 30, 2011. 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.

As of June 30, 2011, we had cash of approximately $1,000.

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
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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 significant long-term 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 Mr. Herbert M. Stein and Mr. David Spiegel, and other individuals, is being utilized to pay operating expenses. There is no assurance that this short-term debt financing will continue. Additionally, cost cutting measures, including accrual and deferral of salary for the CEO, deferral of capital expenditures, and reduced general spending were instituted during 2009 and will continue until such time as sufficient funding is secured.

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.

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.

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 cleared 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.

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
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June 30, 2011 and June 30, 2010

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.

Recent Accounting Pronouncements

In January 2011, the Company adopted a new U.S. GAAP accounting standard which revises the accounting guidance for milestone revenue recognition with no material effect upon our financial statements. The new guidance allows for revenue recognition contingent upon the achievement of a milestone in its entirety, in the period in which the milestone is achieved, only if the milestone meets all the criteria within the guidance to be considered substantive. The Company adopted this guidance beginning with agreements entered into on or after January 1, 2011. This standard may impact the Company in the event it completes future transactions or collaborative relationships that include milestone payments.

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04 (ASU 2011-4), Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs to provide a uniform framework for fair value measurements and related disclosures between U.S. GAAP and International Financial Reporting Standards (IFRS). Additional disclosure requirements in the update include: (1) for Level 3 fair value measurements, quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs; (2) for an entity's use of a nonfinancial asset that is different from the asset's highest and best use, the reason for the difference; (3) for financial instruments not measured at fair value but for which disclosure of fair value is required, the fair value hierarchy level in which the fair value measurements were determined; and (4) the disclosure of all transfers between Level 1 and Level 2 of the fair value hierarchy. ASU 2011-04 requires prospective application for interim and annual periods beginning on or after December 15, 2011. The Company is currently evaluating the impact that ASU 2011-04 will have on its financial position and results of operations.

In June 2011, the FASB issued ASU No. 2011-05 (ASU 2011-05), Comprehensive Income (Topic 220): Presentation of Comprehensive Income. ASU No. 2011-05 amends existing guidance by allowing an entity the option to present the components of net income and other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. ASU No. 2011-05 requires retrospective application and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. The Company believes the adoption of this guidance concerns disclosure only and will not have a material impact on its financial position or results of operations.

Revenue Recognition

Consulting and licensing revenue is recognized as services are performed.

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

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

Use of Estimates in Financial Statements

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

Development Stage Company

Apogee has been since October 1, 2008 and continues to be a development stage company reporting under the provisions of Accounting Standard Codification (“ASC”) 915, Development State Entity.

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 10 – Income Taxes and Tax Loss Carryforwards.

Loss Per Share

Basic net loss per share is computed by dividing the net loss attributable to common stockholders for the period by the weighted average number of common stock outstanding during the period. Diluted net loss per share is computed based on the weighted average number of common stock and dilutive potential common stock outstanding. Potential common stock consists of incremental common stock issuable upon the exercise of stock options and common stock issuable upon the exercise of common stock warrants. The calculation of diluted net loss per share excludes potential common stock as the effect is anti-dilutive. The weighted average number of shares of common stock outstanding used to compute basic loss per share for the three months ended June 30, 2011 and 2010 was 13,178,454 and 12,334,960, respectively.

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Research and Development

Costs for research and development are expensed as incurred.

Legal Fees

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

Contingencies

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

Advertising

Advertising costs are expenses when incurred and were not significant for the three and six months ended June 30, 2011 and 2010.

Related Parties

Related parties, which can be a corporation, individual, investor or another entity are considered to be related if the party has the ability, directly or indirectly, to control the other party or exercise significant influence over Apogee in making financial and operation decisions. Companies are also considered to be related in they are subject to common control or common significant influence. The Company has these relationships.

Stock-Based Compensation

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

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

Apogee's stock compensation activity with respect to the three months ended June 30, 2011 is summarized below:

Stock Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at December 31, 2010	2,786,600	$4.6725	
Granted	—		
Exercised	—		
Cancelled or expired	(369,000)	6.3054	
Outstanding at June 30, 2011	2,417,600	$4.4233	2.9888
Vested at June 30, 2011	2,266,400	$4.6568	2.7478
Exercisable at June 30, 2011	2,266,400	$4.6568	2.7478

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
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The following table summarizes information about options outstanding as of June 30, 2011:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Term	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.45 — 1.69	906,000	5.4050	$0.9958	754,800	$1.0102
$ 2.71 — 6.50	1,016,600	0.9185	$5.3026	1,016,600	$5.3026
$ 8.45 — 12.15	495,000	2.8184	$8,8909	495,000	$8.8909
Total at June 30, 2011	2,417,600	2.9888	$4.4233	2,266,400	$4.6568

Apogee did not grant options during the six months ended June 30, 2011 and 2010. No options were exercised during six months ended June 30, 2011 and 2010. During the six months ended June 30, 2011, options to purchase eleven thousand six hundred (11,600) shares of Apogee common stock vested. The weighted average fair value of these options was $0.8276. During the six months ended June 30, 2011 options to purchase three hundred sixty-nine thousand (369,000) shares of Apogee common stock expired. As of June 30, 2011, approximately 151,200 options to purchase approximately 151,200 shares of Apogee common stock with an approximate value of $18,002 are not yet vested.

Fair value of financial instruments

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

Recent Accounting Pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements during the six months ended June 30, 2011, as compared to the recent accounting pronouncements described in our Form 10-K, that are of significance, or potential significance to Apogee.

3. Property and Equipment

Property and equipment at June 30, 2011 and December 31, 2010 are comprised of the following:

Property and Equipment	June 30, 2011	December 31, 2010
Equipment	$ 162,790	$ 162,789

Software		32,943			32,943	
Furniture and fixtures		22,047			22,047	
Leasehold improvements		92,892			92,892	
	$	310,672		$	310,671	
Less accumulated depreciation		(293,329	)		(285,231	)
	$	17,343		$	25,440	

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Depreciation expense was approximately $4,000 and $8,100 for the three and six months ended June 30, 2011, respectively, compared to approximately $4,600 and $9,100 for the three and six months ended June 30, 2010, respectively.

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

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

4. Asset Impairment

We did not record any patent impairment charge at June 30, 2011. For the three and six months ended June 30, 2011 we amortized approximately $16,400 and $31,800, respectively, of patent application related expenses. This compares to approximately $14,200 and $25,800 of patent application related expenses for the three and six months ended June 30, 2010, respectively.

Patent costs are summarized in the table below:

	Gross Carrying Value	Accumulated Amortization	Accumulated Impairment	Net Book Value
December 31, 2010	$549,227	(132,565)	(245,674)	$170,988
June 30, 2011	$571,227	(164,329)	(245,674)	$161,224

Estimated amortization is as follows:

Year ended December 31,	
Six months ended December 2011	33,346
2012	65,110
2013	31,342
2014	27,026
2015	4,400

APOGEE TECHNOLOGY, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to Unaudited Consolidated Financial Statements
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5. Accounts Payable and Accrued Expenses

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

Accounts Payable

	June 30, 2011	December 31, 2010
Legal and accounting	$1,747,000	$ 1,761,000
Consulting expenses	58,000	53,000
Interest owed to Promissory Note holders	755,000	519,000
Corporate insurance expenses	1,000	1,000
Director and Advisory Committee fees	184,000	155,000
Rent expenses	132,000	106,000
Other expenses	681,000	570,000
	$3,558,000	$ 3,165,000

Accrued Expenses

	June 30, 2011	December 31, 2010
Accrued audit expenses	$32,000	$ 29,000
Accrued legal expenses	50,000	48,000
Accrued consulting expenses	71,000	