

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

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

November 4, 2013

Date of report (Date of earliest event reported)

SurModics, Inc.

(Exact Name of Registrant as Specified in its Charter)

Minnesota

(State of Incorporation)

0-23837

(Commission File Number)

41-1356149

(I.R.S. Employer
Identification No.)

**9924 West 74th Street
Eden Prairie, Minnesota**

(Address of Principal Executive Offices)

55344

(Zip Code)

(952) 500-7000

(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

On November 4, 2013, SurModics, Inc. (the “Company”) entered into a Credit Agreement (the “Credit Agreement”) with Wells Fargo Bank, N.A. (the “Bank”). The Credit Agreement is a \$20 million three year secured revolving line of credit. The Company’s obligations under the Credit Agreement are secured by substantially all of its and its subsidiaries’ assets, other than intellectual property and real estate. The Company has also pledged the stock of its subsidiaries to secure such obligations.

Interest under the Credit Agreement is specified in a revolving line of credit note (the “Note”) executed by the Company in favor of the Bank and accrues at a rate per annum equal to (i) LIBOR (as defined in the Note) for an interest period of one month, reset daily, plus a margin ranging from 1.375% to 2.00% or (ii) LIBOR for an interest period of either one, three or six months as selected by the Company, reset at the end of the selected interest period, plus a margin ranging from 1.375% to 2.00%. A facility fee is payable on unused commitments at a rate of 0.20% per annum. The interest rate margins are determined based on the Company’s ratio of total funded debt to EBITDA (as defined in the Credit Agreement).

The Credit Agreement contains affirmative and negative covenants customary for a transaction of this type which, among other things, require the Company to meet certain financial tests, including a total leverage ratio of not greater than 2.00 to 1.00 as of the end of each fiscal quarter and EBITDA of not less than \$15,000,000, determined on a rolling four-quarter basis. The Credit Agreement also contains covenants which, among other things, limit the Company’s ability to: incur additional debt; make certain investments; create or permit certain liens; create or permit restrictions on the ability of subsidiaries to pay dividends or make other distributions; consolidate or merge; and engage in other activities customarily restricted in such agreements, in each case subject to exceptions permitted by the Credit Agreement. The Credit Agreement also contains customary events of default, the occurrence of which would permit the Bank to terminate its commitment and accelerate the loans.

The Bank has performed and may continue to perform commercial banking and financial services for the Company and its subsidiaries for which they have received and will continue to receive customary fees.

The foregoing descriptions of the Credit Agreement and the Note are qualified in its entirety by reference to such documents, which are attached hereto as Exhibits 10.1 and 10.2 and are incorporated herein by reference.

Item 2.02 Results of Operations And Financial Condition.

On November 5, 2013, the Company issued a press release (the “Press Release”) announcing the results for the quarter and fiscal year ended September 30, 2013. A copy of the full text of the Press Release is furnished as Exhibit 99.1 to this report.

The information contained in this Item 2.02, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 2.03 **Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

The information set forth under Item 1.01 above is hereby incorporated by reference into this Item 2.03.

Item 9.01 **Financial Statements and Exhibits.**

(d) *Exhibits.*

Exhibit Number	Description
10.1	Credit Agreement dated November 4, 2013, by and between SurModics, Inc., and Wells Fargo Bank, National Association.
10.2	Revolving Line of Credit Note dated November 4, 2013.
99.1	Press Release dated November 5, 2013.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SURMODICS, INC.

Date: November 5, 2013

/s/ Andrew D. C. LaFrence

Andrew D. C. LaFrence

Vice President Finance and Chief Financial Officer

EXHIBIT INDEX

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement") is entered into as of November 4, 2013 (the "Closing Date"), by and between SURMODICS, INC., a Minnesota corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

Borrower has requested that Bank extend or continue credit to Borrower as described below, and Bank has agreed to provide such credit to Borrower on the terms and conditions contained herein.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

ARTICLE I
CREDIT TERMS

SECTION 1.1. LINE OF CREDIT.

(a) Line of Credit. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including November 4, 2016, not to exceed at any time the aggregate principal amount of Twenty Million Dollars (\$20,000,000) ("Line of Credit"), the proceeds of which shall be used for general corporate purposes, including working capital, capital expenditures, Permitted Acquisitions and stock repurchases. Borrower's obligation to repay advances under the Line of Credit shall be evidenced by a promissory note dated as of the Closing Date ("Revolving Line of Credit Note"), all terms of which are incorporated herein by this reference.

(b) Borrowing and Repayment. Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Revolving Line of Credit Note; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, as set forth above. If, at any time, the outstanding borrowings under the Line of Credit exceed the maximum amount permitted under this Section 1.1, Borrower shall promptly pay to Bank in cash such excess.

(c) Termination or Reduction of Line of Credit. Borrower shall have the right, upon not less than three (3) business days' notice to Bank, to terminate the Line of Credit or, from time to time, to reduce the amount of the Line of Credit; provided that no such termination or reduction of the Line of Credit shall be permitted if, after giving effect thereto and to any prepayments of borrowings made on the effective date thereof, outstanding borrowings under the Line of Credit would exceed the aggregate principal amount of the Line of Credit. Any such reduction shall reduce permanently the Line of Credit then in effect.

SECTION 1.2. INTEREST/FEES.

- (a) Interest. The outstanding principal balance hereunder shall bear interest at the rate of interest set forth in the Revolving Line of Credit Note or other instrument or document executed in connection herewith or therewith.
- (b) Computation and Payment. Interest shall be computed on the basis of a three hundred sixty (360) day year, actual days elapsed. Interest shall be payable at the times and place set forth in the Revolving Line of Credit Note or other instrument or document required hereby.
- (c) Unused Commitment Fee. Borrower shall pay to Bank a fee equal to one fifth of one percent (0.20%) per annum (computed on the basis of a three hundred sixty (360) day year, actual days elapsed) on the average daily unused amount of the Line of Credit, which fee shall be calculated on a quarterly basis by Bank and shall be due and payable by Borrower in arrears on the last day of each fiscal quarter.

SECTION 1.3. COLLECTION OF PAYMENTS. Borrower authorizes Bank to collect all principal, interest and fees due under this Agreement by charging Borrower's deposit account number _____, or any other deposit account maintained by Borrower with Bank, for the full amount thereof. Should there be insufficient funds in any such deposit account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by Borrower.

SECTION 1.4. COLLATERAL.

As security for all indebtedness and other obligations of Borrower to Bank, Borrower hereby grants to Bank security interests of first priority in all Borrower's personal property (other than Intellectual Property), as more fully described in that certain Security Agreement (the "Collateral") between Borrower and Bank dated as of the date hereof (the "Security Agreement").

All of the foregoing shall be evidenced by and subject to the terms of such security agreements, financing statements, and other documents as Bank shall reasonably require, all in form and substance satisfactory to Bank. Borrower shall pay to Bank immediately upon demand the full amount of all reasonable charges, costs and expenses (to include fees paid to third parties and all allocated costs of Bank personnel), expended or incurred by Bank in connection with any of the foregoing security, including without limitation, filing and recording fees and costs of appraisals, and audits.

SECTION 1.5. SUBORDINATION OF DEBT. All Indebtedness and other obligations of Borrower to any other creditor shall either be (i) "Permitted Indebtedness" (other than Indebtedness described in clause (iv) of such definition), (ii) unsecured or (iii) subordinated in right of repayment to all indebtedness and other obligations of Borrower to Bank, as evidenced by and subject to the terms of subordination agreements in the case of either (ii) or (iii) on terms and in form and substance satisfactory to Bank.

SECTION 1.6. GUARANTIES. The payment and performance of all Indebtedness and other obligations of Borrower to Bank hereunder shall be guaranteed jointly and severally by all present and future Material Subsidiaries which guaranties shall be secured by unconditional, continuing pledges and security interests in and to all of the personal property (other than Intellectual Property) of such Material Subsidiaries (any such Material Subsidiary, together with any other guarantors of the Line of Credit and/or any other Indebtedness of Borrower to Bank from time to time, each a "Guarantor" and collectively, "Guarantors"), as evidenced by and subject to the terms of guaranties in form and substance satisfactory to Bank (the "Guaranty" and together with any security agreements, any other documents, instruments and/or agreements necessary to, and executed in connection with, the Guaranty; all in form and substance reasonably acceptable to Bank, collectively the "Guaranty Documents"). Upon the creation or acquisition of any new Material Subsidiary, Borrower and such Material Subsidiary shall: (a) promptly notify Bank of the creation or acquisition of such Material Subsidiary, (b) take all such action as may be reasonably required by Bank to cause such Material Subsidiary to guarantee the obligations of Borrower hereunder and grant such pledges and security interests in all of its personal property (other than Intellectual Property) to secure payment and performance of such obligations, and (c) take all such action as may be reasonably required by Bank to grant and pledge to Bank a first-priority security interest in the stock or other equity interests of, and any indebtedness owing from, such Material Subsidiary. The foregoing shall not apply to a Foreign Subsidiary; provided, however, Borrower shall cause such Foreign Subsidiary to deliver to Bank security documents pledging sixty-five percent (65%) of the total outstanding voting capital stock of such Foreign Subsidiary.

As used herein, "Subsidiary" is, as to any person or entity, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such person or entity.

As used herein, "Material Subsidiary" means as of the last day of each of month, any of Borrower's direct or indirect Subsidiaries with consolidated assets of at least five percent (5.00%) of the total consolidated assets of Borrower and each of its Subsidiaries, provided further that each of SurModics SMP, LLC, DRB #10, LLC and DRB #11, LLC is not a Material Subsidiary.

As used herein, "Foreign Subsidiary" means any Subsidiary not organized under the laws of any political subdivision of the United States.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Bank, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank subject to this Agreement.

SECTION 2.1. LEGAL STATUS. Borrower is a corporation, duly organized and existing and in good standing under the laws of Minnesota, and is qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required and the failure to so qualify or to be so licensed could have a material adverse effect on Borrower.

SECTION 2.2. AUTHORIZATION AND VALIDITY. This Agreement and each promissory note, contract, instrument and other document required hereby or at any time hereafter delivered to Bank in connection herewith and any other note, contract, instrument or document between Borrower and Bank (collectively, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same, enforceable in accordance with their respective terms.

SECTION 2.3. NO VIOLATION. The execution, delivery and performance by Borrower of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the Articles of Incorporation or By-Laws of Borrower, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower may be bound, except to the extent that any such breach or default could not reasonably be expected to have a material adverse effect on Borrower.

SECTION 2.4. LITIGATION. Except as disclosed on the Perfection Certificate, there are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could have a material adverse effect on the financial condition or operation of Borrower other than those disclosed by Borrower to Bank in writing prior to the date hereof or after the date hereof pursuant to Section 4.8.

SECTION 2.5. CORRECTNESS OF FINANCIAL STATEMENT. The annual financial statement of Borrower dated for the 2012 fiscal year, and all interim financial statements delivered to Bank since, true copies of which have been delivered by Borrower to Bank prior to the date hereof, (a) are complete and correct and present fairly the financial condition of Borrower as of the date thereof, (b) disclose all liabilities of Borrower as of the date thereof that are required to be reflected or reserved against under generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) have been prepared in accordance with generally accepted accounting principles consistently applied. Since the dates of such financial statements there has been no material adverse change in the financial condition of Borrower, nor has Borrower mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or as otherwise permitted by either this Agreement or the Bank in writing.

SECTION 2.6. INCOME TAX RETURNS. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year, which such assessments or adjustments could be reasonably expected to have a material adverse effect on Borrower.

SECTION 2.7. NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower.

SECTION 2.8. PERMITS, FRANCHISES. Borrower possesses all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law, except where the failure to so possess would not reasonably be expected to result in a material adverse effect.

SECTION 2.9. ERISA. Borrower is in compliance with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA") except for such noncompliance which, individually or in the aggregate, could not reasonably be expected to have a material adverse effect; Borrower has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a "Plan"); no Reportable Event as defined in ERISA has occurred and is continuing with respect to any Plan initiated by Borrower; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under generally accepted accounting principles.

SECTION 2.10. OTHER OBLIGATIONS. Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation, in each case the effect of which such default would have a material adverse effect on Borrower.

SECTION 2.11. ENVIRONMENTAL MATTERS. Except as disclosed by Borrower to Bank in writing prior to the date hereof or for any such matters that would not have a material adverse effect on Borrower, Borrower is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

SECTION 2.12. REGULATORY COMPLIANCE.

(a) Borrower is not an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations T and U of the Federal Reserve Board of Governors). Borrower has not violated any laws, ordinances or rules, including the Federal Fair Labor Standards Act, the violation of which could reasonably be expected to have a material adverse effect. Borrower has obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all government authorities that are necessary to continue its businesses as currently conducted where the failure to have such authorizations could have a material adverse effect on Borrower.

(b) Borrower is in compliance with (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (ii) the Uniting And Strengthening America By Providing Appropriate Tools Required To Intercept And Obstruct Terrorism (USA Patriot Act of 2001) and the USA PATRIOT Improvement and Reauthorization Act of 2005 (Pub. L. 109-177) (the "Patriot Act"). No part of the proceeds of the Line of Credit or any other extension of credit from Bank from time to time, will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

(c) Borrower (i) is not a person whose property or interest in property is blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)), (ii) does not engage in any dealings or transactions prohibited by Section 2 of such executive order, or is otherwise associated with any such person in any manner violative of Section 2, and (iii) is not a person on the list of Specially Designated Nationals and Blocked Persons or subject to the limitations or prohibitions under any other U.S. Department of Treasury's Office of Foreign Assets Control regulation or executive order.

ARTICLE III
CONDITIONS

SECTION 3.1. CONDITIONS OF INITIAL EXTENSION OF CREDIT. The obligation of Bank to extend any credit contemplated by this Agreement is subject to the fulfillment to Bank's satisfaction of all of the following conditions:

- (a) Approval of Bank Counsel. All legal matters incidental to the extension of credit by Bank shall be reasonably satisfactory to Bank's counsel.
- (b) Documentation. Bank shall have received, in form and substance reasonably satisfactory to Bank, each of the following, duly executed:
 - (i) this Agreement, the Security Agreement and the Revolving Line of Credit Note or other instrument or document required hereby;
 - (ii) a Certificate of Incumbency from each of Borrower and SurModics IVD, Inc.;
 - (iii) Corporate Resolutions: Borrowing;
 - (iv) a Perfection Certificate from each of Borrower and SurModics IVD, Inc., together with the duly executed original signatures thereto;
 - (v) a Continuing Guaranty and Security Agreement from SurModics IVD, Inc., together with Resolutions to Guaranty;
 - (vi) the original share or membership interest certificate(s) for each of SurModics IVD, Inc., SurModics SMP, LLC, DRB #10, LLC and DRB #11, LLC, together with assignments separate from certificate; and
 - (vii) such other documents as Bank may require under any other Section of this Agreement.
- (c) Insurance. Borrower shall have delivered to Bank evidence of insurance coverage on all Borrower's property, in form, substance, amounts, covering risks and issued by companies reasonably satisfactory to Bank, and where required by Bank, with loss payable endorsements in favor of Bank.

SECTION 3.2. **CONDITIONS OF EACH EXTENSION OF CREDIT.** The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction of each of the following conditions:

(a) **Compliance.** The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Agreement and in all material respects (except that such materiality qualifier shall not be applicable to any representation and warranties that are already qualified or modified by materiality in the text thereof) on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date (except to the extent that such representations and warranties relate solely to such earlier date, in which case such representation and warranty shall continue to be true and correct as of such earlier date), and on each such date no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.

(b) **Documentation.** Bank shall have received all additional documents which may be required in connection with such extension of credit.

(c) **Financial Condition.** There shall have been no material adverse change, as determined by Bank, in the financial condition or business of Borrower, nor any material decline, as determined by Bank, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower.

SECTION 3.3. **POST CLOSING CONDITIONS.** Borrower shall use commercially reasonable efforts to deliver to Bank within thirty (30) days of the Closing Date, in form and substance reasonably satisfactory to Bank, a landlord waiver with respect to 7533-7537 Washington Avenue, Edina, MN 55439 (it being agreed that the use of commercially reasonable efforts shall not require the payment of any amounts to the landlord, other than the payment of de minimis legal fees of counsel to such landlord incurred in connection with reviewing any such agreement).

ARTICLE IV
AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent (other than inchoate indemnity obligations and obligations that have been cash collateralized pursuant to the terms of the Security Agreement), liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full or cash collateralization pursuant to the terms of the Security Agreement of all obligations of Borrower under the Loan Documents other than contingent indemnification obligations, Borrower shall, unless Bank otherwise consents in writing:

SECTION 4.1. **PUNCTUAL PAYMENTS.** Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein, and immediately upon demand by Bank, the amount by which the outstanding principal balance of any credit subject hereto at any time exceeds any limitation on borrowings applicable thereto.

SECTION 4.2. ACCOUNTING RECORDS. Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time and upon reasonable notice (unless an Event of Default has occurred and is continuing, in which case no notice shall be required) to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower; provided however, that if no default or Event of Default exists, the costs of any such visits and inspections shall be borne by Bank.

SECTION 4.3. FINANCIAL STATEMENTS. Provide to Bank all of the following, in form and detail satisfactory to Bank:

(a) not later than ninety (90) days after and as of the end of each fiscal year, CPA audited consolidated financial statements of Borrower, prepared by Deloitte & Touche LLP or another CPA firm reasonably acceptable to Bank, together with an unqualified opinion with respect to the financial statements prepared by such CPA firm, which financial statements shall include a balance sheet, income statement, statement of cash flows, auditor's report and all supporting schedules;

(b) not later than forty five (45) days after and as of the end of each quarter, a consolidated financial statement of Borrower, prepared by Borrower, to include a balance sheet, income statement and cash flow statement;

(c) contemporaneously with each annual and quarterly financial statement of Borrower required hereby, a Compliance Certificate executed by the president, chief financial officer or controller of Borrower, including a certification that said financial statements are accurate and that there exists no Event of Default nor any condition, act or event which with the giving of notice or the passage of time or both would constitute an Event of Default;

(d) as soon as available after approval thereof by Borrower's Board of Directors, but no later than sixty (60) days after the last day of each of Borrower's fiscal years, Borrower's financial projections for the then current fiscal year as approved by Borrower's Board of Directors; and

(e) from time to time such other information as Bank may reasonably request.

Documents required to be delivered pursuant to Section 4.3(a) and Section 4.3(b) (to the extent any such documents are included in materials otherwise filed with the Securities and Exchange Commission) may be delivered electronically to Bank, and if so delivered, shall be deemed to have been delivered to Bank on the date on which Borrower files such documents with the Securities and Exchange Commission.

SECTION 4.4. COMPLIANCE. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; and comply with the provisions of all documents pursuant to which Borrower is organized and/or which govern Borrower's continued existence and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to Borrower and/or its business, except, in each case, where any such failure to do any of the foregoing could not reasonably be expected to have a material adverse effect on the financial condition or operations of Borrower.

SECTION 4.5. INSURANCE. Maintain and keep in force, for each business in which Borrower is engaged, insurance of the types and in amounts customarily carried in similar lines of business, including but not limited to fire, extended coverage, public liability, flood, property damage and workers' compensation, with all such insurance carried with companies and in amounts satisfactory to Bank, and deliver to Bank from time to time at Bank's request schedules setting forth all insurance then in effect.

SECTION 4.6. FACILITIES. Keep all properties useful or necessary to Borrower's business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained except where the failure to do so could not reasonably be expected to have a material adverse effect on the financial condition or operations of Borrower.

SECTION 4.7. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except (a) such as Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower has made provision, to Bank's satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

SECTION 4.8. LITIGATION. Promptly give notice in writing to Bank of any litigation pending or threatened against Borrower with a claim in excess of One Million Dollars (\$1,000,000) or which could reasonably be expected to have a material adverse effect on the financial condition or operations of Borrower.

SECTION 4.9. FINANCIAL CONDITION. Maintain Borrower's financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

(a) Total Leverage Ratio. Total Funded Debt to EBITDA not greater than 2.00 to 1.00 as of each fiscal quarter end, determined on a rolling 4-quarter basis, with "Funded Debt" defined as the sum of all obligations for borrowed money (including subordinated debt) plus all capital lease obligations and with "EBITDA" defined as net profit of Borrower and its Subsidiaries on a consolidated basis before tax plus (i) interest expense (net of capitalized interest expense), (ii) depreciation expense, (iii) amortization expense, (iv) non-cash stock compensation expense, (v) in an amount not to exceed Three Million Dollars (\$3,000,000) for each 4-quarter period determined on a rolling 4-quarter basis, non-cash gain/loss related to strategic investments, and (vi) in an amount not to exceed Two Hundred Fifty Thousand Dollars (\$250,000) for each 4-quarter period determined on a rolling 4-quarter basis, cash and non-cash expenses related to discontinued operations and one-time cash and non-cash expenses. To the extent that EBITDA is calculated for any fiscal period in which a person or business unit has been acquired by Borrower in any Permitted Acquisition for any portion of such period being tested, EBITDA shall include the "actual" EBITDA of such acquired person or business unit for the relevant time period prior to such person or business being acquired to the extent necessary to calculate EBITDA for such entire period.

(b) EBITDA. EBITDA of not less than Fifteen Million Dollars (\$15,000,000) as of each fiscal quarter end, determined on a rolling 4-quarter basis.

SECTION 4.10. NOTICE TO BANK. Promptly (but in no event more than five (5) days after the occurrence of each such event or matter) give written notice to Bank in reasonable detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name or the organizational structure of Borrower; (c) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan; or (d) any termination or cancellation of any insurance policy which Borrower is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting Borrower's property in excess of an aggregate of Five Hundred Thousand Dollars (\$500,000).

SECTION 4.11 ACCOUNTS. Maintain its primary domestic US deposit and operating accounts with Bank or Bank's affiliates (subject to control agreements reasonably acceptable to Bank in the case of any accounts with Bank's affiliates). For any domestic deposit, operating, investment or other account maintained by Borrower or any Subsidiary at any time at a financial institution outside of Bank or Bank's affiliates, Borrower shall cause the applicable bank or financial institution at or with which such domestic account is maintained to execute a control agreement in favor of, and in form and substance reasonably satisfactory to, Bank. In the case of any such domestic account acquired in a Permitted Acquisition, Borrower shall comply with the foregoing requirement within ninety (90) days of the closing of such Permitted Acquisition.

ARTICLE V
NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent (other than inchoate indemnity obligations and obligations that have been cash collateralized pursuant to the terms of the Security Agreement), liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full or cash collateralization pursuant to the terms of the Security Agreement of all obligations of Borrower under the Loan Documents (other than contingent indemnification obligations), Borrower will not without Bank's prior written consent:

SECTION 5.1. USE OF FUNDS. Use any of the proceeds of any credit extended hereunder except for the purposes stated in Article I hereof.

SECTION 5.2. RESERVED.

SECTION 5.3. OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any Indebtedness, except Permitted Indebtedness.

As used herein, "Indebtedness" shall be construed in its most comprehensive sense and shall include any and all advances, debts, obligations and liabilities of Borrower, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, including under any swap, derivative, foreign exchange, hedge, deposit, treasury management or other similar transaction or arrangement, and whether Borrower may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable but excluding any trade payables in the ordinary course of business or earn-outs or purchase price adjustments.

As used herein, "Permitted Indebtedness" shall mean: (i) Indebtedness of Borrower in favor of Bank arising under this Credit Agreement, the Revolving Line of Credit Note or other instrument or documents executed in connection therewith with Bank or Bank's affiliates; (ii) Indebtedness existing as of the Closing Date and disclosed to Bank in writing on or prior to such date; (iii) Indebtedness secured by a Lien described in clause (vi) of the definition of Permitted Liens below, provided (A) such Indebtedness does not exceed the lesser of the cost or fair market value of the equipment financed with such Indebtedness, (B) such Indebtedness does not exceed Five Hundred Thousand Dollars (\$500,000) in the aggregate at any given time, and (C) the holder of such Indebtedness agrees to waive any rights of set off such holder may have with respect to such Indebtedness in the deposit or investment accounts of Borrower and its subsidiaries on terms reasonably satisfactory to Bank; (iv) any Indebtedness incurred by Borrower that is either (A) unsecured Indebtedness or (B) Indebtedness subordinated to the Indebtedness owing by Borrower to Bank (and identified as being such by Bank), provided that in the case of both (A) and (B), (X) such Indebtedness is on terms and in form and substance satisfactory to Bank and (Y) in an amount not to exceed Forty Million Dollars (\$40,000,000) in the aggregate; (v) Indebtedness incurred for the acquisition of supplies or inventory on normal trade credit; (vi) unsecured Indebtedness consisting of swaps, derivatives, or foreign exchanges in connection with hedge transactions (defined as the net obligations under any such arrangement) with a financial institution other than Bank or Bank's affiliates or any deposit or treasury management obligations with a financial institution outside of Bank or Bank's affiliates so long as in each case, such Indebtedness does not exceed One Million Dollars (\$1,000,000) in the aggregate at any given time, (vii) purchase money Indebtedness secured by a Lien described in clause (vii) of the definition of Permitted Liens below in an amount not to exceed Two Million Dollars (\$2,000,000), provided that the incurrence of such Indebtedness would not cause Borrower to be in default under Section 4.9(a), (viii) extensions, refinancings, modifications, amendments and restatements of any item of Permitted Indebtedness described in (i) through (vii) above; and (ix) any other Indebtedness permitted in writing by Bank.

SECTION 5.4. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity (provided, however, that any Subsidiary may be merged or consolidated with Borrower if the Borrower is the surviving corporation); make any substantial change in the nature of Borrower's business as conducted as of the date hereof; acquire all or substantially all of the assets of any other entity; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrower's assets except in the ordinary course of its business (including the sale or assignment of any Intellectual Property in the ordinary course of its business), worn-out or depleted equipment and in connection with Permitted Licenses. Notwithstanding the foregoing, Borrower may merge into or consolidate with any other entity or acquire all or substantially all of the assets of any other entity (each, a "Permitted Acquisition"), provided that such entity is in a similar line of business as Borrower or any business substantially related thereto and the consideration paid by Borrower is either stock or cash in an amount less than Fifty Million Dollars (\$50,000,000) when combined with the consideration paid for all other Permitted Acquisitions entered into after the Closing Date.

As used herein, "Permitted Licenses" shall mean (a) licenses of over-the-counter software that is commercially available to the public, and (b) non-exclusive and exclusive licenses for the use of the Intellectual Property of Borrower or any of its Subsidiaries entered into in the ordinary course of business, provided, that, with respect to each such license described in clause (b), (i) such licenses could not reasonably be expected to have a material adverse effect on the financial condition or operations of Borrower; and (ii) all upfront payments, royalties, milestone payments or other proceeds arising from the licensing agreement that are payable to Borrower or any of its Subsidiaries are paid to a deposit account that is governed by an account control agreement or an account pursuant to which Bank has control.

SECTION 5.5. GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any assets of Borrower as security for, any liabilities or obligations of any person or entity, other than Bank or any guarantees or pledges of obligations of Guarantors for obligations that would constitute Permitted Indebtedness or Permitted Liens if such obligations were incurred by Borrower.

SECTION 5.6. LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to or investments in any person or entity, except any of the foregoing (a) existing as of, and disclosed to Bank prior to, the date hereof, (b) advances to employees for business-related travel expenses incurred in the ordinary course of business not to exceed Fifty Thousand Dollars (\$50,000) in any fiscal year of Borrower, (c) investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business, (d) investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, (e) loans, advances or investments to or in any Subsidiary of Borrower to pay for operating expenses of such Subsidiary in the ordinary course of business, (f) investments consisting of cash and cash equivalents (including deposit accounts) and marketable securities (including debt securities) so long as consistent with Borrower's board of directors approved investment policy, (g) the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrower, (h) guaranties permitted by Section 5.5, (i) investments and joint ventures or strategic alliances in the ordinary course of Borrower's business in an amount not to exceed Five Million Dollars (\$5,000,000), (j) investments made in Permitted Acquisitions subject to the aggregate consideration limits in Section 5.4 and (k) investments in the form of stock repurchases, dividends, distributions and redemptions made pursuant to the terms of Section 5.7 hereof.

SECTION 5.7. DIVIDENDS, DISTRIBUTIONS. Declare or pay any dividend or distribution either in cash, stock or any other property on Borrower's stock now or hereafter outstanding, nor redeem, retire, repurchase or otherwise acquire any shares of any class of Borrower's stock now or hereafter outstanding, except for stock repurchases after the Closing Date in an amount not to exceed Twenty Million Dollars (\$20,000,000).

SECTION 5.8. PLEDGE OF ASSETS. Mortgage, pledge, grant or permit to exist a security interest in, or Lien upon, all or any portion of Borrower's assets now owned or hereafter acquired, except for Permitted Liens.

As used herein, "Lien" shall mean, with respect to any property, any security interest, mortgage, pledge, lien, claim, charge or other encumbrance in, of, or on such property or the income therefrom, including, without limitation, the interest of a vendor or lessor under a conditional sale agreement, capital lease or other title retention agreement, or any agreement to provide any of the foregoing, and the filing of any financing statement or similar instrument under the Uniform Commercial Code or comparable law of any jurisdiction.

As used herein, "Permitted Liens" shall mean and include: (i) Liens in favor of Bank; (ii) Liens existing as of the Closing Date and disclosed to Bank in writing on or prior to such date; (iii) other Liens subordinated to the Liens in favor of Bank through subordination agreements in form and substance satisfactory to Bank; (iv) Liens of carriers, warehousemen, mechanics, materialmen, vendors, and landlords incurred in the ordinary course of business for sums not overdue or being contested in good faith, provided provision is made to the reasonable satisfaction of Bank for the eventual payment thereof if subsequently found payable; (v) leases or subleases and non-exclusive licenses or sublicenses granted in the ordinary course of Borrower's business; (vi) Liens upon or in any equipment which was acquired or held by Borrower to secure the purchase price of such equipment (and any accessions, attachments, replacements or improvements thereon) or Indebtedness incurred solely for the purpose of financing the acquisition of such equipment (and any accessions, attachments, replacements or improvements thereon); (vii) Liens existing on any equipment (and any accessions, attachments, replacements or improvements thereon) at the time of its acquisition (including in connection with a Permitted Acquisition), provided that the Lien is confined solely to the property so acquired and any accessions, attachments, replacements or improvements thereon, and the proceeds of such equipment (and any accessions, attachments, replacements or improvements thereon); (viii) provided that Borrower complies with Section 4.11 hereof, bankers' Liens, rights of setoff and similar Liens incurred on deposits or securities accounts made in the ordinary course of business to the extent Bank has a security interest in such accounts; (ix) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default; (x) Liens for taxes, in circumstances not constituting an Event of Default, and not at the time delinquent or thereafter payable without penalty or being contested in good faith, provided provision is made to the reasonable satisfaction of Bank for the eventual payment thereof if subsequently found payable; (xi) Liens in favor of customs and revenue authorities arising as a matter of law to secure payments of customs duties in connection with the importation of goods; (xii) Liens arising from precautionary UCC filings regarding true operating leases; (xiii) Liens securing subordinated debt permitted by clause (iv) of the definition of "Permitted Indebtedness"; (xiv) in the case of any of Borrower's property, covenants, restrictions, rights and easements and minor irregularities in title which do not materially interfere with its business or operations as presently conducted; and (xx) any other Liens permitted in writing by Bank.

SECTION 5.9 AGREEMENTS NOT TO ENCUMBER. Agree with any person other than Bank not to grant or allow to exist a Lien upon any of its property, including real property and Intellectual Property (as defined below), or covenant to any other person that Borrower in the future will refrain from creating, incurring, assuming or allowing any Lien with respect to any of Borrower's property, including real property and Intellectual Property.

As used herein, "Intellectual Property" shall mean any copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, know-how, trade secret rights, rights to unpatented inventions, or any claims for damages by way of any past, present and future infringement of any of the foregoing.

ARTICLE VI
EVENTS OF DEFAULT

SECTION 6.1. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

- (a) Borrower shall fail to pay when due any principal, interest, fees or other amounts payable under any of the Loan Documents or any other note, contract, instrument or document between Borrower and Bank.
- (b) Any financial statement or certificate furnished to Bank in connection with, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.
- (c) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those specifically described as an "Event of Default" in this Section 6.1 and Section 3.3), and with respect to any such default that by its nature can be cured, such default shall continue for a period of thirty (30) days from its occurrence.
- (d) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract, instrument or document (other than any of the Loan Documents) pursuant to which Borrower or any guarantor hereunder (referred to herein as a "Third Party Obligor") has incurred any debt or other liability to any person or entity having an outstanding principal amount in excess of One Million Dollars (\$1,000,000).
- (e) Borrower or any Third Party Obligor shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower or any Third Party Obligor shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time ("Bankruptcy Code"), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or Borrower or any Third Party Obligor shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower or any Third Party Obligor shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower or any Third Party Obligor by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.
- (f) The filing of a notice of judgment lien against Borrower or any Third Party Obligor in an amount in excess, either individually or in the aggregate for all such filings, of One Million Dollars (\$1,000,000); or the recording of any abstract of judgment against Borrower or any Third Party Obligor in an amount in excess, either individually or in the aggregate for all such filings, of One Million Dollars (\$1,000,000) in any county in which Borrower or such Third Party Obligor has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Borrower or any Third Party Obligor to the extent that such lien or process is not released, vacated or fully bonded within thirty (30) days after its issuance or levy; or the entry of a judgment against Borrower or any Third Party Obligor in excess of One Million Dollars (\$1,000,000) (to the extent not fully covered by insurance as to which the insurance company has acknowledged coverage); or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower or any Third Party Obligor and continues undismissed or unstayed for thirty (30) days, or an order for relief is entered in any such proceedings.

(g) The dissolution or liquidation of Borrower or any Third Party Obligor; or Borrower or any such Third Party Obligor, or any of its directors, stockholders or members, shall take action seeking to effect the dissolution or liquidation of Borrower or such Third Party Obligor (other than any transaction with Borrower permitted by Section 5.4 or any dissolution or liquidation pursuant to which the assets of any Third Party Obligor are entirely contributed to Borrower).

(h) Any change in control of Borrower, with "change in control" defined as any event or series of events whereby any person or "group" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934) directly or indirectly of more than thirty-five percent (35%) or more of the common stock of Borrower.

SECTION 6.2. REMEDIES. Upon the occurrence and during the continuance of any Event of Default: (a) all indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are hereby expressly waived by Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence and during the continuance of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VII
MISCELLANEOUS

SECTION 7.1. NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 7.2. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER: SURMODICS, INC.
9924 West 74th Street
Eden Prairie, MN 55344
Attn: Andrew D.C. LaFrence

BANK: WELLS FARGO BANK, NATIONAL ASSOCIATION
400 Hamilton Avenue, Suite 210
Palo Alto, CA 94301
Attn: Loan Team Manager

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 7.3. COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in connection with (a) the negotiation and preparation of this Agreement and the other Loan Documents and the Collateral Audit up to the Closing Date, which such amount is estimated to not exceed Thirty Five Thousand Dollars (\$35,000) if there has only been one reasonably turn of the Loan Documents, Bank's continued administration hereof and thereof, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, and (c) subject to Section 7.11(g) hereof, the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

SECTION 7.4. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or transfer its interests or rights hereunder without Bank's prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents with the consent of Borrower prior to the occurrence of an Event of Default, which consent shall not be unreasonably withheld, provided no such consent of Borrower shall be required in connection with the acquisition of the loan portfolio of which this loan is a part or the acquisition of one or more divisions of Bank. In connection therewith, subject to the confidentiality provisions of Section 7.12 below, Bank may disclose all documents and information which Bank now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business, or any Collateral required hereunder.

SECTION 7.5. ENTIRE AGREEMENT; AMENDMENT. This Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 7.6. NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 7.7. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 7.8. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 7.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 7.10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

SECTION 7.11. ARBITRATION.

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise in any way arising out of or relating to (i) any credit subject hereto, or any of the Loan Documents, and their negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit.

(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in California selected by the American Arbitration Association (“AAA”); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA’s commercial dispute resolution procedures, unless the claim or counterclaim is at least One Million Dollars (\$1,000,000) exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA’s optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the “Rules”). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure. The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is Five Million Dollars (\$5,000,000) or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than Five Million Dollars (\$5,000,000). Any dispute in which the amount in controversy exceeds Five Million Dollars (\$5,000,000) shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State of California or a neutral retired judge of the state or federal judiciary of California, in either case with a minimum of ten years' experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of California and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the California Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than twenty (20) days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties who have executed any Loan Document, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(g) Payment Of Arbitration Costs And Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Reserved.

(i) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

(j) Small Claims Court. Notwithstanding anything herein to the contrary, each party retains the right to pursue in Small Claims Court any dispute within that court's jurisdiction. Further, this arbitration provision shall apply only to disputes in which either party seeks to recover an amount of money (excluding attorneys' fees and costs) that exceeds the jurisdictional limit of the Small Claims Court.

SECTION 7.12. CONFIDENTIALITY. Bank agrees to keep confidential in accordance with Bank's customary practices (and in any event in compliance with applicable law regarding material non-public information) all non-public information provided to it by Borrower pursuant to or in connection with this Agreement, provided that nothing herein shall prevent Bank from disclosing any such information (a) to its affiliates, (b) subject to an agreement to comply with the provisions of this Section 7.12 or substantially equivalent provisions, to any actual or prospective assignee or transferee, (c) to its employees, directors, agents, attorneys, accountants and other professional advisors or those of any of its affiliates (as long as such attorneys, accountants and other professional advisors are subject to confidentiality requirements substantially equivalent to this Section 7.12), (d) upon the request or demand of any governmental authority, (e) in response to any order of any court or other governmental authority or as may otherwise be required pursuant to any requirement of law, (f) if requested or required to do so in connection with any litigation or similar proceeding, (g) that has been publicly disclosed, or (h) in connection with the exercise of any remedy hereunder or under any other Loan Document, provided that, in the case of clauses (d), (e) and (f) of this Section 7.12, with the exception of disclosure to bank regulatory authorities, Bank (to the extent legally permissible) shall endeavor to give prompt prior notice to Borrower so that it may seek a protective order or other appropriate remedy.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

SURMODICS, INC.

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: /s/ Andy LaFrence

Name: Andy LaFrence

Title: Chief Financial Officer and Vice President

By: _____

Name: _____

Title: _____

[Signature Page to Credit Agreement]

REVOLVING LINE OF CREDIT NOTE

\$20,000,000.00

Palo Alto, CA
November 4, 2013

FOR VALUE RECEIVED, the undersigned SURMODICS, INC. ("Borrower") promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") at its office at 400 Hamilton Avenue, Suite 210, Palo Alto, CA 94391, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of Twenty Million Dollars (\$20,000,000.00), or so much thereof as may be advanced and be outstanding, with interest thereon, to be computed on each advance from the date of its disbursement as set forth herein.

DEFINITIONS:

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

(a) "Base Rate" means, for any day, the rate of interest equal to LIBOR then in effect for delivery for a one (1) month period.

(b) "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in California are authorized or required by law to close.

(c) "Fixed Rate Term" means a period commencing on a Business Day and continuing for a period of one, three or six months, as designated by Borrower, during which all or a portion of the outstanding principal balance of this Note bears interest determined in relation to LIBOR on the first day of such Fixed Rate Term; provided however, that no Fixed Rate Term may be selected for a principal amount less than Five Hundred Thousand Dollars (\$500,000); and provided further, that no Fixed Rate Term shall extend beyond the scheduled maturity date hereof unless at the scheduled maturity date hereof, the Borrower pays to Bank the fee specified below under clause (b) below under "Prepayment". If any Fixed Rate Term would end on a day which is not a Business Day, then such Fixed Rate Term shall be extended to the next succeeding Business Day.

(d) "LIBOR" means the rate per annum and determined pursuant to the following formula:

$$\text{LIBOR} = \frac{\text{Base LIBOR}}{100\% - \text{LIBOR Reserve Percentage}}$$

(i) "Base LIBOR" means the rate per annum for United States dollar deposits quoted by Bank as the Inter-Bank Market Offered Rate, with the understanding that such rate is quoted by Bank for the purpose of calculating effective rates of interest for loans making reference thereto, on the first day of a Fixed Rate Term for delivery of funds on said date for a period of time approximately equal to the number of days in such Fixed Rate Term and in an amount approximately equal to the principal amount to which such Fixed Rate Term applies. Borrower understands and agrees that Bank may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Bank in its discretion deems appropriate including, but not limited to, the rate offered for U.S. dollar deposits on the London Inter-Bank Market.

(ii) “LIBOR Reserve Percentage” means the reserve percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor) for “Eurocurrency Liabilities” (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Bank for expected changes in such reserve percentage during the applicable Fixed Rate Term.

INTEREST:

(a) Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a three hundred sixty (360) day year, actual days elapsed) either (i) at a fluctuating rate per annum equal to the Base Rate in effect from time to time, plus the Applicable Margin or (ii) at a fixed rate per annum equal to LIBOR in effect on the first day of the Fixed Rate Term, plus the Applicable Margin. The Applicable Margin shall be determined at the start of each fiscal quarter, for the duration of such fiscal quarter, in accordance with the table immediately below for the corresponding Total Leverage Ratio (as defined in that certain Credit Agreement between Borrower and Bank dated as of the date hereof, as amended, restated, modified or supplemented from time to time (the “Credit Agreement”)) as most recently reported in accordance with Section 4.3(c) of the Credit Agreement. For the avoidance of doubt, from the Closing Date until receipt of the first Compliance Certificate pursuant to Section 4.3(c) of the Credit Agreement, the Applicable Margin shall be one and three eighths of one percent (1.375%). When interest is determined in relation to the Base Rate, each change in the rate of interest hereunder shall become effective on the date of each Base Rate change.

Total Leverage Ratio	Applicable Margin
Greater than 1.50 to 1.00	2.00%
Less than or equal to 1.50 to 1.00 but greater than 1.00 to 1.00	1.75%
Less than or equal to 1.00 to 1.00 but greater than 0.50 to 1.00	1.50%
Less than or equal to 0.50 to 1.00	1.375%

With respect to each LIBOR selection hereunder, Bank is hereby authorized to note the date, principal amount, interest rate and Fixed Rate Term applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted.

(b) Selection of Interest Rate Options. At any time any portion of this Note bears interest determined in relation to LIBOR for a Fixed Rate Term, it may be continued by Borrower at the end of the Fixed Rate Term applicable thereto so that all or a portion thereof bears interest determined in relation to the Base Rate or to LIBOR for a new Fixed Rate Term designated by Borrower. At any time any portion of this Note bears interest determined in relation to the Base Rate, Borrower may convert all or a portion thereof so that it bears interest determined in relation to LIBOR for a Fixed Rate Term designated by Borrower. At such time as Borrower requests an advance hereunder or wishes to select a LIBOR option for all or a portion of the outstanding principal balance hereof, and at the end of each Fixed Rate Term, Borrower shall give Bank notice specifying: (i) the interest rate option selected by Borrower; (ii) the principal amount subject thereto; and (iii) for each LIBOR selection, the length of the applicable Fixed Rate Term. Any such notice may be given by telephone (or such other electronic method as Bank may permit) so long as, with respect to each LIBOR selection, (A) if requested by Bank, Borrower provides to Bank written confirmation thereof not later than three (3) Business Days after such notice is given, and (B) such notice is given to Bank prior to 10:00 a.m. California time on the first day of the Fixed Rate Term, or at a later time during any Business Day if Bank, at its sole option but without obligation to do so, accepts Borrower's notice and quotes a fixed rate to Borrower. If Borrower does not immediately accept a fixed rate when quoted by Bank, the quoted rate shall expire and any subsequent LIBOR request from Borrower shall be subject to a redetermination by Bank of the applicable fixed rate. If no specific designation of interest is made at the time any advance is requested hereunder or at the end of any Fixed Rate Term, Borrower shall be deemed to have made a Base Rate interest selection for such advance or the principal amount to which such Fixed Rate Term applied.

(c) Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (i) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to LIBOR, and (ii) future, supplemental, emergency or other changes in the LIBOR Reserve Percentage, assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to LIBOR to the extent they are not included in the calculation of LIBOR. In determining which of the foregoing are attributable to any LIBOR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower absent manifest error.

(d) Payment of Interest. (i) Interest accrued on this Note determined in relation to LIBOR for a Fixed Rate Term shall be payable on the last day of such Fixed Rate Term and (ii) interest accrued on this Note determined in relation to the Base Rate shall be payable on the last day of each month.

(e) Default Interest. From and after the maturity date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, or at Bank's option upon the occurrence, and during the continuance of an Event of Default, the outstanding principal balance of this Note shall bear interest until paid in full at an increased rate per annum (computed on the basis of a three hundred sixty (360) day year, actual days elapsed) equal to three percent (3.00%) above the rate of interest from time to time applicable to this Note.

BORROWING AND REPAYMENT:

(a) Borrowing and Repayment. Borrower may from time to time during the term of this Note borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions of this Note and of any document executed in connection with or governing this Note; provided however, that the total outstanding borrowings under this Note shall not at any time exceed the principal amount stated above. The unpaid principal balance of this obligation at any time shall be the total amounts advanced hereunder by the holder hereof less the amount of principal payments made hereon by or for Borrower, which balance may be endorsed hereon from time to time by the holder. The outstanding principal balance of this Note shall be due and payable in full on November 4, 2016 or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise.

(b) Advances. Advances hereunder, to the total amount of the principal sum stated above, may be made by the holder at the oral or written request of (i) Andrew D.C. LaFrence or Mark Lehman, any one acting alone, who are authorized to request advances and direct the disposition of any advances until written notice of the revocation of such authority is received by the holder at the office designated above, or (ii) any person, with respect to advances deposited to the credit of any deposit account of Borrower, which advances, when so deposited, shall be conclusively presumed to have been made to or for the benefit of Borrower regardless of the fact that persons other than those authorized to request advances may have authority to draw against such account. The holder shall have no obligation to determine whether any person requesting an advance is or has been authorized by Borrower.

(c) Application of Payments. Each payment made on this Note shall be credited first, to any interest then due and second, to the outstanding principal balance hereof. All payments credited to principal shall be applied first, to the outstanding principal balance of this Note which bears interest determined in relation to the Base Rate, if any, and second, to the outstanding principal balance of this Note which bears interest determined in relation to LIBOR for a Fixed Rate Term, with such payments applied to the oldest Fixed Rate Term first.

PREPAYMENT:

(a) Base Rate. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to the Base Rate at any time, in any amount and without penalty.

(b) LIBOR. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to LIBOR for a Fixed Rate Term at any time and in the minimum amount of Five Hundred Thousand Dollars (\$500,000); provided however, that if the outstanding principal balance of such portion of this Note is less than said amount, the minimum prepayment amount shall be the entire outstanding principal balance thereof. In consideration of Bank providing this prepayment option to Borrower, or if any such portion of this Note shall become due and payable at any time prior to the last day of the Fixed Rate Term applicable thereto by acceleration or otherwise, Borrower shall pay to Bank immediately upon demand a fee which is the sum of the discounted monthly differences for each month from the month of prepayment through the month in which such Fixed Rate Term matures, calculated as follows for each such Fixed Rate Term:

(i) Determine the amount of interest which would have accrued from the date of prepayment on the amount prepaid at the interest rate applicable to such amount had it remained outstanding until the last day of the Fixed Rate Term applicable thereto.

- (ii) Subtract from the amount determined in (i) above the amount of interest which would have accrued for the same period on the amount prepaid at LIBOR in effect on the date of prepayment for new loans made for such term and in a principal amount equal to the amount prepaid.
- (iii) If the result obtained in (ii) for any Fixed Rate Term is greater than zero, discount that amount by LIBOR used in (ii) above.

Borrower acknowledges that prepayment of such amount may result in Bank incurring additional costs, expenses and/or liabilities, and that it is difficult to ascertain the full extent of such costs, expenses and/or liabilities. Borrower, therefore, agrees to pay the above-described prepayment fee and agrees that said amount represents a reasonable estimate of the prepayment costs, expenses and/or liabilities of Bank. If Borrower fails to pay any prepayment fee when due, the amount of such prepayment fee shall thereafter bear interest until paid at a rate per annum three percent (3.00%) above the rate of interest from time to time applicable to loans that bear interest by reference to the Base Rate (computed on the basis of a three hundred sixty (360) day year, actual days elapsed).

EVENTS OF DEFAULT:

This Note is made pursuant to and is subject to the terms and conditions of the Credit Agreement. Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Credit Agreement, shall constitute an "Event of Default" under this Note.

MISCELLANEOUS:

(a) Remedies. Upon the occurrence and during the continuance of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by Borrower, and the obligation, if any, of the holder to extend any further credit hereunder shall immediately cease and terminate. Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of the holder's in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder's rights and/or the collection of any amounts which become due to the holder under this Note, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

(b) Obligations Joint and Several. Should more than one person or entity sign this Note as a Borrower, the obligations of each such Borrower shall be joint and several.

(c) Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above.

SURMODICS, INC.

By: /s/ Andrew D.C. LaFrence

Name: Andrew D.C. LaFrence

Title: Vice President Finance and CFO

SurModics Reports Fourth Quarter and Full Year 2013 Results

- **Continuing Operations GAAP EPS Increases 53% to \$0.26 on Revenue of \$14.3 million in Q4; EPS Increases 71% for the Fiscal Year**
- **Strong Cash Generation in Q4 and Full Year**
- **\$20 Million Line of Credit Signed**
- **Fiscal 2014 Revenue, EPS and Cash Flow Guidance Outlined**

EDEN PRAIRIE, Minn.--(BUSINESS WIRE)--November 5, 2013--SurModics, Inc. (Nasdaq:SRDX), a leading provider of surface modification and in vitro diagnostic technologies to the healthcare industries, today announced results for its fiscal 2013 fourth quarter and full year 2013.

Revenue and Earnings Summary

Revenue for the fiscal 2013 fourth quarter totaled \$14.3 million, a 3% increase from \$13.8 million reported in the fiscal 2012 fourth quarter. Diluted earnings per share from continuing operations totaled \$0.26 compared with \$0.17 in the prior-year period. The current year quarter benefited from a \$1.0 million, or \$0.04 per diluted share, recovery of legal fees associated with the SRI litigation, partially offset by a \$0.5 million, or \$0.02 per diluted share, restructuring charge. Commenting on the results, SurModics' President and Chief Executive Officer Gary Maharaj said, "The fourth quarter was marked by continued strong earnings as our team executed well in all aspects of our business. We achieved strong earnings growth despite our second consecutive quarter of coronary market headwinds."

For the year ended September 30, 2013, revenue totaled \$56.1 million, an increase of 8% from \$51.9 million in the previous year. Diluted earnings per share from continuing operations were \$0.99 increasing from \$0.58 for fiscal 2012.

Medical Device Summary

Revenue for the 2013 fourth quarter in the Medical Device business unit, which includes hydrophilic coatings and device drug delivery technologies, was \$10.3 million, a 3% increase from \$10.0 million in the fiscal fourth quarter of last year. Fourth quarter hydrophilic coating royalty revenue rose 1% to \$7.4 million compared with the year-ago period. Medical Device generated \$5.3 million of operating income during the quarter, a 2% increase from the same quarter in fiscal 2012. Said Maharaj, "As noted above, the coronary market has been challenging in the last half of fiscal 2013. While we cannot control industry dynamics, we are continuing our efforts to broaden the application of our technologies on customer products in higher growth market segments. I'm pleased with our efforts in this regard as we realized in fiscal 2013 a favorable 150 basis point mix change to non-coronary hydrophilic coating royalty revenue."

For the fiscal year, revenue in the Medical Device business unit was \$41.2 million in 2013 compared to \$37.9 million in the prior year. Hydrophilic coating royalty revenue increased 9% to \$28.8 million from the prior-year period. Excluding a one-time catch up payment received in fiscal 2013, hydrophilic coating royalty revenue increased 7% from fiscal 2012. Medical Device generated \$21.2 million of operating income during the year, a 15% increase from fiscal 2012. Operating income was impacted by higher planned research and development expenditures to support SurModics' R&D drug coated balloon program.

Additional highlights include:

- For the quarter, three medical device customers launched new products utilizing SurModics hydrophilic coatings;
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- Coronary sector revenue declined 1%, reflecting continued sluggishness faced by the Company's customer base; and
- SurModics completed its internal pre-clinical evaluation on development of a drug coated balloon device technology platform.

In Vitro Diagnostics Summary

For the fourth quarter of 2013, revenue for the In Vitro Diagnostics (IVD) business unit totaled \$4.0 million, increasing 4% compared with the fourth quarter of fiscal 2012. The IVD business unit generated \$1.3 million of operating income in the fourth quarter of 2013, consistent with the prior year quarter.

For the fiscal year 2013, revenue for the IVD business unit totaled \$15.0 million, an increase of 7% compared with fiscal 2012. The IVD business unit generated \$4.2 million of operating income compared with \$4.5 million in the prior year as a result of higher operating expenses from increased allocation of corporate expenses, as well as additional investment in market research to support growth initiatives.

Additional highlights include:

- 12 consecutive quarters of year-over-year revenue growth; and
- The addition of 27 new IVD test manufacturers for the quarter.

Corporate

As previously announced, in the fourth quarter of fiscal 2013 SurModics recorded a \$1.0 million benefit from the reimbursement of legal fees associated with the SRI litigation (included in S,G&A) and a restructuring charge of \$0.5 million.

Balance Sheet

As of September 30, 2013, the Company had \$58.1 million of cash and investments. The Company had no outstanding debt as of September 30, 2013.

Cash Flow

SurModics generated cash from continuing operations of \$5.9 million in the fourth quarter of 2013 compared with \$5.6 million in the prior-year quarter. For the fiscal year 2013, the Company generated \$17.8 million of cash from continuing operations compared with \$17.6 million in fiscal 2012. SurModics repurchased 390,853 common shares for \$8.5 million in the fourth quarter of fiscal 2013 under a previously announced share repurchase authorization. For fiscal year 2013, the Company repurchased a total of 795,643 common shares, for an aggregate of \$18.8 million. As of September 30, 2013 SurModics had \$11.5 million outstanding under the current authorization for future share repurchases. For the fiscal year the Company realized \$2.3 million of cash from the sale of strategic investments and invested \$1.9 million in property, plant and equipment.

Fiscal 2014 Revenue, Earnings and Cash Flow Outlook

The Company estimates GAAP revenue for fiscal 2014 to be in the range of \$58.0 to \$62.0 million, reflecting 3% to 10% year-over-year revenue growth. SurModics anticipates diluted GAAP earnings to be in the range of \$0.80 to \$0.92 per share. The fiscal 2014 earnings per share guidance includes an increase of approximately 20% in research and development investment over fiscal 2013 levels primarily related to drug coated balloon activities. The fiscal 2014 earnings per share outlook reflects 14.4 million diluted shares outstanding and a 31.0% to 33.0% income tax rate. The Company's earnings per share and income tax rate guidance exclude the impact of any strategic investment gains and losses. GAAP cash flow from operating activities is expected to range between \$17.6 and \$18.6 million for fiscal 2014. Capital expenditures for fiscal 2014 are projected to range between \$2.2 and \$2.5 million. While dependent on market conditions and business development initiatives, the Company expects to continue to repurchase common shares under the \$11.5 million remaining on the previously announced repurchase authorization.

Maharaj concluded, "Going forward, we continue to focus on building SurModics' core business and expanding from that, including a stepped-up R&D initiative in fiscal 2014."

Line of Credit

On November 4, 2013, SurModics entered into a \$20.0 million line of credit agreement with Wells Fargo. This three-year arrangement takes advantage of current favorable lending conditions and provides capital and flexibility for general corporate purposes.

Correction of Carrying Value of Strategic Investment in Prior Period

As previously disclosed in the Company's second quarter 2013 earnings release, the accompanying financial tables reflect a \$1.2 million adjustment to increase the carrying value of strategic investments, recorded within other assets, and stockholders' equity in the prior period balance sheet. This adjustment corrects and reduces an other than temporary impairment charge as of September 30, 2010, which was previously recorded during the fiscal fourth quarter ended September 30, 2010. The original other than temporary impairment charge did not sufficiently evaluate the impact of the proposed sale of a strategic investment subsidiary to an unrelated third party, in evaluating the value of the strategic investment. This transaction was consummated on February 1, 2011. The impact of this adjustment was not deemed to be material to the results of operations, total assets or stockholders' equity for the previously reported periods. Further details of this adjustment will be included in SurModics' Annual Report on Form 10-K for the period ended September 30, 2013.

Live Webcast

SurModics will host a webcast at 5 p.m. ET (4 p.m. CT) today to discuss fourth quarter results. To access the webcast, go to the investor relations portion of the Company's website at www.surmodics.com and click on the webcast icon. A replay of the fourth quarter conference call will be available by dialing 800-406-7325 and entering conference call ID passcode 4647280. The audio replay will be available beginning at 8 p.m. ET on Tuesday, November 5, 2013, until 8 p.m. ET on Tuesday, November 12, 2013.

About SurModics, Inc.

SurModics' mission is to exceed our customers' expectations and enhance the well-being of patients by providing the world's foremost, innovative surface modification technologies and *in vitro* diagnostic chemical components. The Company partners with the world's leading and emerging medical device, diagnostic and life science companies to develop and commercialize innovative products designed to improve patient diagnosis and treatment. Core offerings include surface modification coating technologies that impart lubricity, prohealing, and biocompatibility capabilities; and components for *in vitro* diagnostic test kits and microarrays. SurModics is headquartered in Eden Prairie, Minnesota. For more information about the Company, visit www.surmodics.com. The content of SurModics' website is not part of this press release or part of any filings that the Company makes with the SEC.

Safe Harbor for Forward-Looking Statements

This press release contains forward-looking statements. Statements that are not historical or current facts, including statements about beliefs and expectations regarding our ability to broaden the application of our technologies into higher growth market segments, our expectations regarding the Company's performance in the near- and long-term, including our revenue, earnings and cash flow expectations for fiscal 2014, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including (1) reliance on third parties (including our customers and licensees) and their failure to successfully develop, obtain regulatory approval for, market and sell products incorporating our technologies may adversely affect our business operations, our ability to realize the full potential of our pipeline, and our ability to achieve our corporate goals; (2) possible adverse market conditions and possible adverse impacts on our cash flows, and (3) the factors identified under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2012, and updated in our subsequent reports filed with the SEC. These reports are available in the Investors section of our website at www.surmodics.com and at the SEC website at www.sec.gov. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them in light of new information or future events.

Use of Non-GAAP Financial Information

In addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP, SurModics is reporting non-GAAP financial results including non-GAAP income from continuing operations and non-GAAP diluted earnings per share from continuing operations. We believe that these non-GAAP measures provide meaningful insight into our operating performance excluding certain event-specific matters, and provide an alternative perspective of our results of operations. We use non-GAAP measures, including those set forth in this release, to assess our operating performance and to determine payout under our executive compensation programs. We believe that presentation of certain non-GAAP measures allows investors to review our results of operations from the same perspective as management and our board of directors and facilitates comparisons of our current results of operations. The method we use to produce non-GAAP results is not in accordance with GAAP and may differ from the methods used by other companies. Non-GAAP results should not be regarded as a substitute for corresponding GAAP measures but instead should be utilized as a supplemental measure of operating performance in evaluating our business. Non-GAAP measures do have limitations in that they do not reflect certain items that may have a material impact upon our reported financial results. As such, these non-GAAP measures presented should be viewed in conjunction with both our financial statements prepared in accordance with GAAP and the reconciliation of the supplemental non-GAAP financial measures to the comparable GAAP results provided for the specific periods presented, which are attached to this release.

SurModics, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
(in thousands, except per share data)

	Three Months Ended		Year Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
	(Unaudited)		(Unaudited)	
Revenue:				
Royalties and license fees	\$ 7,480	\$ 7,448	\$ 29,774	\$ 27,445
Product sales	5,818	5,293	22,506	20,742
Research and development	999	1,102	3,852	3,741
Total revenue	<u>14,297</u>	<u>13,843</u>	<u>56,132</u>	<u>51,928</u>
Operating costs and expenses:				
Product costs	2,004	1,962	7,898	7,418
Research and development	3,934	3,490	15,079	14,143
Selling, general and administrative	2,307	3,753	13,859	14,025
Restructuring charges	476	—	476	—
Total operating costs and expenses	<u>8,721</u>	<u>9,205</u>	<u>37,312</u>	<u>35,586</u>
Operating income from continuing operations	<u>5,576</u>	<u>4,638</u>	<u>18,820</u>	<u>16,342</u>
Other income (loss):				
Investment income, net	81	122	268	540
Impairment loss on strategic investments	(29)	—	(158)	(804)
Other income, net	(30)	56	1,430	228
Other income (loss)	<u>22</u>	<u>178</u>	<u>1,540</u>	<u>(36)</u>
Income from continuing operations before income taxes	5,598	4,816	20,360	16,306
Income tax provision	(1,865)	(1,962)	(5,781)	(6,177)
Income from continuing operations	<u>3,733</u>	<u>2,854</u>	<u>14,579</u>	<u>10,129</u>
Discontinued operations:				
(Loss) income from discontinued operations, net of taxes	(47)	(55)	588	1,176
Loss on sale of discontinued operations, net of taxes	—	(59)	—	(1,074)
(Loss) income from discontinued operations	<u>(47)</u>	<u>(114)</u>	<u>588</u>	<u>102</u>
Net income	<u>\$ 3,686</u>	<u>\$ 2,740</u>	<u>\$ 15,167</u>	<u>\$ 10,231</u>
Basic income (loss) per share:				
Continuing operations	\$ 0.26	\$ 0.17	\$ 1.01	\$ 0.58
Discontinued operations	0.00	(0.01)	0.04	0.01
Net income	\$ 0.26	\$ 0.16	\$ 1.05	\$ 0.59
Diluted income (loss) per share:				
Continuing operations	\$ 0.26	\$ 0.17	\$ 0.99	\$ 0.58
Discontinued operations	0.00	(0.01)	0.04	0.01
Net income	\$ 0.26	\$ 0.16	\$ 1.03	\$ 0.59
Weighted average number of shares outstanding:				
Basic	14,169	16,756	14,464	17,318
Diluted	14,446	16,926	14,731	17,431

SurModics, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands)

	September 30, 2013	September 30, 2012
	(Unaudited)	
Assets		
Cash and short-term investments	\$ 25,707	\$ 29,657
Accounts receivable	5,332	5,069
Inventories	3,328	3,524
Other current assets	1,366	822
Current assets of discontinued operations	46	883
Total current assets	35,779	39,955
Property and equipment, net	12,845	13,610
Long-term investments	32,397	28,433
Other assets	20,902	22,321
Total assets	\$ 101,923	\$ 104,319
Liabilities and Stockholders' Equity		
Current liabilities	\$ 5,837	\$ 5,259
Current liabilities of discontinued operations	139	1,640
Total current liabilities	5,976	6,899
Other liabilities	2,130	2,432
Total stockholders' equity	93,817	94,988
Total liabilities and stockholders' equity	\$ 101,923	\$ 104,319

SurModics, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)

	Year Ended	
	September 30,	
	2013	2012
	(Unaudited)	
Operating Activities:		
Net income	\$ 15,167	\$ 10,231
Income from discontinued operations	(588)	(1,176)
Loss on sale of discontinued operations	—	1,074
Depreciation and amortization	2,886	2,929
Stock-based compensation	2,552	2,671
Gains on sales of available-for-sale securities and strategic investments	(1,430)	(228)
Net other operating activities	172	109
Change in operating assets and liabilities:		
Accounts receivable	(262)	(685)
Accounts payable and accrued liabilities	238	(2,663)
Income taxes	(1,080)	5,734
Net change in other operating assets and liabilities	126	(370)
Net cash provided by operating activities from continuing operations	<u>17,781</u>	<u>17,626</u>
Investing Activities:		
Purchases of property and equipment	(1,919)	(763)
Cash (transferred to) received from discontinued operations	(116)	27,665
Net other investing activities	2,113	2,716
Net cash provided by investing activities from continuing operations	<u>78</u>	<u>29,618</u>
Financing Activities:		
Repurchase of common stock	(17,805)	(54,991)
Purchases of common stock to pay employee taxes	(39)	(236)
Net other financing activities	(60)	306
Net cash used in financing activities from continuing operations	<u>(17,904)</u>	<u>(54,921)</u>
Net cash used in continuing operations	<u>(45)</u>	<u>(7,677)</u>
Discontinued operations:		
Net cash used in operating activities	(116)	(1,514)
Net cash provided by investing activities	—	29,817
Net cash provided by (used in) financing activities	116	(28,303)
Net cash provided by discontinued operations	<u>—</u>	<u>—</u>
Net change in cash and cash equivalents	(45)	(7,677)
Cash and Cash Equivalents:		
Beginning of year	15,540	23,217
End of year	<u>\$ 15,495</u>	<u>\$ 15,540</u>

SurModics, Inc. and Subsidiaries
Supplemental Segment Information
(in thousands)

(Unaudited)

Three Months Ended September 30,						
2013			2012			% Change
Revenue	% of Total			% of Total		
Medical Device	\$ 10,296	72.0%	\$ 9,994	72.2%		3.0%
In Vitro Diagnostics	4,001	28.0	3,849	27.8		3.9
Total revenue	\$ 14,297	100.0%	\$ 13,843	100.0%		3.3%

Year Ended September 30,						
2013			2012			% Change
Revenue	% of Total			% of Total		
Medical Device	\$ 41,153	73.3%	\$ 37,883	73.0%		8.6%
In Vitro Diagnostics	14,979	26.7	14,045	27.0		6.6
Total revenue	\$ 56,132	100.0%	\$ 51,928	100.0%		8.1%

Operating Income (Loss)	Three Months Ended September 30,		Year Ended September 30,	
	2013	2012	2013	2012
	Medical Device	\$ 5,316	\$ 5,205	\$ 21,164
In Vitro Diagnostics	1,289	1,296	4,222	4,542
Corporate	(1,029)	(1,863)	(6,566)	(6,631)
Total operating income	\$ 5,576	\$ 4,638	\$ 18,820	\$ 16,342

SurModics, Inc. and Subsidiaries
Supplemental Non-GAAP Information
For the Three Months Ended September 30, 2013
(In thousands, except per share data)

(Unaudited)

	<u>As Reported GAAP(1)</u>	<u>Adjustments</u>		<u>Adjusted Non-GAAP(2)</u>
Revenue				
Royalties and license fees	\$ 7,480			\$ 7,480
Product sales	5,818			5,818
Research and development	999			999
Total revenue	<u>\$ 14,297</u>			<u>\$ 14,297</u>
Operating income from continuing operations	<u>\$ 5,576</u>	<u>\$ (509)</u>	(3)	<u>\$ 5,067</u>
Income from continuing operations	<u>\$ 3,733</u>	<u>\$ (323)</u>	(4)	<u>\$ 3,410</u>
Diluted earnings per share from continuing operations(5)	<u>\$ 0.26</u>			<u>\$ 0.24</u>

- (1) Reflects operating results from our continuing operations in accordance with U.S. generally accepted accounting principles ("GAAP"). Our Pharmaceuticals segment results are presented as discontinued operations.
- (2) Adjusted Non-GAAP amounts consider adjustments to reflect a \$985 increase to operating expenses as a result of the recovery of legal fees associated with the SRI litigation (this amount represents the recovery of costs incurred in periods prior to the fourth quarter of fiscal 2013) and a \$476 decrease to operating expenses associated with fiscal fourth quarter 2013 restructuring charges. The income tax provision has been adjusted for these items utilizing a 36.5% incremental effective tax rate.
- (3) Reflects the pre-tax impact of the operating expense adjustments noted in (2) above.
- (4) Adjusted to reflect the adjustments noted in (2) above utilizing a 36.5% incremental effective tax rate.
- (5) Diluted earnings per share from continuing operations is calculated using the diluted weighted average shares outstanding for the period presented.
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SurModics, Inc. and Subsidiaries
Supplemental Non-GAAP Information
For the Three Months Ended September 30, 2012
(in thousands, except per share data)

(Unaudited)

	<u>As Reported GAAP(1)</u>	<u>Adjustments</u>		<u>Adjusted Non- GAAP(2)</u>
Revenue				
Royalties and license fees	\$ 7,448			\$ 7,448
Product sales	5,293			5,293
Research and development	1,102			1,102
Total revenue	<u>\$ 13,843</u>			<u>\$ 13,843</u>
Operating income from continuing operations	<u>\$ 4,638</u>	<u>\$ 507</u>	(3)	<u>\$ 5,145</u>
Income from continuing operations	<u>\$ 2,854</u>	<u>\$ 507</u>	(3)	<u>\$ 3,361</u>
Diluted earnings per share from continuing operations(4)	<u>\$ 0.17</u>			<u>\$ 0.20</u>

(1) Reflects continuing operating results in accordance with U.S. generally accepted accounting principles ("GAAP").

(2) Adjusted Non-GAAP amounts consider adjustment related to the Company's Dutch auction tender offer recognized in the period in accordance with GAAP.

(3) Reflects a \$507 adjustment to reduce operating expenses associated with the fiscal fourth quarter 2012 Dutch auction tender offer. The tender offer expenses are non-deductible for tax purposes and did not generate a tax benefit.

(4) Diluted net income per share from continuing operations is calculated using the diluted weighted average shares outstanding for the period presented.

SurModics, Inc. and Subsidiaries
Supplemental Non-GAAP Information
For the Year Ended September 30, 2013
(In thousands, except per share data)

(Unaudited)

	<u>As Reported GAAP(1)</u>	<u>Adjustments</u>		<u>Adjusted Non- GAAP(2)</u>
Revenue				
Royalties and license fees	\$ 29,774	\$ (570)	(3)	\$ 29,204
Product sales	22,506			22,506
Research and development	3,852			3,852
Total revenue	<u>\$ 56,132</u>	<u>\$ (570)</u>	(3)	<u>\$ 55,562</u>
Operating income from continuing operations	<u>\$ 18,820</u>	<u>\$ (691)</u>	(4)	<u>\$ 18,129</u>
Income from continuing operations	<u>\$ 14,579</u>	<u>\$ (1,987)</u>	(5)	<u>\$ 12,592</u>
Diluted earnings per share from continuing operations(6)	<u>\$ 0.99</u>			<u>\$ 0.85</u>

- (1) Reflects operating results from our continuing operations in accordance with U.S. generally accepted accounting principles ("GAAP"). Our Pharmaceuticals segment results are presented as discontinued operations.
- (2) Adjusted Non-GAAP amounts consider adjustments to reduce royalty revenue associated with a one-time \$570 catch-up payment received in fiscal 2013, a \$597 increase to operating expenses as a result of the recovery of legal fees associated with the SRI litigation (this amount represents the recovery of costs incurred in periods prior to fiscal 2013), a \$476 decrease to operating expenses associated with a fiscal fourth quarter 2013 restructuring charges, a reduction in net investment income of \$1,136 associated with the sale of Vessix Vascular and OctoPlus shares offset by impairment losses on the Company's investment in ViaCyte and Nexeon, adjustment to the income tax provision for these items, excluding the net investment gains which did not generate a tax benefit, utilizing a 36.5% incremental effective tax rate as well as adjustment to increase the income tax provision for \$412 of discrete income tax benefits recognized for the period as noted in detail in (4) below.
- (3) Reflects the pre-tax impact of the \$570 royalty revenue catch-up payment noted in (2) above.
- (4) Reflects the \$570 royalty revenue catch-up payment, the \$597 recovery of legal fees and \$476 restructuring charges noted in (2) above.
- (5) Adjusted to reflect the items noted in (2) above as well as non-recurring discrete income tax benefits of \$261 associated with realization of capital loss carrybacks and \$151 from the January 2013 signing of the American Taxpayer Relief Act of 2012 which retroactively reinstated federal R&D tax credits for calendar 2012.
- (6) Diluted earnings per share from continuing operations is calculated using the diluted weighted average shares outstanding for the period presented.

SurModics, Inc. and Subsidiaries
Supplemental Non-GAAP Information
For the Year Ended September 30, 2012
(in thousands, except per share data)

(Unaudited)

	<u>As Reported GAAP(1)</u>	<u>Adjustments</u>		<u>Adjusted Non- GAAP(2)</u>
Revenue				
Royalties and license fees	\$ 27,445			\$ 27,445
Product sales	20,742			20,742
Research and development	3,741			3,741
Total revenue	<u>\$ 51,928</u>			<u>\$ 51,928</u>
Operating income from continuing operations	<u>\$ 16,342</u>	<u>\$ 507</u>	(3)	<u>\$ 16,849</u>
Income from continuing operations	<u>\$ 10,129</u>	<u>\$ 1,311</u>	(4)	<u>\$ 11,440</u>
Diluted earnings per share from continuing operations(5)	<u>\$ 0.58</u>			<u>\$ 0.66</u>

- (1) Reflects continuing operating results in accordance with U.S. generally accepted accounting principles ("GAAP").
- (2) Adjusted Non-GAAP amounts consider adjustments related to Dutch auction tender offer expenses and an impairment loss on investment recognized in the period in accordance with GAAP.
- (3) Reflects a \$507 adjustment to reduce operating expenses associated with the fiscal fourth quarter 2012 Dutch auction tender offer.
- (4) Reflects the after tax impact of the adjustments associated with the \$507 Dutch auction tender offer expenses and the \$804 impairment loss on investment. These transactions are non-deductible for tax purposes and did not generate a tax benefit.
- (5) Diluted net income per share from continuing operations is calculated using the diluted weighted average shares outstanding for the period presented.

CONTACT:
SurModics, Inc.
Andy LaFrence, 952-500-7000
Vice President of Finance and Chief Financial Officer