

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2023

or

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

Commission File Number: 0-23837

Surmodics, Inc.

(Exact name of registrant as specified in its charter)

MINNESOTA

(State or other jurisdiction of incorporation or organization)

41-1356149

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

9924 West 74th Street, Eden Prairie, Minnesota 55344

(Address of principal executive offices) (Zip Code)

(952) 500-7000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.05 par value	SRDX	Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares of the registrant's Common Stock, \$0.05 par value per share, as of April 21, 2023 was 14,134,000.

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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

Surmodics, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

<i>(In thousands, except per share data)</i>	March 31, 2023	September 30, 2022
	<i>(Unaudited)</i>	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 19,180	\$ 18,998
Accounts receivable, net of allowances of \$201 and \$81 as of March 31, 2023 and September 30, 2022, respectively	12,120	10,452
Contract assets — royalties and license fees	7,866	7,116
Inventories, net	13,767	11,819
Income tax receivable	—	2,438
Prepays and other	8,311	6,764
Total Current Assets	61,244	57,587
Property and equipment, net	27,614	27,148
Intangible assets, net	28,726	28,145
Goodwill	43,823	40,710
Other assets	4,756	4,769
Total Assets	\$ 166,163	\$ 158,359
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 3,788	\$ 3,136
Accrued liabilities:		
Compensation	5,533	8,929
Accrued other	6,463	5,854
Short-term borrowings	—	10,000
Deferred revenue	3,346	4,160
Total Current Liabilities	19,130	32,079
Long-term debt, net	29,303	—
Deferred revenue, less current portion	3,409	5,088
Deferred income taxes	2,025	2,027
Other long-term liabilities	9,742	10,773
Total Liabilities	63,609	49,967
Commitments and Contingencies (Note 11)		
Stockholders' Equity:		
Series A Preferred stock — \$.05 par value, 450 shares authorized; no shares issued and outstanding	—	—
Common stock — \$.05 par value, 45,000 shares authorized; 14,134 and 14,029 shares issued and outstanding as of March 31, 2023 and September 30, 2022, respectively	707	701
Additional paid-in capital	32,446	28,774
Accumulated other comprehensive loss	(3,814)	(9,874)
Retained earnings	73,215	88,791
Total Stockholders' Equity	102,554	108,392
Total Liabilities and Stockholders' Equity	\$ 166,163	\$ 158,359

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

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Condensed Consolidated Statements of Operations

	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
<i>(In thousands, except per share data)</i>	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Revenue:				
Product sales	\$ 15,350	\$ 13,964	\$ 29,584	\$ 26,308
Royalties and license fees	9,429	9,844	18,194	17,943
Research, development and other	2,419	2,298	4,353	4,858
Total revenue	27,198	26,106	52,131	49,109
Operating costs and expenses:				
Product costs	5,738	5,107	11,005	9,604
Research and development	12,924	13,712	25,667	25,375
Selling, general and administrative	12,967	11,113	26,203	20,305
Acquired intangible asset amortization	867	1,071	1,780	2,160
Restructuring expense	1,282	—	1,282	—
Contingent consideration expense	3	3	6	6
Total operating costs and expenses	33,781	31,006	65,943	57,450
Operating loss	(6,583)	(4,900)	(13,812)	(8,341)
Other expense:				
Interest expense, net	(884)	(129)	(1,710)	(265)
Foreign exchange (loss) gain	(75)	2	(200)	35
Investment income, net	177	25	349	51
Other expense	(782)	(102)	(1,561)	(179)
Loss before income taxes	(7,365)	(5,002)	(15,373)	(8,520)
Income tax (expense) benefit	(368)	919	(203)	1,625
Net loss	\$ (7,733)	\$ (4,083)	\$ (15,576)	\$ (6,895)
Basic net loss per share				
Basic net loss per share	\$ (0.55)	\$ (0.29)	\$ (1.11)	\$ (0.50)
Diluted net loss per share				
Diluted net loss per share	\$ (0.55)	\$ (0.29)	\$ (1.11)	\$ (0.50)
Weighted average number of shares outstanding:				
Basic	14,030	13,917	14,010	13,896
Diluted	14,030	13,917	14,010	13,896

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

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Condensed Consolidated Statements of Comprehensive Loss

<i>(In thousands)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Net loss	\$ (7,733)	\$ (4,083)	\$ (15,576)	\$ (6,895)
Other comprehensive income (loss):				
Derivative instruments:				
Unrealized net loss	(304)	—	(748)	—
Net (gain) loss reclassified to earnings	(11)	—	20	—
Net changes related to available-for-sale securities, net of tax	—	(6)	—	(11)
Foreign currency translation adjustments	1,118	(1,503)	6,788	(3,150)
Other comprehensive income (loss)	803	(1,509)	6,060	(3,161)
Comprehensive loss	<u>\$ (6,930)</u>	<u>\$ (5,592)</u>	<u>\$ (9,516)</u>	<u>\$ (10,056)</u>

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

Surmodics, Inc. and Subsidiaries

Condensed Consolidated Statements of Stockholders' Equity

	Three Months Ended March 31, 2023 and 2022					
	<i>(Unaudited)</i>		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity
	Common Stock					
<i>(In thousands)</i>	Shares	Amount				
Balance at December 31, 2022	14,126	\$ 706	\$ 30,224	\$ (4,617)	\$ 80,948	\$ 107,261
Net loss	—	—	—	—	(7,733)	(7,733)
Other comprehensive income, net of tax	—	—	—	803	—	803
Issuance of common stock	9	1	452	—	—	453
Common stock options exercised, net	—	—	3	—	—	3
Purchase of common stock to pay employee taxes	(1)	—	(15)	—	—	(15)
Stock-based compensation	—	—	1,782	—	—	1,782
Balance at March 31, 2023	<u>14,134</u>	<u>\$ 707</u>	<u>\$ 32,446</u>	<u>\$ (3,814)</u>	<u>\$ 73,215</u>	<u>\$ 102,554</u>
Balance at December 31, 2021	13,975	\$ 699	\$ 22,644	\$ 75	\$ 113,253	\$ 136,671
Net loss	—	—	—	—	(4,083)	(4,083)
Other comprehensive loss, net of tax	—	—	—	(1,509)	—	(1,509)
Issuance of common stock	10	1	371	—	—	372
Common stock options exercised, net	6	—	139	—	—	139
Purchase of common stock to pay employee taxes	(1)	—	(46)	—	—	(46)
Stock-based compensation	—	—	1,719	—	—	1,719
Balance at March 31, 2022	<u>13,990</u>	<u>\$ 700</u>	<u>\$ 24,827</u>	<u>\$ (1,434)</u>	<u>\$ 109,170</u>	<u>\$ 133,263</u>

	Six Months Ended March 31, 2023 and 2022					
	<i>(Unaudited)</i>		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity
	Common Stock					
<i>(In thousands)</i>	Shares	Amount				
Balance at September 30, 2022	14,029	\$ 701	\$ 28,774	\$ (9,874)	\$ 88,791	\$ 108,392
Net loss	—	—	—	—	(15,576)	(15,576)
Other comprehensive income, net of tax	—	—	—	6,060	—	6,060
Issuance of common stock	112	6	447	—	—	453
Common stock options exercised, net	17	1	349	—	—	350
Purchase of common stock to pay employee taxes	(24)	(1)	(871)	—	—	(872)
Stock-based compensation	—	—	3,747	—	—	3,747
Balance at March 31, 2023	<u>14,134</u>	<u>\$ 707</u>	<u>\$ 32,446</u>	<u>\$ (3,814)</u>	<u>\$ 73,215</u>	<u>\$ 102,554</u>
Balance at September 30, 2021	13,899	\$ 695	\$ 21,598	\$ 1,727	\$ 116,065	\$ 140,085
Net loss	—	—	—	—	(6,895)	(6,895)
Other comprehensive loss, net of tax	—	—	—	(3,161)	—	(3,161)
Issuance of common stock	91	5	367	—	—	372
Common stock options exercised, net	20	1	368	—	—	369
Purchase of common stock to pay employee taxes	(20)	(1)	(905)	—	—	(906)
Stock-based compensation	—	—	3,399	—	—	3,399
Balance at March 31, 2022	<u>13,990</u>	<u>\$ 700</u>	<u>\$ 24,827</u>	<u>\$ (1,434)</u>	<u>\$ 109,170</u>	<u>\$ 133,263</u>

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

Surmodics, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

<i>(In thousands)</i>	Six Months Ended March 31,	
	2023	2022
	<i>(Unaudited)</i>	
Operating Activities:		
Net loss	\$ (15,576)	\$ (6,895)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,214	4,696
Stock-based compensation	3,747	3,399
Noncash lease expense	321	209
Amortization of debt issuance costs	182	23
Provision for credit losses	121	4
Deferred taxes	(217)	(1,577)
Other	106	184
Change in operating assets and liabilities:		
Accounts receivable and contract assets	(2,346)	(2,097)
Inventories	(1,948)	(2,711)
Prepays and other	(1,582)	(1,899)
Accounts payable	279	487
Accrued liabilities	(4,064)	(2,035)
Income taxes	2,629	(508)
Deferred revenue	(2,493)	(2,506)
Net cash used in operating activities	(16,627)	(11,226)
Investing Activities:		
Purchases of property and equipment	(1,700)	(1,937)
Maturities of available-for-sale securities	—	7,600
Net cash (used in) provided by investing activities	(1,700)	5,663
Financing Activities:		
Payments of short-term borrowings	(10,000)	—
Proceeds from issuance of long-term debt	29,664	—
Payments of debt issuance costs	(611)	—
Issuance of common stock	803	741
Payments for taxes related to net share settlement of equity awards	(872)	(901)
Payments for acquisition of in-process research and development	(978)	(500)
Net cash provided by (used in) financing activities	18,006	(660)
Effect of exchange rate changes on cash	503	(218)
Net change in cash and cash equivalents	182	(6,441)
Cash and Cash Equivalents:		
Beginning of period	18,998	31,153
End of period	\$ 19,180	\$ 24,712
Supplemental Information:		
Cash paid for income taxes	\$ 10	\$ 392
Cash paid for interest	1,393	163
Noncash investing and financing activities:		
Acquisition of property and equipment, net of refundable credits in other current assets and liabilities	355	105
Right-of-use assets obtained in exchange for new operating lease liabilities	—	1,620

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

Surmodics, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Period Ended March 31, 2023
(Unaudited)

1. Organization

Description of Business

Surmodics, Inc. and subsidiaries (referred to as “Surmodics,” the “Company,” “we,” “us,” “our” and other like terms) is a leading provider of performance coating technologies for intravascular medical devices and chemical and biological components for in vitro diagnostic (“IVD”) immunoassay tests and microarrays. Surmodics develops and commercializes highly differentiated vascular intervention medical devices that are designed to address unmet clinical needs and engineered to the most demanding requirements. This key growth strategy leverages the combination of the Company’s expertise in proprietary surface modification and drug-delivery coating technologies, along with its device design, development and manufacturing capabilities. The Company’s mission is to improve the detection and treatment of disease. Surmodics is headquartered in Eden Prairie, Minnesota.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include all accounts and wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”). All intercompany transactions have been eliminated. The Company operates on a fiscal year ending on September 30. In accordance with the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”), the Company has omitted footnote disclosures that would substantially duplicate the disclosures contained in the audited consolidated financial statements of the Company. These unaudited condensed consolidated financial statements should be read together with the audited consolidated financial statements for the fiscal year ended September 30, 2022, and notes thereto included in our Annual Report on Form 10-K as filed with the SEC.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Ultimate results could differ from those estimates. The results of operations for the three and six months ended March 31, 2023 are not necessarily indicative of the results that may be expected for the entire 2023 fiscal year.

Certain reclassifications have been made to the prior year’s consolidated financial statements to conform to the current year presentation.

New Accounting Pronouncements

No new accounting pronouncement issued or effective has had, or is expected to have, a material impact on the Company’s condensed consolidated financial statements.

2. Revenue

The following table presents the Company's revenues disaggregated by product classification and by reportable segment.

<i>(In thousands)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Medical Device				
Product sales	\$ 7,914	\$ 6,441	\$ 16,294	\$ 13,229
Royalties	8,073	8,358	15,482	15,244
License fees	1,356	1,486	2,712	2,699
Research, development and other	2,364	2,168	4,237	4,189
Medical Device Revenue	19,707	18,453	38,725	35,361
In Vitro Diagnostics				
Product sales	7,436	7,523	13,290	13,079
Research, development and other	55	130	116	669
In Vitro Diagnostics Revenue	7,491	7,653	13,406	13,748
Total Revenue	\$ 27,198	\$ 26,106	\$ 52,131	\$ 49,109

Contract assets totaled \$7.9 million and \$7.1 million as of March 31, 2023 and September 30, 2022, respectively, on the condensed consolidated balance sheets. Fluctuations in the balance of contract assets result primarily from changes in sales-based and minimum royalties earned, but not collected, at each balance sheet date due to payment timing and contractual changes in the normal course of business. For discussion of contract liability (deferred revenue) balances and remaining performance obligations, see Note 3 Collaborative Arrangement.

3. Collaborative Arrangement

On February 26, 2018, the Company entered into an agreement with Abbott Vascular, Inc. ("Abbott") whereby Abbott has exclusive worldwide commercialization rights for Surmodics' SurVeil™ drug-coated balloon ("DCB") to treat the superficial femoral artery (the "Abbott Agreement"). In accordance with the Abbott Agreement, the Company has filed a premarket approval ("PMA") application for the *SurVeil* DCB with the U.S. Food and Drug Administration ("FDA" or the "Agency") as of March 31, 2023. In January 2023, the FDA issued a letter to the Company indicating that the PMA application was not approvable based on the information submitted to the Agency to that time. Following receipt of the letter, the Company has been in communications with the FDA to obtain clarity on the requirements to put the application in approvable form. The Company plans to prepare an amendment to its PMA application based on its communications with the FDA.

Surmodics is responsible for conducting all necessary clinical trials and other activities required to achieve U.S. regulatory clearance for the *SurVeil* DCB, including completion of the ongoing TRANSCEND pivotal clinical trial. Abbott and Surmodics participate on a joint development committee charged with providing guidance on the Company's clinical and regulatory activities with regard to the *SurVeil* DCB product. Upon receipt of U.S. regulatory approval for our *SurVeil* DCB, Abbott will have the right to purchase commercial units from the Company, and Surmodics will realize revenue from product sales to Abbott at an agreed-upon transfer price, as well as a share of net profits resulting from third-party product sales by Abbott.

As of March 31, 2023, the Company had received payments totaling \$60.8 million under the Abbott Agreement, which consist of the following: (i) \$25 million upfront fee in fiscal 2018, (ii) \$10 million milestone payment in fiscal 2019, (iii) \$10.8 million milestone payment in fiscal 2020, and (iv) \$15 million milestone payment in fiscal 2021. As of March 31, 2023, the Abbott Agreement provides that the Company may receive an additional contingent milestone payment upon PMA of our *SurVeil* DCB of \$27 million (if PMA is received prior to June 30, 2023) or \$24 million (if PMA is received on or after June 30, 2023). As of March 31, 2023, consideration from this potential regulatory milestone was fully excluded from the contract price (i.e., deemed fully constrained) due to the high level of uncertainty of achievement as of March 31, 2023. If PMA is not received by December 31, 2023, Abbott may terminate the Abbott Agreement and would have no further obligation to make the potential regulatory milestone payment after termination. In the period of termination, deferred revenue on the condensed consolidated balance sheets related to payments received under the Abbott Agreement would be recognized as revenue.

Revenue recognized from the Abbott Agreement totaled \$1.3 million and \$1.4 million for the three months ended March 31, 2023 and 2022, respectively, and \$2.6 million for both the six months ended March 31, 2023 and 2022. The amount of revenue recognized from the Abbott Agreement that was included in the respective beginning of fiscal year balances of deferred revenue on the condensed consolidated balance sheets totaled \$2.6 million for both the six months ended March 31, 2023 and 2022.

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As of March 31, 2023 and September 30, 2022, deferred revenue on the condensed consolidated balance sheets included \$6.6 million and \$9.2 million, respectively, related to payments received under the Abbott Agreement. The \$6.6 million in deferred revenue as of March 31, 2023, which represents the Company's performance obligations that are unsatisfied for executed contracts with an original duration of one year, is expected to be recognized as revenue over the next three years through fiscal 2025 as services, principally the TRANSCEND clinical trial, are completed.

4. Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis by level of the fair value hierarchy were as follows:

(In thousands)	March 31, 2023			Total Fair Value
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Cash equivalents (1)	\$ —	\$ 15,309	\$ —	\$ 15,309
Total assets	\$ —	\$ 15,309	\$ —	\$ 15,309
Liabilities				
Contingent consideration (2)	\$ —	\$ —	\$ 835	\$ 835
Interest rate swap (3)	—	728	—	728
Total liabilities	\$ —	\$ 728	\$ 835	\$ 1,563

(In thousands)	September 30, 2022			Total Fair Value
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Cash equivalents (1)	\$ —	\$ 2,035	\$ —	\$ 2,035
Total assets	\$ —	\$ 2,035	\$ —	\$ 2,035
Liabilities				
Contingent consideration (2)	\$ —	\$ —	\$ 829	\$ 829
Total liabilities	\$ —	\$ —	\$ 829	\$ 829

- (1) Fair value of cash equivalents (money market funds) is based on quoted vendor prices and broker pricing where all significant inputs are observable.
- (2) Fair value of contingent consideration liabilities was determined based on discounted cash flow analyses that included probability and timing of development and regulatory milestone achievements and a discount rate, which are considered significant unobservable inputs as of both March 31, 2023 and September 30, 2022.
- (3) Fair value of interest rate swap is based on forward-looking, one-month term secured overnight financing rate ("Term SOFR") spot rates and interest rate curves (Note 7).

Contingent consideration liabilities are remeasured to fair value each reporting period using discount rates, probabilities of payment and projected payment dates. Increases or decreases in the fair value of the contingent consideration liability can result from changes in the timing or likelihood of achieving milestones and changes in discount periods and rates. Projected contingent payment amounts are discounted back to the current period using a discount cash flow model. Interest accretion and fair value adjustments associated with contingent consideration liabilities are reported in contingent consideration expense (gain) on the condensed consolidated statements of operations.

Changes in the contingent consideration liabilities measured at fair value using Level 3 inputs were as follows:

<i>(In thousands)</i>	
Contingent consideration liability at September 30, 2022	\$ 829
Additions	—
Fair value adjustments	—
Settlements	—
Interest accretion	6
Foreign currency translation	—
Contingent consideration liability at March 31, 2023	<u>\$ 835</u>

Contingent consideration liabilities were associated with the fiscal 2021 acquisition of Vetex Medical Limited ("Vetex") and were included in other long-term liabilities on the condensed consolidated balance sheets.

5. Supplemental Balance Sheet Information

Inventories

Inventories consisted of the following components:

<i>(In thousands)</i>		March 31, 2023	September 30, 2022
Raw materials	\$	8,262	\$ 6,102
Work-in process		2,083	1,595
Finished products		3,422	4,122
Total	\$	<u>13,767</u>	<u>\$ 11,819</u>

Prepays and Other Assets, Current

Prepays and other current assets consisted of the following:

<i>(In thousands)</i>		March 31, 2023	September 30, 2022
Prepaid expenses	\$	4,034	\$ 2,570
Irish research and development credits receivable		836	753
CARES Act employee retention credit receivable (1)		3,441	3,441
Prepays and other	\$	<u>8,311</u>	<u>\$ 6,764</u>

- (1) Receivable consisted of anticipated reimbursement of personnel expenses incurred in fiscal periods prior to fiscal 2023 as a result of our eligibility for the employee retention credit under the provisions of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act").

Intangible Assets

Intangible assets consisted of the following:

		March 31, 2023		
<i>(Dollars in thousands)</i>	Weighted Average Original Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Definite-lived intangible assets:				
Customer lists and relationships	8.9	\$ 12,476	\$ (10,160)	\$ 2,316
Developed technology	11.9	34,708	(9,883)	24,825
Patents and other	14.1	3,551	(2,546)	1,005
Total definite-lived intangible assets		<u>50,735</u>	<u>(22,589)</u>	<u>28,146</u>
Unamortized intangible assets:				
Trademarks and trade names		580	—	580
Total intangible assets		<u>\$ 51,315</u>	<u>\$ (22,589)</u>	<u>\$ 28,726</u>

	September 30, 2022			
<i>(Dollars in thousands)</i>	Weighted Average Original Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Definite-lived intangible assets:				
Customer lists and relationships	8.9	\$ 11,354	\$ (8,827)	\$ 2,527
Developed technology	11.9	31,943	(7,994)	23,949
Patents and other	14.1	3,551	(2,462)	1,089
Total definite-lived intangible assets		46,848	(19,283)	27,565
Unamortized intangible assets:				
Trademarks and trade names		580	—	580
Total intangible assets		\$ 47,428	\$ (19,283)	\$ 28,145

Intangible asset amortization expense was \$0.9 million and \$1.1 million for the three months ended March 31, 2023 and 2022, respectively, and \$1.9 million and \$2.3 million for the six months ended March 31, 2023 and 2022, respectively. Based on the intangible assets in service as of March 31, 2023, estimated amortization expense for future fiscal years was as follows:

<i>(In thousands)</i>	
Remainder of 2023	\$ 1,888
2024	3,777
2025	3,741
2026	2,844
2027	2,593
2028	2,582
Thereafter	10,721
Definite-lived intangible assets	\$ 28,146

Future amortization amounts presented above are estimates. Actual future amortization expense may be different as a result of future acquisitions, impairments, changes in amortization periods, foreign currency translation rates, or other factors.

Goodwill

Changes in the carrying amount of goodwill by segment were as follows:

<i>(In thousands)</i>	In Vitro Diagnostics	Medical Device	Total
Goodwill as of September 30, 2022	\$ 8,010	\$ 32,700	\$ 40,710
Currency translation adjustment	—	3,113	3,113
Goodwill as of March 31, 2023	\$ 8,010	\$ 35,813	\$ 43,823

Other Assets, Noncurrent

Other noncurrent assets consisted of the following:

<i>(In thousands)</i>	March 31, 2023	September 30, 2022
Operating lease right-of-use assets	\$ 3,319	\$ 3,633
Other	1,437	1,136
Other assets	\$ 4,756	\$ 4,769

Other noncurrent assets consisted primarily of prepaid expenses and receivables related to refundable Irish research and development tax credits.

Accrued Other Liabilities

Accrued other liabilities consisted of the following:

<i>(In thousands)</i>	March 31, 2023	September 30, 2022
Accrued professional fees	\$ 413	\$ 279
Accrued clinical study expense	1,896	1,425
Accrued purchases	1,297	1,655
Acquisition of in-process research and development (1)	967	981
Income tax payable	36	—
Restructuring (2)	308	—
Operating lease liability, current portion	1,044	963
Other	502	551
Total accrued other liabilities	\$ 6,463	\$ 5,854

- (1) Acquisition of in-process research and development consisted of the present value of guaranteed payments to be made (current portion) in connection with an asset acquisition in fiscal 2018 (Note 11).
- (2) Restructuring consisted of accrued severance and related expenses associated with a workforce restructuring initiated in the second quarter of fiscal 2023 (Note 12).

Other Long-term Liabilities

Other long-term liabilities consisted of the following:

<i>(In thousands)</i>	March 31, 2023	September 30, 2022
Deferred consideration (1)	\$ 3,404	\$ 4,260
Contingent consideration (2)	835	829
Unrecognized tax benefits (3)	1,997	1,841
Operating lease liabilities (4)	3,317	3,843
Other	189	—
Other long-term liabilities	\$ 9,742	\$ 10,773

- (1) Deferred consideration consisted of the present value of guaranteed payments to be made (noncurrent portion) in connection with the fiscal 2021 Vetex acquisition and with an asset acquisition in fiscal 2018 (Note 11).
- (2) Contingent consideration consisted of the fair value of contingent consideration liabilities associated with the fiscal 2021 Vetex acquisition (Note 11).
- (3) Balance of unrecognized tax benefits (Note 10) includes accrued interest and penalties, if applicable.
- (4) Operating lease liabilities consisted of the non-current portion of the net present value of future minimum lease payments, reduced by the discounted value of leasehold improvement incentives paid or payable to the Company.

6. Debt

Debt consisted of the following:

<i>(In thousands)</i>	March 31, 2023	September 30, 2022
Short-term borrowings (1)	\$ —	\$ 10,000
Revolving Credit Facility, Term SOFR + 3.00%, maturing October 1, 2027	\$ 5,000	\$ —
Tranche 1 Term Loans, Term SOFR +5.75%, maturing October 1, 2027	25,000	—
Long-term debt, gross	30,000	—
Less: Unamortized debt issuance costs	(697)	—
Long-term debt, net	\$ 29,303	\$ —

- (1) Consisted of the outstanding balance on the secured revolving credit facility with Bridgewater Bank; this balance was repaid and the credit agreement terminated on October 14, 2022. For further information, refer to the Notes to the Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022.

On October 14, 2022, the Company entered into a secured revolving credit facility and secured term loan facilities pursuant to a Credit, Security and Guaranty Agreement (the “MidCap Credit Agreement”) with Mid Cap Funding IV Trust, as agent, and MidCap Financial Trust, as term loan servicer and the lenders from time to time party thereto. The MidCap Credit Agreement provides for availability under a secured revolving line of credit of up to \$25.0 million (the “Revolving Credit Facility”), and proceeds may be used for transaction fees and for working capital needs and general corporate purposes. Availability under the Revolving Credit Facility is subject to a borrowing base.

The MidCap Credit Agreement also provides for up to \$75.0 million in term loans (the “Term Loans”), consisting of a \$25.0 million Tranche 1 (“Tranche 1”) and a \$50.0 million Tranche 2 (“Tranche 2”), which may be drawn in increments of at least \$10.0 million. In addition, after the closing and prior to December 31, 2024, the Term Loan lenders may, in their sole discretion, fund an additional tranche of Term Loans of up to \$25.0 million upon the written request of the Company. Upon closing, the Company borrowed \$25.0 million of Tranche 1, borrowed \$5.0 million on the Revolving Credit Facility, and used approximately \$10.0 million of the proceeds to repay borrowings under the revolving credit facility with Bridgewater Bank, and intends to use the remaining proceeds to fund working capital needs and other general corporate purposes. Until December 31, 2024, the Company will be eligible to borrow Tranche 2 at the Company’s option upon meeting certain conditions set forth in the MidCap Credit Agreement, including having no less than \$60.0 million of rolling-four-quarter core net revenue as of the end of the prior fiscal quarter. Core net revenue is defined in the MidCap Credit Agreement as the sum of revenue from our In Vitro Diagnostics segment and revenues from performance coating technologies in our Medical Device segment.

Pursuant to the MidCap Credit Agreement, the Company provided a first priority security interest in all existing and future acquired assets, including intellectual property and real estate, owned by the Company. The MidCap Credit Agreement contains certain covenants that limit the Company’s ability to engage in certain transactions. Subject to certain limited exceptions, these covenants limit the Company’s ability to, among other things:

- create, incur, assume or permit to exist any additional indebtedness, or create, incur, allow or permit to exist any additional liens;
- enter into any amendment or other modification of certain agreements;
- effect certain changes in the Company’s business, fiscal year, management, entity name or business locations;
- liquidate or dissolve, merge with or into, or consolidate with, any other company;
- pay cash dividends on, make any other distributions in respect of, or redeem, retire or repurchase, any shares of the Company’s capital stock;
- make certain investments, other than limited permitted acquisitions; and
- enter into transactions with the Company’s affiliates.

The MidCap Credit Agreement also contains customary indemnification obligations and customary events of default, including, among other things, (i) non-payment, (ii) breach of warranty, (iii) non-performance of covenants and obligations, (iv) default on other indebtedness, (v) judgments, (vi) change of control, (vii) bankruptcy and insolvency, (viii) impairment of security, (ix) termination of a pension plan, (x) regulatory matters, and (xi) material adverse effect.

In addition, the Company must maintain minimum core net revenue levels tested quarterly to the extent that Term Loans advanced under the MidCap Credit Agreement exceed \$25.0 million. In the event of default under the MidCap Credit Agreement, the Company would be required to pay interest on principal and all other due and unpaid obligations at the current rate in effect plus 2%.

Borrowings under the MidCap Credit Agreement bear interest at the forward-looking, one-month secured overnight financing rate ("Term SOFR") as published by CME Group Benchmark Administration Limited plus 0.10% ("Adjusted Term SOFR"). The Revolving Credit Facility bears interest at an annual rate equal to 3.00% plus the greater of Adjusted Term SOFR or 1.50%, and the Term Loans bear interest at an annual rate equal to 5.75% plus the greater of Adjusted Term SOFR or 1.50%. The Company is required to make monthly interest payments on the Revolving Credit Facility with the entire principal payment due at maturity. The Company is required to make 48 monthly interest payments on the Term Loans beginning on November 1, 2022 (the "Interest-Only Period"). If the Company is in covenant compliance at the end of the Interest-Only Period, the Company will have the option to extend the Interest-Only Period through maturity with the entire principal payment due at maturity. If the Company is not in covenant compliance at the end of the Interest-Only Period, the Company is required to make 12 months of straight-line amortization payments with the entire principal amount due at maturity.

Subject to certain limitations, the Term Loans have a prepayment fee for payments made prior to the maturity date equal to 3.0% of the prepaid principal amount for the first year following the closing date of the MidCap Credit Agreement, 2.0% of the prepaid principal amount for the second year following the closing date and 1.0% of the prepaid principal amount for the third year following the closing date and thereafter. In addition, if the Revolving Credit Facility is terminated in whole or in part prior to the maturity date, the Company must pay a prepayment fee equal to 3.0% of the terminated commitment amount for the first year following the closing date of the MidCap Credit Agreement, 2.0% of the terminated commitment amount for the second year following the closing date of the MidCap Credit Agreement and 1.0% of the terminated commitment amount for the third year following the closing date and thereafter. The Company is also required to pay a full exit fee at the time of maturity or full prepayment event equal to 2.5% of the aggregate principal amount of the Term Loans made pursuant to the MidCap Credit Agreement and a partial exit fee at the time of any partial prepayment event equal to 2.5% of the amount prepaid. This exit fee is accreted over the remaining term of the Term Loans. The Company also is obligated to pay customary origination fees at the time of each funding of the Term Loans and a customary annual administrative fee based on the amount borrowed under the Term Loan, due on an annual basis. The customary fees on the Revolving Credit Facility include (i) an origination fee based on the commitment amount, which was paid on the closing date, (ii) an annual collateral management fee of 0.50% per annum based on the outstanding balance of the Revolving Credit Facility, payable monthly in arrears and (iii) an unused line fee of 0.50% per annum based on the average unused portion of the Revolving Credit Facility, payable monthly in arrears. The Company must also maintain a minimum balance of no less than 20% of availability under the Revolving Credit Facility or a minimum balance fee applies of 0.50% per annum. Expenses recognized for fees for the Revolving Credit Facility and Term Loans are reported in interest expense, net on the condensed consolidated statements of operations.

7. Derivative Financial Instruments

We periodically enter into interest rate swaps with major financial institutions of high credit quality to mitigate exposure to changes in interest rates on our floating-rate indebtedness. Since the fair value of these interest rate swaps is derived from current market rates, they are classified as derivative financial instruments. We do not use derivatives for speculative or trading purposes.

When the Company has multiple derivative financial instruments with the same counterparty subject to a master netting arrangement, we have elected to offset the amounts: (i) recorded as assets and liabilities and (ii) amounts recognized for the right to reclaim cash collateral we have deposited with the counterparty (i.e., cash collateral receivable). Such offset amounts are presented as either a net asset or liability by counterparty on the condensed consolidated balance sheets.

Cash Flow Hedge — Interest Rate Swap

On October 14, 2022, we entered into a floating-to-fixed interest rate swap agreement to mitigate exposure to interest rate increases related to our Term Loans. See Note 6 Debt for further information on our financing arrangements. The total notional amount of the interest rate swap was \$25 million as of March 31, 2023. The interest rate swap agreement expires October 1, 2027. As a result of this agreement, every month we pay fixed interest at 4.455% in exchange for interest received at Term SOFR, and the fixed interest rate per annum on the first \$25 million of notional value of the Term Loans will be 10.205% through its maturity. The interest rate swap agreement requires the Company to make deposits of cash collateral, which may increase or be refunded commensurate with fluctuations in current and forecasted interest rates. We have the contractual right to reclaim this cash collateral receivable.

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The interest rate swap has been designated as a cash flow hedge. Consequently, changes in the fair value of the interest rate swap are recorded in accumulated other comprehensive loss ("AOCL") within stockholders' equity on the condensed consolidated balance sheets. The unrealized (losses) gains on the interest rate swap associated with the interest payments on the Term Loans that are still forecasted to occur are included in AOCL. These (losses) gains will be reclassified into interest expense on the condensed consolidated statements of operations over the life of the swap agreement as the hedged interest payments occur. Upon termination of the derivative instrument or a change in the hedged item, any remaining fair value recorded on the condensed consolidated balance sheets will be recorded as interest expense consistent with the cash flows associated with the underlying hedged item. Cash flows associated with the interest rate swap are included in cash flows from operating activities on the condensed consolidated statements of cash flows.

The net fair value of designated hedge derivatives subject to master netting arrangements reported on the condensed consolidated balance sheets was as follows:

<i>(In thousands)</i>	Asset (Liability)						Balance Sheet Location
	Gross Recognized Amount	Gross Offset Amount	Net Amount Presented	Cash Collateral Receivable	Net Amount Reported		
March 31, 2023							
Interest rate swap	\$ (728)	\$ —	\$ (728)	\$ 539	\$ (189)		Other long-term liabilities
September 30, 2022							
—	\$ —	\$ —	\$ —	\$ —	\$ —		—

The pretax amounts recognized in AOCL on the interest rate swap were as follows:

<i>(In thousands)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Beginning unrealized net loss in AOCL	\$ —	\$ —	\$ —	\$ —
Net loss recognized in other comprehensive income (loss)	(304)	—	(748)	—
Net loss reclassified into interest expense	(11)	—	20	—
Ending unrealized net loss in AOCL	\$ (315)	\$ —	\$ (728)	\$ —

8. Stock-based Compensation Plans

The Company has stock-based compensation plans approved by its shareholders under which it grants stock options, restricted stock awards, restricted stock units and deferred stock units to officers, directors and key employees. Stock-based compensation expense was reported as follows in the condensed consolidated statements of operations:

<i>(In thousands)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Product costs	\$ 72	\$ 78	\$ 139	\$ 108
Research and development	329	296	703	731
Selling, general and administrative	1,381	1,345	2,905	2,560
Total	\$ 1,782	\$ 1,719	\$ 3,747	\$ 3,399

As of March 31, 2023, unrecognized compensation costs related to non-vested awards totaled approximately \$14.3 million, which is expected to be recognized over a weighted average period of approximately 2.5 years.

Stock Option Awards

The Company awards stock options to officers, directors and key employees and uses the Black-Scholes option pricing model to determine the fair value of stock options as of the date of each grant. Stock option grant activity was as follows:

	Six Months Ended March 31,	
	2023	2022
Stock option grant activity:		
Stock options granted	293,000	283,000
Weighted average grant date fair value	\$ 15.27	\$ 16.36
Weighted average exercise price	\$ 35.40	\$ 43.72

Restricted Stock Awards

During the six months ended March 31, 2023 and 2022, the Company awarded 99,000 and 83,000 restricted stock shares, respectively, to certain key employees and officers with a weighted average grant date fair value per share of \$36.05 and \$43.87, respectively. Restricted Stock is valued based on the market value of the shares as of the date of grant.

Restricted Stock Unit Awards

During each of the six months ended March 31, 2023 and 2022, the Company awarded 16,000 and 14,000 restricted stock units (“RSUs”) to directors and to key employees in foreign jurisdictions with a weighted average grant date fair value per unit of \$31.72 and \$42.79, respectively. RSUs are valued based on the market value of the shares as of the date of grant.

Employee Stock Purchase Plan

Our U.S. employees are eligible to participate in the amended 1999 Employee Stock Purchase Plan (“ESPP”) approved by our shareholders. During the six months ended March 31, 2023 and 2022, 23,000 and 10,000 shares were issued under the ESPP, respectively.

9. Net Loss Per Share Data

Basic net loss per common share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed by dividing net loss by the weighted average number of common and common equivalent shares outstanding during the period. The Company’s potentially dilutive common shares are those that result from dilutive common stock options and non-vested stock relating to restricted stock awards and restricted stock units. The calculation of diluted loss per share excluded 0.1 million in weighted-average shares for each of the three months ended March 31, 2023 and 2022 and 0.1 million and 0.2 million weighted-average shares for the six months ended March 31, 2023 and 2022, respectively, as their effect was anti-dilutive as a result of the net loss incurred for those periods. Therefore, diluted weighted average number of shares outstanding and diluted net loss per share were the same as basic weighted average number of shares outstanding and net loss per share for the three and six months ended March 31, 2023 and 2022.

The following table presents the denominator for the computation of diluted weighted average shares outstanding:

<i>(In thousands)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Basic weighted average shares outstanding	14,030	13,917	14,010	13,896
Dilutive effect of outstanding stock options, non-vested restricted stock, and non-vested restricted stock units	—	—	—	—
Diluted weighted average shares outstanding	14,030	13,917	14,010	13,896

10. Income Taxes

For interim income tax reporting, the Company estimates its annual effective tax rate and applies it to fiscal year-to-date pretax loss, excluding unusual or infrequently occurring discrete items. Tax jurisdictions with losses for which tax benefits cannot be realized are excluded. The Company reported an income tax expense of \$(0.4) million and income tax benefit of \$0.9 million for the three months ended March 31, 2023 and 2022, respectively. For the six months ended March 31, 2023 and 2022, the Company reported income tax expense of \$(0.2) million and income tax benefit of \$1.6 million, respectively.

Each reporting period, we evaluate the realizability of our net deferred tax assets and perform an assessment of both positive and negative evidence. Based on our evaluation of all available positive and negative evidence, and by placing greater weight on the objective negative evidence associated with our three-year cumulative U.S. pre-tax loss adjusted for permanent adjustments, we determined, as of March 31, 2023 and September 30, 2022, that it is more likely than not that our net U.S. deferred tax assets will not be realized. Accordingly, a full valuation allowance is recorded against our net U.S. deferred tax assets as of March 31, 2023 and September 30, 2022. Due to significant estimates used to establish the valuation allowance and the potential for changes in facts and circumstances, it is reasonably possible that we will be required to record additional adjustments to the valuation allowance in future reporting periods that could have a material effect on our results of operations.

In addition to the impact of the valuation allowance against our U.S. deferred tax assets, recurring items cause our effective tax rate to differ from the U.S. federal statutory rate of 21%, including U.S. federal and Irish R&D credits, Irish and U.S. state tax rates, and excess tax benefits associated with stock-based compensation.

Beginning in our fiscal 2023, certain research and development costs are required to be capitalized and amortized over a five-year period under the Tax Cuts and Jobs Act enacted in December 2017. This change will impact the expected U.S. federal and state income tax expense and cash taxes to be paid for our fiscal 2023.

The Company recognized discrete tax benefits related to stock-based compensation awards vested, expired, canceled and exercised of less than \$0.1 million for each of the three months ended March 31, 2023 and 2022 and less than \$0.1 million and \$0.1 million for the six months ended March 31, 2023 and 2022, respectively. The total amount of unrecognized tax benefits, excluding interest and penalties that, if recognized, would affect the effective tax rate was \$2.9 million and \$2.5 million as of March 31, 2023 and September 30, 2022, respectively. Interest and penalties related to unrecognized tax benefits are recorded in the income tax (expense) benefit.

The Company files income tax returns, including returns for its subsidiaries, in the U.S. federal jurisdiction and in various state jurisdictions, as well as several non-U.S. jurisdictions. Uncertain tax positions are related to tax years that remain subject to examination. The Internal Revenue Service commenced an examination of the Company's fiscal 2019 U.S. federal tax return in fiscal 2022; the examination has not been completed. U.S. federal income tax returns for years prior to fiscal 2019 are no longer subject to examination by federal tax authorities. For tax returns for U.S. state and local jurisdictions, the Company is no longer subject to examination for tax years generally before fiscal 2012. For tax returns for non-U.S. jurisdictions, the Company is no longer subject to income tax examination for years prior to 2018. Additionally, the Company has been indemnified of liability for any taxes relating to Creagh Medical, Ltd.; NorMedix, Inc.; and Vetex for periods prior to the respective acquisition dates, pursuant to the terms of the related share purchase agreements. There were no undistributed earnings in foreign subsidiaries as of March 31, 2023 and September 30, 2022.

11. Commitments and Contingencies

Clinical Trials. The Company has engaged clinical trial clinical research organization ("CRO") consultants to assist with the administration of its ongoing clinical trials. The Company executed separate contracts with two CROs for services in connection with the TRANSCEND pivotal clinical trial for the *SurVeil* DCB, including pass-through expenses paid by the CROs, of up to approximately \$30 million in the aggregate. As of March 31, 2023, an estimated \$2 million remains to be paid on one of these contracts, which may vary depending on actual pass-through expenses incurred to execute the trial. The Company estimates that the total cost of the TRANSCEND clinical trial will be in the range of \$37 million to \$40 million from inception to completion. In the event the Company were to terminate any trial, it may incur certain financial penalties which would become payable to the CRO for costs to wind down the terminated trial.

Asset Acquisitions. In fiscal 2018, the Company acquired certain intellectual property assets of Embolitech, LLC (the "Embolitech Transaction"). As part of the Embolitech Transaction, the Company paid the sellers \$5.0 million in fiscal 2018, \$1.0 million in fiscal 2020, \$1.0 million in fiscal 2021, \$0.5 million in fiscal 2022, and \$1.0 million in the second quarter of fiscal 2023. The Company is obligated to pay an additional installment of \$1.0 million in fiscal 2024, which may be accelerated upon the occurrence of certain sales and regulatory milestones. An additional \$1.0 million payment is contingent upon the achievement of certain regulatory milestones within a contingency period ending in 2033.

Vetex Acquisition. In fiscal 2021, Surmodics acquired all of the outstanding shares of Vetex with an upfront cash payment of \$39.9 million. The Company is obligated to pay additional installments totaling \$3.5 million in fiscal 2024 through fiscal 2027. These payments may be accelerated upon the occurrence of certain product development and regulatory milestones. An additional \$3.5 million in payments is contingent upon the achievement of certain product development and regulatory milestones within a contingency period ending in fiscal 2027.

12. Restructuring

In the second quarter of fiscal 2023, we initiated a spending reduction plan intended to preserve capital and more closely align our capital allocation priorities with our strategic objectives, which included a workforce restructuring in our Medical Device segment. As a result, for the three and six months ended March 31, 2023, we recorded \$1.3 million in severance and related charges in restructuring expense on our condensed consolidated statements of operations, which represented the total estimated expense as of March 31, 2023 expected to be incurred associated with the workforce restructuring. Restructuring expense accruals included in accrued other liabilities on the condensed consolidated balance sheets was as follows:

<i>(In thousands)</i>	
Restructuring expense accruals as of September 30, 2022	\$ —
Restructuring expense	1,282
Payments	(974)
Other adjustments	—
Currency translation	—
Restructuring expense accruals as of March 31, 2023	<u>\$ 308</u>

Restructuring expense accruals as of March 31, 2023 are expected to be paid during the second half of fiscal 2023.

13. Segment Information

Segment revenue, operating loss, and depreciation and amortization were as follows:

<i>(In thousands)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Revenue:				
Medical Device	\$ 19,707	\$ 18,453	\$ 38,725	\$ 35,361
In Vitro Diagnostics	7,491	7,653	13,406	13,748
Total revenue	<u>\$ 27,198</u>	<u>\$ 26,106</u>	<u>\$ 52,131</u>	<u>\$ 49,109</u>
Operating (loss) income:				
Medical Device	\$ (7,059)	\$ (5,612)	\$ (14,294)	\$ (9,404)
In Vitro Diagnostics	3,636	3,720	6,584	6,875
Total segment operating (loss) income	(3,423)	(1,892)	(7,710)	(2,529)
Corporate	(3,160)	(3,008)	(6,102)	(5,812)
Total operating (loss) income	<u>\$ (6,583)</u>	<u>\$ (4,900)</u>	<u>\$ (13,812)</u>	<u>\$ (8,341)</u>
Depreciation and amortization:				
Medical Device	\$ 1,933	\$ 2,133	\$ 3,886	\$ 4,327
In Vitro Diagnostics	75	86	152	172
Corporate	84	101	176	197
Total depreciation and amortization	<u>\$ 2,092</u>	<u>\$ 2,320</u>	<u>\$ 4,214</u>	<u>\$ 4,696</u>

The Corporate category includes expenses that are not fully allocated to the Medical Device and In Vitro Diagnostics segments. These Corporate costs are related to administrative corporate functions, such as executive management, corporate accounting, information technology, legal, human resources and Board of Directors. Corporate may also include expenses, such as acquisition-related costs and litigation, which are not specific to a segment and thus not allocated to the reportable segments.

Asset information by segment is not presented because the Company does not provide its chief operating decision maker assets by segment, as the data is not readily available.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides information management believes is useful in understanding the operating results, cash flows and financial condition of Surmodics. The discussion should be read in conjunction with both the unaudited condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations, each included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022. This discussion contains various "Forward-Looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995. We refer readers to the statement entitled "Forward-Looking Statements" located at the end of this Item 2.

Overview

Surmodics, Inc. (referred to as "Surmodics," the "Company," "we," "us," "our" and other like terms) is a leading provider of performance coating technologies for intravascular medical devices and chemical and biological components for in vitro diagnostic ("IVD") immunoassay tests and microarrays. Surmodics develops and commercializes highly differentiated vascular intervention medical devices that are designed to address unmet clinical needs and engineered to the most demanding requirements. This key growth strategy leverages the combination of the Company's expertise in proprietary surface modification and drug-delivery coating technologies, along with its device design, development and manufacturing capabilities. The Company's mission is to improve the detection and treatment of disease. Surmodics is headquartered in Eden Prairie, Minnesota.

Vascular Intervention Medical Device Platforms

Within our Medical Device segment, we develop and manufacture our own proprietary vascular intervention medical device products, which leverage our expertise in performance coating technologies, product design and engineering capabilities. We believe our strategy of developing our own medical device products has increased, and will continue to increase, our relevance in the medical device industry. This strategy is key to our future growth and profitability, providing us with the opportunity to capture more revenue and operating margin with vascular intervention device products than we would by licensing our device-enabling technologies.

Highlighted below are select medical device products within our development pipeline that are a focus for development and commercialization efforts. For both our thrombectomy and radial access platforms, we are pursuing commercialization via a direct sales strategy leveraging a small team of experienced sales professionals and clinical specialists. Beginning in fiscal 2022, we began to see modest, but meaningful and growing revenue associated with the adoption, utilization and sales of our Pounce™ and Sublime™ platform products.

Pounce™ Thrombectomy Platform

We have successfully developed, internally and through acquisitions, two U.S. Food and Drug Administration ("FDA" or the "Agency") 510(k)-cleared mechanical thrombectomy devices for the non-surgical removal of thrombi and emboli (clots) from the peripheral vasculature (legs). In addition to FDA clearance, our Pounce Venous Thrombectomy System has received the Conformité Européenne Mark ("CE Mark") approval prerequisite for commercialization in the European Union ("E.U."). We believe that the ease of use, intuitive design and efficient performance of our thrombectomy products make these devices viable first-line treatment options for interventionalists. These devices include:

- **Pounce Arterial Thrombectomy System** for removal of clots from arteries in the legs associated with peripheral arterial disease ("PAD"). Commercial sales began in the first quarter of fiscal 2022.
- **Pounce Venous Thrombectomy System** for removal of clots from veins in the legs generally associated with venous thromboembolism ("VTE"). Limited market evaluations began in fiscal 2023 and are expected to continue in fiscal 2023 to obtain physician feedback across a variety of cases and clinical conditions.

Sublime Radial Access Platform

We have successfully developed and secured FDA 510(k) regulatory clearance for a suite of devices that enable vascular intervention via radial (wrist) access for which commercial sales began in the first quarter of fiscal 2022. These devices include:

- **Sublime guide sheath** to provide the conduit for peripheral intervention with an access point at the wrist that enables treatment all the way to the pedal loop of the foot;
- **Sublime .014 RX PTA dilatation catheter** for treatment of lesions in arteries below the knee all the way to the patient's foot and around the pedal loop; and
- **Sublime .018 RX PTA dilatation catheter** for treatment of lesions in arteries above and below the knee.

- **Sublime microcatheter** peripheral crossing catheters with multiple configurations (compatible with .014, .018 and .035 guidewires) for access to arterial lesions above and below the knee using radial, femoral, or alternate access site approaches. Limited market evaluations of the *Sublime* microcatheter began in the third quarter of fiscal 2023 and are expected to continue in fiscal 2023.

Drug-coated Balloon Platform

Surmodics' drug-coated balloons ("DCBs") are designed for vascular interventions to treat PAD, a condition that causes a narrowing of the blood vessels supplying the extremities.

- **SurVeil™ DCB** is a paclitaxel-coated DCB to treat PAD in the upper leg (superficial femoral artery). In fiscal 2018, we entered into an agreement (the "Abbott Agreement") with Abbott Vascular, Inc. ("Abbott") that provides Abbott with exclusive worldwide commercialization rights to the *SurVeil* DCB product. Our *SurVeil* DCB utilizes a proprietary paclitaxel drug-excipient formulation for a durable balloon coating and is manufactured using an innovative process to improve coating uniformity.

The *SurVeil* DCB has the necessary regulatory approval for commercialization in the E.U., and timing of commercialization in the E.U. is at the discretion of our exclusive distribution partner, Abbott. In fiscal 2021, the TRANSCEND pivotal clinical trial of our *SurVeil* DCB met both the primary safety and primary efficacy endpoints and was found to be non-inferior to the control device in those endpoints.

In the third quarter of fiscal 2021, we submitted the fourth and final module of our application to the FDA for premarket approval ("PMA") of our *SurVeil* DCB, including data from the TRANSCEND trial as requested by the Agency. In the fourth quarter of fiscal 2021, the FDA provided us with comments on the PMA application and requested additional data to support its review of the application. In October 2022, we submitted a complete response to the FDA's comments, including certain additional data requested by the Agency. In January 2023, the FDA issued a letter to us indicating that the PMA application was not approvable based on the information submitted to the Agency to that time. The letter provided specific guidance on information, including additional testing and analysis, that would be required to put the application in approvable form. Following receipt of the letter, we have been in communications with the FDA to obtain clarity on the requirements to put the application in an approvable form. We plan to prepare an amendment to the PMA application based on our communications with the FDA. Unless and until FDA approval has been obtained, our *SurVeil* DCB may not be offered for commercial sale in the U.S.

- **Sundance™ DCB** is a sirolimus-coated DCB used for the treatment of below-the-knee PAD. We completed six-month patient follow-up visits in the fourth quarter of fiscal 2021 for the SWING first-in-human, 35-patient clinical study of our *Sundance* DCB. In fiscal 2022, we finalized the clinical report for the SWING trial, which demonstrated promising early safety data and performance insights. We plan to evaluate our strategy for further clinical investment in the *Sundance* DCB based on the experience we gain from the PMA application process for the *SurVeil* DCB.

For more information regarding our vascular intervention medical devices, see Part I, Item 1 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022.

Results of Operations

Three and Six Months Ended March 31, 2023 and 2022

Revenue. Revenue in the second quarter of fiscal 2023 was \$27.2 million, a \$1.1 million or 4% increase compared to the prior-year quarter. Revenue in the first six months of fiscal 2023 was \$52.1 million, a \$3.0 million or 6% increase compared to the same prior-year period. The following is a summary of revenue streams within each reportable segment.

<i>(Dollars in thousands)</i>	Three Months Ended March 31,				Six Months Ended March 31,			
	2023	2022	Increase/(Decrease)		2023	2022	Increase/(Decrease)	
Medical Device								
Product sales	\$ 7,914	\$ 6,441	\$ 1,473	23 %	\$ 16,294	\$ 13,229	\$ 3,065	23 %
Royalties	8,073	8,358	(285)	(3) %	15,482	15,244	238	2 %
License fees	1,356	1,486	(130)	(9) %	2,712	2,699	13	— %
R&D and other	2,364	2,168	196	9 %	4,237	4,189	48	1 %
Medical Device Revenue	19,707	18,453	1,254	7 %	38,725	35,361	3,364	10 %
In Vitro Diagnostics								
Product sales	7,436	7,523	(87)	(1) %	13,290	13,079	211	2 %
R&D and other	55	130	(75)	(58) %	116	669	(553)	(83) %
In Vitro Diagnostics Revenue	7,491	7,653	(162)	(2) %	13,406	13,748	(342)	(2) %
Total Revenue	\$ 27,198	\$ 26,106	\$ 1,092	4 %	\$ 52,131	\$ 49,109	\$ 3,022	6 %

Medical Device. Revenue in our Medical Device segment was \$19.7 million in the second quarter of fiscal 2023, a 7% increase from \$18.5 million in the prior-year quarter. Revenue in our Medical Device segment was \$38.7 million in the first six months of fiscal 2023, a 10% increase from \$35.4 million in the same prior-year period.

- Medical Device product sales increased 23% to \$7.9 million in the second quarter of fiscal 2023, compared to \$6.4 million in the prior-year quarter. For the first six months of fiscal 2023, Medical Device product sales increased 23% to \$16.3 million, compared to \$13.2 million in the same prior-year period. Product sales growth year-over-year in the second quarter and first six months of fiscal 2023 was primarily driven by increased sales of our *Pounce* thrombectomy and *Sublime* radial access device products, which were commercialized in fiscal 2022. Increased sales of performance coating reagent products and increased sales of contract-manufactured balloon catheters also contributed to the growth in product sales year-over-year in the second quarter and first six months of fiscal 2023. This growth was offset, in part, by a year-over-year decline in sales of proprietary specialty catheters distributed by strategic partners.
- Medical Device performance coating royalties revenue declined 3% to \$8.1 million in the second quarter of fiscal 2023, compared to \$8.4 million in the prior-year quarter. For the first six months of fiscal 2023, Medical Device performance coating royalties revenue increased 2% to \$15.5 million, compared to \$15.2 million in the same prior-year period. The second quarter of fiscal 2022 provides a challenging comparable as the period benefited from customer-reported royalties in excess of estimated royalties. For the first six months of fiscal 2023, year-over-year growth was driven by customers utilizing our Serene™ coating. In addition, performance coating royalties revenue for the first six months of fiscal 2023 was impacted by macroeconomic factors to a lesser degree relative to the same prior-year period. Macroeconomic factors include pressure on procedure volumes from hospital capacity constraints and customer supply chain disruptions, as well as customer devices maturing through their product life cycle.
- License fee revenue from the Abbott Agreement for our *SurVeil* DCB was \$1.3 million and \$1.4 million in the second quarter of fiscal 2023 and 2022, respectively, and \$2.6 million in both the first six months of fiscal 2023 and 2022.
 Future license fee revenue related to the Abbott Agreement will depend extensively on whether and when we receive the milestone payment of up to \$27 million associated with receipt of the PMA of the *SurVeil* DCB. Approximately \$25 million of a \$27 million milestone payment would be recognized as license fee revenue in the period in which it is received. If PMA is received after June 30, 2023, the milestone payment is reduced to \$24 million pursuant to the terms of the Abbott Agreement. Approximately \$22 million of a \$24 million milestone payment would be recognized as license fee revenue in the period in which it is received. If PMA is not received by December 31, 2023, Abbott may terminate the Abbott Agreement and would have no further obligation to make the potential regulatory milestone payment after termination.
- Medical Device research and development (“R&D”) and other revenue increased \$0.2 million in the second quarter of fiscal 2023, compared to the prior-year quarter, driven by performance coating services. Medical Device R&D and other revenue was relatively flat for the first six months of fiscal 2023, compared to the same prior-year period.

In Vitro Diagnostics. Revenue in our In Vitro Diagnostics (“IVD”) segment was \$7.5 million in the second quarter of fiscal 2023, a 2% decrease from \$7.7 million in the prior-year quarter. Revenue in our In Vitro Diagnostics segment was \$13.4 million in the first six months of fiscal 2023, a 2% decrease from \$13.7 million in the same prior-year period.

- IVD product sales declined 1% to \$7.4 million in the second quarter of fiscal 2023, compared to \$7.5 million in the prior-year quarter. For the first six months of fiscal 2023, IVD products sales increased 2% to \$13.3 million, compared to \$13.1 million in the same prior-year period. For the second quarter of fiscal 2023, year-over-year growth in sales of our microarray slide/surface products and favorable order timing for our distributed antigen products was more than offset by a year-over-year decline in sales of protein stabilization products, driven in part by active management of inventory levels by certain customers. For the first six months of fiscal 2023, year-over-year growth in sales of our microarray slide/surface products was partly offset by a year-over-year decline in sales of our distributed antigen products, which fluctuate due to order timing.
- IVD R&D and other revenue declined \$0.1 million in the second quarter of fiscal 2023, compared to the prior-year quarter. For the first six months of fiscal 2023, IVD R&D and other revenue declined \$0.6 million, compared to the same prior-year period, due to the completion of a customer development program.

Product sales, product costs, product gross profit, product gross margin, and operating costs were as follows:

<i>(Dollars in thousands)</i>	Three Months Ended March 31,				Six Months Ended March 31,			
	2023	2022	Increase/(Decrease)		2023	2022	Increase/(Decrease)	
Product sales	\$ 15,350	\$ 13,964	\$ 1,386	10 %	\$ 29,584	\$ 26,308	\$ 3,276	12 %
Product costs	5,738	5,107	631	12 %	11,005	9,604	1,401	15 %
Product gross profit (1)	9,612	8,857	755	9 %	18,579	16,704	1,875	11 %
% Product gross margin (2)	62.6 %	63.4 %	(0.8) ppt		62.8 %	63.5 %	(0.7) ppt	
R&D expense	12,924	13,712	(788)	(6) %	25,667	25,375	292	1 %
% Total revenue	48 %	53 %			49 %	52 %		
SG&A expense	12,967	11,113	1,854	17 %	26,203	20,305	5,898	29 %
% Total revenue	48 %	43 %			50 %	41 %		
Acquired intangible asset amortization	867	1,071	(204)	(19) %	1,780	2,160	(380)	(18) %
Restructuring expense	1,282	—	1,282		1,282	—	1,282	
Contingent consideration expense	3	3	—		6	6	—	

(1) Product gross profit is defined as product sales less related product costs.

(2) Product gross margin is defined as product gross profit as a percentage of product sales.

Product gross margins. Product gross margins were 62.6% and 63.4% in the second quarter of fiscal 2023 and 2022, respectively, and 62.8% and 63.5% in the first six months of fiscal 2023 and 2022, respectively. Product gross margins in the second quarter and first six months of fiscal 2023 were impacted by certain manufacturing inefficiencies associated with ramp up of production of new products, which was partly offset by the favorable impact of product mix primarily driven by increased sales of performance coating reagents and decreased sales of proprietary specialty catheters distributed by strategic partners.

R&D expense. R&D expense declined 6% in the second quarter of fiscal 2023, or \$0.8 million, compared to the prior-year quarter. For the first six months of fiscal 2023, R&D expense increased 1%, or \$0.3 million, compared to the same prior-year period. R&D expense as a percentage of revenue was 48% and 53% in the second quarter of fiscal 2023 and 2022, respectively, and 49% and 52% in the first six months of fiscal 2023 and 2022, respectively. In the second quarter of fiscal 2023, we initiated a spending reduction plan, including a workforce restructuring, to refocus our investments in product development to prioritize progress primarily on our near-term growth opportunities. For the second quarter and first six months of fiscal 2023, R&D expense reflects continued investment in medical device product development, including in our *Pounce* thrombectomy and *Sublime* radial access product platforms and costs associated with our *SurVeil* DCB.

Selling, general and administrative (“SG&A”) expense. SG&A expense increased 17% in the second quarter of fiscal 2023, or \$1.9 million, compared to the prior-year quarter. For the first six months of fiscal 2023, SG&A expense increased 29%, or \$5.9 million, compared to the same prior-year period. SG&A expense as a percentage of revenue was 48% and 43% in the second quarter of fiscal 2023 and 2022, respectively, and 50% and 41% in the first six months of fiscal 2023 and 2022, respectively. The increase in SG&A expense was primarily driven by a year-over-year increase in headcount. Throughout fiscal 2022, we invested in a medical device direct salesforce to support the fiscal 2022 commercialization of our *Pounce* and *Sublime* product platforms. We expect SG&A expense for full-year fiscal 2023 to increase between \$5.5 million and \$6.5 million, compared to fiscal 2022, primarily due to higher average SG&A headcount levels in fiscal 2023 than in fiscal 2022.

Acquired intangible asset amortization. We have previously acquired certain intangible assets through business combinations, which are amortized over periods ranging from six to 14 years.

Restructuring expense. In the second quarter of fiscal 2023, we initiated a spending reduction plan intended to preserve capital and more closely align our capital allocation priorities with our strategic objectives, which included a workforce restructuring in our Medical Device segment. As a result, for the three and six months ended March 31, 2023, we recorded \$1.3 million in severance and related charges in restructuring expense, which represented the total estimated expense as of March 31, 2023 associated with the workforce restructuring.

Contingent consideration expense. We have contingent consideration obligations related to business combinations. Expense (gain) recognized is related to changes in the probability and timing of achieving certain contractual milestones, as well as accretion expense for the passage of time. In fiscal 2023 and 2022, contingent consideration expense consisted of accretion for liabilities associated with the fiscal 2021 acquisition of Vetex Medical Limited.

Other expense. Major classifications of other expense were as follows:

<i>(In thousands)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Interest expense, net	\$ (884)	\$ (129)	\$ (1,710)	\$ (265)
Foreign exchange (loss) gain	(75)	2	(200)	35
Investment income, net	177	25	349	51
Other expense	\$ (782)	\$ (102)	\$ (1,561)	\$ (179)

Interest expense, net increased in the second quarter and first six months of fiscal 2023, compared to the same respective prior-year periods, due to increased borrowing and higher interest rates. Refer to “Liquidity and Capital Resources” for further discussion of financing arrangements and expectations for fiscal 2023 interest expense. Foreign currency exchange (losses) gains result primarily from the impact of U.S. dollar to Euro exchange rate fluctuations on certain intercompany transactions and balances. Investment income, net increased in the second quarter and first six months of fiscal 2023, compared to the same respective prior-year periods, due to higher interest rates.

Income taxes. We reported income tax expense of \$(0.4) million and income tax benefit of \$0.9 million in the second quarter of fiscal 2023 and 2022, respectively. For the first six months of fiscal 2023 and 2022, we reported income tax expense of \$(0.2) million and income tax benefit of \$1.6 million, respectively. Our effective tax rate was 5% and 18% for the second quarter of fiscal 2023 and 2022, respectively, and 1% and 19% for the first six months of fiscal 2023 and 2022, respectively.

- In the fourth quarter of fiscal 2022, we established a full valuation allowance against U.S. net deferred tax assets as of September 30, 2022. As a result, in fiscal 2023, we are no longer recording a tax benefit for U.S. pretax losses. A valuation allowance is required to be recognized against deferred tax assets if, based on the available evidence, it is more likely than not (defined as a likelihood of more than 50%) that all or a portion of such assets will not be realized. The relevant guidance weighs available evidence such as historical cumulative taxable losses more heavily than future profitability. The valuation allowance has no impact on the availability of U.S. net deferred tax assets to offset future tax liabilities.
- Recurring items cause our effective tax rate to differ from the U.S. federal statutory rate of 21%, including U.S. federal and Irish R&D credits, Irish and U.S. state tax rates, and excess tax benefits associated with stock-based compensation.
- Beginning in our fiscal 2023, certain R&D costs are required to be capitalized and amortized over a five-year period under the Tax Cuts and Jobs Act enacted in December 2017. This change will impact the expected U.S. federal and state income tax expense and cash taxes to be paid for our fiscal 2023.

Segment Operating Results

Operating results for each of our reportable segments were as follows:

(In thousands)	Three Months Ended March 31,			Six Months Ended March 31,		
	2023	2022	\$ Change	2023	2022	\$ Change
Operating (loss) income:						
Medical Device	\$ (7,059)	\$ (5,612)	\$ (1,447)	\$ (14,294)	\$ (9,404)	\$ (4,890)
In Vitro Diagnostics	3,636	3,720	(84)	6,584	6,875	(291)
Total segment operating (loss) income	(3,423)	(1,892)	(1,531)	(7,710)	(2,529)	(5,181)
Corporate	(3,160)	(3,008)	(152)	(6,102)	(5,812)	(290)
Total operating (loss) income	\$ (6,583)	\$ (4,900)	\$ (1,683)	\$ (13,812)	\$ (8,341)	\$ (5,471)

Medical Device. Our Medical Device business reported operating losses of \$(7.1) million and \$(5.6) million in the second quarter of fiscal 2023 and 2022, respectively, representing (36)% and (30)% of revenue, respectively. For the first six months of fiscal 2023 and 2022, our Medical Device business reported operating losses of \$(14.3) million and \$(9.4) million, respectively, representing (37)% and (27)% of revenue, respectively.

- Medical Device operating expenses, excluding product costs, increased \$2.1 million and \$7.1 million year-over-year in the second quarter and first six months of fiscal 2023, respectively. The second quarter and first six months of fiscal 2023 included \$1.3 million in severance-related restructuring expense as the result of a workforce restructuring.

SG&A expense in our Medical Device business increased year-over-year in both the second quarter and first six months of fiscal 2023 primarily related to increased headcount. Throughout fiscal 2022, we invested in a medical device direct salesforce to support the fiscal 2022 commercialization of our *Pounce* and *Sublime* product platforms.

R&D expenditures in our Medical Device segment declined year-over-year in the second quarter of fiscal 2023 and increased year-over-year in the first six months of fiscal 2023. During the second quarter of fiscal 2023, we initiated a spending reduction plan, including a workforce restructuring, to refocus our investments in product development to prioritize progress primarily on our near-term growth opportunities. For the second quarter and first six months of fiscal 2023, R&D expense reflects continued investment in medical device product development, including in our *Pounce* thrombectomy and *Sublime* radial access product platforms and costs associated with our *SurVeil* DCB.

- Royalties and license fee revenue declined \$(0.4) million year-over-year in the second quarter of fiscal 2023 and increased \$0.3 million year-over-year in the first six months of fiscal 2023. The second quarter of fiscal 2022 provides a challenging comparable as the period benefited from customer-reported royalties in excess of estimated royalties. For the first six months of fiscal 2023, year-over-year growth was driven by customers utilizing our Serene™ coating. In addition, performance coating royalties revenue for the first six months of fiscal 2023 was impacted by macroeconomic factors to a lesser degree relative to the same prior-year period.
- Medical Device product gross profit increased \$0.9 million and \$1.9 million year-over-year in the second quarter and first six months of fiscal 2023, respectively, driven by growth in sales of performance coating reagents and devices. Product gross margins were 59.7% and 60.1% in the second quarter of fiscal 2023 and 2022, respectively, and 59.1% and 58.6% in the first six months of fiscal 2023 and 2022, respectively. Product gross margins in the second quarter and first six months of fiscal 2023 benefited from the favorable mix impact of growth in sales of performance coating reagents and decreased sales of proprietary specialty catheters distributed by strategic partners, which was partly offset by the impact of certain manufacturing inefficiencies associated with ramp up of production of new products.

In Vitro Diagnostics. Our In Vitro Diagnostics business reported operating income of \$3.6 million and \$3.7 million in the second quarter of fiscal 2023 and 2022, respectively, representing 49% of revenue in both periods. For the first six months of fiscal 2023 and 2022, our In Vitro Diagnostics business reported operating income of \$6.6 million and \$6.9 million, respectively, representing 49% and 50% of revenue, respectively.

- IVD R&D and other revenue declined \$0.1 million and \$0.6 million year-over-year in the second quarter and first six months of fiscal 2023, respectively. For the first six months of fiscal 2023, the decline was related to the completion of a customer development program.

- IVD product gross profit declined \$0.1 million year-over-year in the second quarter of fiscal 2023. For the first six months of fiscal 2023, IVD product gross profit was flat compared to the same prior-year period. IVD product gross margins were 65.7% and 66.3% in the second quarter fiscal 2023 and 2022, respectively, and 67.3% and 68.4% in the first six months of fiscal 2023 and 2022, respectively. Product gross margins in the second quarter and first six months of fiscal 2023 were impacted by higher absorption of fixed costs relative to the prior year, which was partly offset in the first six months of fiscal 2023 by the favorable mix impact from a year-over-year decline in sales of relatively lower margin distributed antigen products.

Corporate. The Corporate category includes expenses for administrative corporate functions, such as executive management, corporate accounting, information technology, legal, human resources and Board of Directors related fees and expenses, which we do not fully allocate to the Medical Device and IVD segments. Corporate also includes expenses, such as acquisition-related costs and litigation, which are not specific to a segment and thus not allocated to our reportable segments. The unallocated Corporate expense operating loss was \$(3.2) million and \$(3.0) million in the second quarter of fiscal 2023 and 2022, respectively, and \$(6.1) million and \$(5.8) million in the first six months of fiscal 2023 and 2022, respectively.

Cash Flow Operating Results

The following is a summary of cash flow results:

<i>(In thousands)</i>	Six Months Ended March 31,	
	2023	2022
Cash provided by (used in):		
Operating activities	\$ (16,627)	\$ (11,226)
Investing activities	(1,700)	5,663
Financing activities	18,006	(660)
Effect of exchange rates on changes in cash and cash equivalents	503	(218)
Net change in cash and cash equivalents	\$ 182	\$ (6,441)

Operating Activities. Cash used in operating activities totaled \$(16.6) million and \$(11.2) million in the first six months of fiscal 2023 and 2022, respectively. Net loss was \$(15.6) million and \$(6.9) million in the first six months of fiscal 2023 and 2022, respectively. Net changes in operating assets and liabilities reduced cash flows from operating activities by \$(9.5) million and \$(11.3) million in the first six months of fiscal 2023 and 2022, respectively. Significant changes in operating assets and liabilities affecting cash flows during these periods included:

- Cash used in accrued liabilities was \$(4.1) million in the first six months of fiscal 2023, compared to cash used of \$(2.0) million in the same prior-year period, primarily due to routine fluctuations in the timing of expense and compensation accruals.
- Cash provided by income taxes was \$2.6 million in the first six months of fiscal 2023, compared to cash used of \$(0.5) million in the same prior-year period, primarily as the result of the fiscal 2023 receipt of an income tax refund under the net operating loss carryback provisions of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act").
- Cash used in inventories was \$(1.9) million for the first six months of fiscal 2023, compared to cash used of \$(2.7) million in the same prior-year period. The relative decline in cash used was primarily due to the fiscal 2022 commercialization of *Pounce* and *Sublime* platforms in our Medical Device business.

Investing Activities. Cash used in investing activities totaled \$(1.7) million for the first six months of fiscal 2023, compared to cash provided of \$5.7 million in the same prior-year period. Capital expenditures for property and equipment totaled \$1.7 million and \$1.9 million in the first six months of fiscal 2023 and 2022, respectively. In the prior-year period, maturities of available-for-sale investments were a source of cash of \$7.6 million.

Financing Activities. Cash provided by financing activities totaled \$18.0 million in the first six months of fiscal 2023, compared to cash used of \$(0.7) million in the same prior-year period. In the first quarter of fiscal 2023, the Company entered into a new, five-year secured credit agreement with MidCap Funding IV Trust, as agent, and MidCap Financial Trust, as term loan servicer and the lenders from time to time party thereto (together "MidCap"). The Company drew \$25 million on the term loan and \$5 million on the revolving credit facility at close. These proceeds were partially used to retire the Company's existing revolving credit facility with Bridgewater Bank, of which \$10 million was outstanding, as well as to pay a total of \$0.9 million in debt issuance costs, including fees to MidCap and legal and other expenses directly associated with the financing transaction.

Liquidity and Capital Resources

As of March 31, 2023, working capital totaled \$42.1 million, an increase of \$16.6 million from September 30, 2022. We define working capital as current assets minus current liabilities. Cash and cash equivalents totaled \$19.2 million as of March 31, 2023, an increase of \$0.2 million from \$19.0 million as of September 30, 2022.

The Abbott Agreement provides that the Company will receive a milestone payment if the *SurVeil* DCB receives PMA with the amount of the milestone payment of \$27 million (if PMA is received prior to June 30, 2023) or \$24 million (if PMA is received on or after June 30, 2023). Abbott may terminate the Abbott Agreement, and would not have an obligation to make an additional milestone payment after termination, if PMA for the *SurVeil* DCB is not obtained by December 31, 2023.

Following receipt of the FDA letter that we announced on January 19, 2023, related to our *SurVeil* DCB, we initiated a spending reduction plan intended to preserve capital and more closely align our capital allocation priorities with our strategic objectives, which included a workforce restructuring that reduced our workforce by approximately 12%. As a result, we reported \$1.3 million in restructuring expense for severance and related charges in the second quarter of fiscal 2023, which represented the total estimated expense expected to be incurred associated with the workforce restructuring as of March 31, 2023.

The Company proactively manages its access to capital to support liquidity and continued growth. Surmodics has access to a revolving credit facility, which provides for maximum availability of \$25 million, subject to a borrowing base. As of March 31, 2023, the outstanding balance on the revolving credit facility was \$5 million. As of March 31, 2023, additional, incremental availability on the revolving credit facility was approximately \$11 million, based on borrowing base eligibility requirements. The maturity date of the revolving credit facility is October 1, 2027.

On October 14, 2022, Surmodics entered into a new, five-year secured credit agreement with MidCap, consisting of up to \$100 million in term loans (\$25 million of which is at the sole discretion of MidCap) and a \$25 million revolving credit facility. The Company drew \$25 million on the term loan and \$5 million on the revolving credit facility at close. These proceeds were partially used to retire the Company's existing \$25 million revolving credit facility with Bridgewater Bank, of which \$10 million was outstanding. Upon closing, the Company's cash balance increased by \$19.5 million. Additional draws on the term loan may be made in increments of at least \$10 million, up to a total of \$50 million through December 31, 2024 subject to certain conditions, including having no less than \$60 million of core net revenue on a rolling four-quarter basis. A second tranche of up to \$25 million may be available through December 31, 2024 at MidCap's sole discretion. Availability to draw on the five-year, \$25 million revolving credit facility is based on a borrowing base consisting primarily of the Company's inventory and receivable balances. The credit agreement calls for interest-only payments on the term loan over the first four years, which can be extended to five years if certain criteria are met. The revolving credit facility matures in five years. The Company has also entered into an interest rate swap arrangement with Wells Fargo, whereby the initial borrowing on term loan's variable base rate was fixed at 10.205% per annum for the five-year loan term. The revolving credit facility has an annual interest rate equal to 3.00% plus the greater of Term SOFR (as defined in the credit agreement) or 1.50%. The Company expects total interest expense under the credit agreement to be approximately \$3.4 million in fiscal 2023.

As of March 31, 2023, the Company's shelf registration statement with the SEC allows the Company to offer potentially up to \$200 million in debt securities, common stock, preferred stock, warrants, and other securities or any such combination of such securities in amounts, at prices, and on terms announced if and when the securities are ever offered. This shelf registration statement expires in May 2023, and the Company intends to file a replacement before expiration to preserve the flexibility it provides.

In fiscal 2023, we anticipate a year-over-year increase in SG&A expenditures of between \$5.5 million and \$6.5 million. We expect that increasing SG&A expenditures in fiscal 2023 will exceed any associated increases in revenues, and therefore will reduce our cash flow from operations. We also anticipate R&D expenses will continue to be significant in fiscal 2023, primarily related to medical device product development, including continued investments to pursue PMA for our *SurVeil* DCB and in our *Pounce* and *Sublime* product platforms. We believe that our existing cash and cash equivalents, which totaled \$19.2 million as of March 31, 2023, together with cash flow from operations and our revolving credit facility and term loans, will provide liquidity sufficient to meet our cash needs and fund our operations and planned capital expenditures for fiscal 2023. There can be no assurance, however, that our business will continue to generate cash flows at historic levels.

Beyond fiscal 2023, our cash requirements will depend extensively on the timing of market introduction and extent of market acceptance of products in our medical device product portfolio, including our *SurVeil* DCB if PMA is received. Our long-term cash requirements also will be significantly impacted by the level of our investment in commercialization of our vascular intervention device products and whether we make future corporate transactions. We cannot accurately predict our long-term cash requirements at this time. We may seek additional sources of liquidity and capital resources, including through borrowing, debt or equity financing or corporate transactions to generate cash flow. There can be no assurance that such transactions will be available to us on favorable terms, if at all.

Customer Concentrations

We have agreements with a diverse base of customers and certain customers have multiple products using our technology. Abbott and Medtronic are our largest customers, comprising 11% and 13%, respectively, of our consolidated revenue for fiscal 2022. These same customers, Abbott and Medtronic, each comprised 10% and 12%, respectively, of our consolidated revenue for the six months ended March 31, 2023. Revenue generated under our *SurVeil* DCB license agreement with Abbott represented 5% of total revenue for the six months ended March 31, 2023. Apart from the *SurVeil* DCB license, Abbott has several separately licensed products which generate revenue for Surmodics, none of which represented more than 4% of total revenue for the six months ended March 31, 2023. Medtronic has several separately licensed products that generate revenue for Surmodics, none of which represented more than 3% of our total revenue for the six months ended March 31, 2023.

Critical Accounting Policies and Significant Estimates

Critical accounting policies are those policies that require the application of management's most challenging subjective or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies involve judgments and uncertainties that are sufficiently likely to result in materially different results under different assumptions and conditions. For the six months ended March 31, 2023, there were no significant changes in our critical accounting policies. For a detailed description of our other critical accounting policies and significant estimates, see Management's Discussion and Analysis of Financial Condition and Results of Operations under Item 7 in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022.

Forward-looking Statements

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, our strategies for growth, including our ability to sign new license agreements, conduct clinical evaluations, and bring new products to market; the expected duration of limited market evaluations for our products; the development of future products and their anticipated attributes; regulatory submissions and approvals; our intent to pursue certain regulatory actions; our plans to prepare an amended premarket approval application for our *SurVeil* DCB; our initiations for product evaluation activities; potential future milestone payments related to our *SurVeil* DCB; future license fee revenue related to the Abbott Agreement; the period over which deferred revenue is expected to be recognized; the potential consequence to deferred revenue of Abbott terminating the Abbott Agreement; implementation of organizational changes, their timing, and their expected impact on our use of cash; revenue potential related to the potential commercial launch of the *SurVeil* DCB; our plans to evaluate our strategy for further clinical investment in the *Sundance* DCB; future revenue growth, our longer-term valuation-creation strategy, and our future potential; information about our product pipeline; future gross margins and operating expenses; estimated future amortization expense; expectations regarding operating expenses, including restructuring expense for severance and related charges, and interest expense, and their impact on our cash flows; when restructuring accruals are expected to be paid; the period over which unrecognized compensation costs is expected to be recognized; research and development plans and expenses; the estimated amount remaining to be paid on contracts with clinical research organization consultants; the estimated total cost for the TRANSCEND clinical trial; anticipated cash requirements; the intended use of remaining proceeds of our borrowing under the MidCap Credit Agreement; future cash flows and sources of funding, and their ability together with existing cash, and cash equivalents, to provide liquidity sufficient to meet our cash needs and fund our operations and planned capital expenditures for fiscal 2023; statements regarding cash requirements beyond fiscal 2023; expectations regarding capital available under our secured revolving credit facility and secured term loan facilities; expectations regarding the maturity of debt; the Company's intention to file a shelf registration statement with the SEC; future impacts of our interest rate swap transactions; the impact of potential lawsuits or claims; the potential impact of interest rate fluctuations on our results of operations and cash flows; the impact of potential change in raw material prices, sources of raw materials and our ability to manufacture raw materials ourselves; the potential impact on the Company of currency fluctuations; future income tax (expense) benefit; our future ability to realize the benefits of our deferred tax assets; and the impact of the adoption of new accounting pronouncements. Without limiting the foregoing, words or phrases such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "possible," "project," "will" and similar terminology, generally identify forward-looking statements. Forward-looking statements may also represent challenging goals for us. These statements, which represent our

expectations or beliefs concerning various future events, are based on current expectations that involve a number of risks and uncertainties that could cause actual results to differ materially from those of such forward-looking statements. We caution that undue reliance should not be placed on such forward-looking statements, which speak only as of the date made. Some of the factors which could cause results to differ from those expressed in any forward-looking statement are set forth under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022 and in our Quarterly Report on Form 10-Q for the three months ended December 31, 2022. We disclaim any intent or obligation to update publicly these forward-looking statements, whether because of new information, future events or otherwise.

Although it is not possible to create a comprehensive list of all factors that may cause actual results to differ from our forward-looking statements, such factors include, among others:

1. ongoing operating losses, increased interest expense, and failure to generate cash flows from operations, which could impact expected expenditures and investments in growth initiatives;
2. our reliance on a small number of significant customers, including our largest customers, Abbott and Medtronic, which causes our financial results and stock price to be subject to factors affecting those significant customers and their products, the timing of market introduction of their or competing products, product safety or efficacy concerns and intellectual property litigation impacting such customers, which could adversely affect our growth strategy and the royalties revenue we derive;
3. clinical and regulatory developments relating to the evaluation of risks associated with paclitaxel-coated products, which developments may adversely impact our ability to complete our TRANSCEND clinical trial on any particular time frame, obtain marketing approval (or the timing of any such approval) for our *SurVeil* DCB and other paclitaxel-coated products, to treat peripheral artery disease in the femoral and/or popliteal arteries;
4. our ability to successfully develop, obtain regulatory approval for, commercialize, and manufacture at commercial volumes our *SurVeil* and other DCB products, including our reliance on clinical research organizations to manage the TRANSCEND clinical trial and uncertainty related to the impacts of any clinical research relative to drug-coated balloons, including our *A vess*[™] DCB, other DCB products and other catheter and balloon-based products, which will impact our ability to receive additional milestone payments under our agreement with Abbott;
5. general economic conditions that are beyond our control, such as the impact of recession, inflation, rising interest rates, customer mergers and acquisitions, business investment, changes in consumer confidence, and medical epidemics or pandemics such as the COVID-19 pandemic, which has negatively impacted, and will likely continue to negatively impact, our business and results from operations;
6. our ability to successfully and profitably commercialize our vascular intervention products, including our *Pounce* Venous Thrombectomy System, through our direct salesforce, or otherwise;
7. our ability to comply with the terms of our secured revolving credit facility and secured term loan facilities;
8. the difficulties and uncertainties associated with the lengthy and costly new product development and foreign and domestic regulatory approval processes, such as delays, difficulties or failures in achieving acceptable clinical results or obtaining foreign or FDA marketing clearances or approvals, which may result in lost market opportunities, failure to bring new products to market or postpone or preclude product commercialization by licensees or ourselves;
9. whether operating expenses that we incur related to the development and commercialization of new technologies and products are effective;
10. our ability to successfully perform product development activities, the related research and development expense impact, and governmental and regulatory compliance activities, which we have not previously undertaken in any significant manner;
11. impairment of goodwill and intangible assets or the establishment of reserves against other assets on our balance sheet;
12. disruptions to our business from our plan to reduce our use of cash announced in the second quarter of fiscal 2023, the failure of such plan to achieve its objectives, or cost and expenses associated with such plan; and
13. other factors described under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022 and under "Risk Factors" in Part II, Item 1A of our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2022, which you are encouraged to read carefully.

Many of these factors are outside our control and knowledge and could result in increased volatility in period-to-period results. Investors are advised not to place undue reliance upon our forward-looking statements and to consult any further disclosures by us on this subject in our filings with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our investment policy requires investments with high credit quality issuers and limits the amount of credit exposure to any one issuer. Our investments consist principally of interest-bearing corporate debt securities with varying maturity dates, which generally are less than one year. Because of the credit criteria of our investment policies, the primary market risk associated with these investments is interest rate risk. As of March 31, 2023, we did not hold any available-for-sale debt securities. Therefore, interest rate fluctuations relating to investments would have an insignificant impact on our results of operations or cash flows. Our policy also allows the Company to hold a substantial portion of funds in cash and cash equivalents, which are defined as financial instruments with original maturities of three months or less and may include money market instruments, certificates of deposit, repurchase agreements and commercial paper instruments.

Loans under the Midcap credit agreement bear interest at floating rates tied to Term SOFR. As a result, changes in Term SOFR can affect our results of operation and cash flows to the extent we do not have effective interest rate swap arrangements in place. On October 14, 2022, we entered into a five-year interest rate swap transaction with Wells Fargo Bank, N.A. with respect to \$25.0 million of notional value of the term loans funded under the MidCap credit agreement. The interest rate swap transaction fixes at 4.455% the one-month Term SOFR portion of interest rate under the \$25.0 million initial Term Loan funded such that the interest rate on the initial Term Loan will be 10.205% through its maturity. We have no other swap arrangements in place for any other loans under the Midcap credit agreement.

Management believes that a reasonable change in raw material prices would not have a material impact on future earnings or cash flows because the Company's inventory exposure is not material.

We are exposed to increasing Euro currency risk with respect to our manufacturing operations in Ireland. In a period where the U.S. dollar is strengthening or weakening relative to the Euro, our revenue and expenses denominated in Euro currency are translated into U.S. dollars at a lower or higher value than they would be in an otherwise constant currency exchange rate environment. All sales transactions are denominated in U.S. dollars or Euros. We generate royalties revenue from the sale of customer products in foreign jurisdictions. Royalties generated in foreign jurisdictions by customers are converted and paid in U.S. dollars per contractual terms. Substantially all of our purchasing transactions are denominated in U.S. dollars or Euros. To date, we have not entered into any foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, referred to collectively herein as the Certifying Officers, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2023. Based on that evaluation, the Company's Certifying Officers concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) were effective to ensure that information required to be disclosed by the Company in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the Securities and Exchange Commission rules and forms, and to ensure that information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Certifying Officers, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) during the three months ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION**Item 1. Legal Proceedings**

From time to time, the Company has been involved in various legal actions involving its operations, products and technologies, including intellectual property and employment disputes.

Item 1A. Risk Factors

The risks identified in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022, filed with the Securities and Exchange Commission on November 23, 2022, under Part I, Item 1A, “Risk Factors” and the risks identified in our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2022, filed with the SEC on February 6, 2023, under Part II, Item 1A, “Risk Factors” could affect our financial performance and could cause our actual results for future periods to differ materially from our anticipated results or other expectations, including those expressed in any forward-looking statements made in this Quarterly Report on Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents the information with respect to purchases made by or on behalf of Surmodics, Inc. or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of our common stock during the three months ended March 31, 2023.

Period:	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs
January 1 – 31, 2023	—	\$ —	—	\$ 25,300,000
February 1 – 28, 2023	503	28.97	—	25,300,000
March 1 – 31, 2023	—	—	—	25,300,000
Total	<u>503</u>	<u>28.97</u>	<u>—</u>	

(1) All shares reported were delivered by employees in connection with the satisfaction of tax withholding obligations related to the vesting of shares of restricted stock.

The Company has an aggregate of \$25.3 million available for future common stock purchases under the current authorizations. The MidCap credit agreement restricts our ability to repurchase our common stock.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit	Description
<u>2.1</u>	<u>Agreement of Merger dated January 18, 2005 among Surmodics, Inc., SIRx, InnoRx, et al. — incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K dated January 24, 2005.</u>
<u>2.2</u>	<u>Share Purchase Agreement by and among Surmodics, Inc. and the shareholders of Creagh Medical Ltd. dated as of November 20, 2015 — incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K dated November 27, 2015.</u>
<u>2.3</u>	<u>Stock Purchase Agreement, dated January 8, 2016, among Surmodics, Inc. and the shareholders of NorMedix, Inc. and Gregg Sutton as Seller’s Agent — incorporated by reference to Exhibit 2.1 to the Company’s Form Current Report on Form 8-K filed on January 13, 2016.</u>
<u>2.4</u>	<u>Share Purchase Agreement by and among Surmodics, Inc., SurModics MD, LLC, and the shareholders of Vetex Medical Limited named therein dated as of July 2, 2021 — incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K dated July 2, 2021.</u>
<u>2.5</u>	<u>Put and Call Option Agreement by and among SurModics MD, LLC and the shareholders of Vetex Medical Limited named therein dated as of July 2, 2021 — incorporated by reference to Exhibit 2.2 to the Company’s Current Report on Form 8-K dated July 2, 2021.</u>
<u>3.1</u>	<u>Restated Articles of Incorporation, as amended — incorporated by reference to Exhibit 3.1 of the Company’s Quarterly Report on Form 10-Q filed on July 29, 2016.</u>
<u>3.2</u>	<u>Restated Bylaws of Surmodics, Inc., as amended December 18, 2015 — incorporated by reference to Exhibit 3.2 of the Company’s Current Report on Form 8-K filed on December 23, 2015.</u>
<u>10.1*</u>	<u>Lease Agreement by and among Surmodics, Inc., MN Golden 1, LLC and MN Golden 2, LLC, as amended March 1, 2023.</u>
<u>31.1*</u>	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Sec. 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2*</u>	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1*</u>	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Sec. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2*</u>	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>101.INS*</u>	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the inline XBRL document.
<u>101.SCH*</u>	Inline XBRL Taxonomy Extension Schema.
<u>101.CAL*</u>	Inline XBRL Taxonomy Extension Calculation Linkbase.
<u>101.DEF*</u>	Inline XBRL Taxonomy Extension Definition Linkbase.
<u>101.LAB*</u>	Inline XBRL Taxonomy Extension Label Linkbase.
<u>101.PRE*</u>	Inline XBRL Taxonomy Extension Presentation Linkbase.
<u>104*</u>	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith

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 thereunto duly authorized.

April 26, 2023

Surmodics, Inc.

By: /s/ Timothy J. Arens

Timothy J. Arens

Senior Vice President of Finance and Chief Financial Officer

(duly authorized signatory and principal financial officer)

FIFTH ADDENDUM TO LEASE

THIS FIFTH ADDENDUM TO LEASE (“Fifth Addendum”) is entered into as of the 24th day of February, 2023 (“Effective Date”), by and between MN Golden 1, LLC and MN Golden 2, LLC (as tenants in common), both being Minnesota limited liability companies (collectively, “Landlord”), and Surmodics, Inc., a Minnesota corporation (“Tenant”).

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that certain Lease dated November 17, 2017, as amended by that certain First Addendum to Lease dated September 13, 2019, as amended by that certain Second Addendum to Lease dated May 2020, and as amended by that certain Third Addendum to Lease dated November 23, 2021, and as amended by that certain Fourth Addendum to Lease dated March 16, 2022 (collectively, the “Lease”), whereby Landlord is leasing to Tenant those certain premises described therein (the “Premises”) at the Golden Triangle Technology Center (the “Building”) in the City of Eden Prairie, County of Hennepin, State of Minnesota; and

WHEREAS, Landlord and Tenant desire to amend the Lease to extend the period of time in which the Tenant has to incur and submit costs eligible to be reimbursed from the Tenant Improvement Allowance from June 30, 2023, to November 30, 2023, as set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals, each of which is incorporated by reference herein, and the mutual promises and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree the Lease is amended as follows:

1. **Rules of Construction.** The terms contained in Fifth Addendum will be as effective as if they were typewritten in the Lease. In the event there is any conflict between the Lease and this Fifth Addendum, the provisions of this Fifth Addendum will prevail with respect to the Expansion Space. All other terms of the Lease are still in full force and effect. As used in this Fifth Addendum, the words “this Lease” will mean the Lease and this Fifth Addendum. Unless specifically defined herein, all capitalized terms used in this Fifth Addendum shall have the same meaning as the capitalized terms in the Lease.
2. **Tenant Improvement Allowance.** Section 6 of the Third Addendum to Lease dated November 23, 2021, is hereby stricken in its entirety and replaced with the following:

“6. **Tenant Improvement Allowance.** Landlord and Tenant have agreed that the costs of both the Phase 1 Tenant Improvements and the Phase 2 Tenant Improvements (collectively, “Tenant Improvements”) shall be paid by Tenant (excepting the cost of the Tenant Phase 2 Demolition Plans which shall be at the sole cost of Landlord, not to exceed \$6,500.00), although Landlord shall provide Tenant an allowance not to exceed \$1,007,175.00 or \$25.00 per rentable square foot for both the Phase 1 Expansion Space and the Phase 2 Expansion Space to be utilized toward the cost of the Tenant Improvements (including the cost for removal and

disposal of any FF&E located in the Phase 1 Expansion Space) (the “Tenant Improvement Allowance”); **provided, however**, that any costs to be paid from the Tenant Improvement Allowance must be incurred and submitted to Landlord on or before **November 30, 2023**, and any costs incurred or submitted to Landlord on or after **November 30, 2023**, shall not be eligible for payment from the Tenant Improvement Allowance. For the avoidance of doubt, Tenant may apply all or any portion of the Tenant Improvement Allowance to eligible costs incurred to complete the Phase 1 Tenant Improvements and shall not be required to limit use of the Tenant Improvement Allowance in proportion to the Floor Area included in the Phase 1 Expansion Space.

a. Costs and Construction Management Fee. The Tenant Improvement Allowance shall be used only for the payment of costs relating to the construction of the Tenant Improvements (including (i) the cost of preparing the Tenant Phase 1 Working Drawings and the Tenant Phase 2 Working Drawings and (ii) payment of a construction management fee payable to Landlord’s construction manager in the amount of two percent (2%) of the total cost of the Tenant Improvements eligible for payment from the Tenant Improvement Allowance), which costs Landlord shall pay directly out of the Tenant Improvement Allowance, for the credit of Tenant, and in no event shall any part of the Tenant Improvement Allowance be paid to or payable to Tenant, except for the portion that is allocable to the purchase by Tenant of FF&E as set forth below.

b. Excess Costs. Any costs of the Tenant Improvements which exceed the Tenant Improvement Allowance shall be the financial responsibility of Tenant. Any improvements to the Expansion Space, other than as shown on the Tenant Phase 1 Working Drawings and/or Tenant Phase 2 Working Drawings, and the furnishing of the Expansion Space, shall be made by Tenant at the sole cost and expense of Tenant, subject to all other provisions of this Third Addendum and the Lease, including the cost of any improvements required to comply with applicable governmental laws, ordinances, and regulations. Any excess or unused portion of the Tenant Improvement Allowance shall be retained by the Landlord.

c. FF&E. Tenant may apply up to fifteen percent (15%) of the Tenant Improvement Allowance for the purchase and installation of FF&E.

d. Disbursing. The Tenant Improvement Allowance, including payment of a proportional share of the two percent (2%) construction management fee, shall be paid monthly in arrears during completion of the Tenant Improvements in accordance with usual and customary construction disbursement procedures.”

3. **Tenant Phase 2 Working Drawings.** As of the Effective Date, Tenant acknowledges and agrees that it has not submitted complete Tenant Phase 2 Working Drawings to Landlord

for review and, therefore, the Landlord has not consented to Tenant's commencement of construction of Tenant Improvements within the Phase 2 Expansion Space.

4. **Tenant July 1, 2023, Reporting Requirement.** On or before July 1, 2023, Tenant will submit the following to Landlord for review: (i) if not previously submitted to and approved by Landlord, a complete set of Tenant Phase 2 Working Drawings, (ii) the Outside Contractor's detailed construction schedule prepared in accordance with construction industry standards, and (iii) the Outside Contractor's construction budget and cash flow projections detailing costs expected to be incurred through November 30, 2023, and prepared in accordance with construction industry standards.
5. **Tenant October 1, 2023, Reporting Requirement.** On or before October 1, 2023, Tenant will submit the following to Landlord for review: (i) if not previously submitted to and approved by Landlord, a complete set of Tenant Phase 2 Working Drawings, (ii) the Outside Contractor's updated construction schedule prepared in accordance with construction industry standards, and (iii) the Outside Contractor's updated construction budget and cash flow projections detailing costs expected to be incurred through November 30, 2023, and prepared in accordance with construction industry standards.
6. **Phase 2 Rent Commencement Date.** Tenant acknowledges and agrees that the Phase 2 Rent Commencement Date occurred on January 1, 2023, and there is no delay or default by the Landlord currently existing under the Lease.
7. **Lease Ratification and Effect.** Except as expressly amended hereby, all of the terms, provisions, covenants and conditions of the Lease are hereby ratified and confirmed and shall continue in full force and effect.
8. **Binding Effect.** This Fifth Addendum shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and permitted assigns.
9. **Signatory Authority.** Landlord and Tenant hereby represent and warrant that the undersign individuals executing this Fifth Addendum have received all applicable approvals and consents and are empowered and duly authorized to so execute this Fifth Addendum on behalf of the parties they represent.
10. **Effective Upon Execution and Delivery.** This Fifth Addendum shall not be binding upon either party unless and until it is signed by both parties and a fully executed copy thereof is delivered to each party.
11. **Counterparts/Electronic Signatures.** This Fifth Addendum may be executed in counterparts, each of which is deemed an original. Electronic signatures in "PDF" format are valid as original signatures.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed as of the date first written above.

Dated March 1, 2023

LANDLORD:

MN GOLDEN 1, LLC

By [Signature illegible]

:

Its: Manager

MN GOLDEN 2, LLC

By [Signature illegible]

:

Its: Manager

Dated February 27, 2023

TENANT:

SURMODICS, INC.

By /s/ Timothy J. Arens

:

Its: Senior Vice President of Finance and Chief Financial Officer

FOURTH ADDENDUM TO LEASE

THIS FOURTH ADDENDUM TO LEASE (“Fourth Addendum”) is entered into as of the 16th day of March, 2022 (“Effective Date”), by and between MN Golden 1, LLC and MN Golden 2, LLC (as tenants in common), both being Minnesota limited liability companies having offices at 820 Morris Turnpike, Suite 301, Short Hills, New Jersey 07078 (collectively, “Landlord”), and Surmodics, Inc., a Minnesota corporation (“Tenant”).

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that certain Lease dated November 17, 2017, as amended by that certain First Addendum to Lease dated September 13, 2019, as amended by that certain Second Addendum to Lease dated May 2020, and as amended by that certain Third Addendum to Lease dated November 23, 2021 (collectively, the “Lease”), whereby Landlord is leasing to Tenant those certain premises described therein (the “Premises”) at the Golden Triangle Technology Center (the “Building”) in the City of Eden Prairie, County of Hennepin, State of Minnesota; and

WHEREAS, Landlord and Tenant desire to amend the Lease to revise the Phase 2 Rent Commencement Date as set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals, each of which is incorporated by reference herein, and the mutual promises and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree the Lease is amended as follows:

1. **Rules of Construction.** The terms contained in Fourth Addendum will be as effective as if they were typewritten in the Lease. In the event there is any conflict between the Lease and this Fourth Addendum, the provisions of this Fourth Addendum will prevail with respect to the Expansion Space. All other terms of the Lease are still in full force and effect. As used in this Fourth Addendum, the words “this Lease” will mean the Lease and this Fourth Addendum. Unless specifically defined herein, all capitalized terms used in this Fourth Addendum shall have the same meaning as the capitalized terms in the Lease.
2. **Tenant Delivery of Tenant Phase 2 Demolition Cost Estimate and Completion of the Landlord Demolition Work.** The section of the Lease entitled “Tenant Delivery of Tenant Phase 2 Demolition Cost Estimate and Completion of the Landlord Demolition Work” is hereby amended to add the following:
 - “iv. If Landlord and Tenant reach agreement by **March 16, 2022**, on the cost to be paid by Landlord for completion of the Landlord Demolition Work by Tenant’s selected contractor, then Landlord will deliver the Phase 2 Expansion Space to Tenant on **March 16, 2022**, and Tenant will cause the demolition scope of work to be completed in substantial compliance with the approved Tenant Phase 2 Demolition Plans, and Landlord shall pay Tenant’s selected contractor for completion of the Landlord Demolition Work, not to exceed the amount agreed to by and between Landlord and Tenant pursuant to this section.”

3. **Phase 2 Rent Commencement Date.** The “Phase 2 Rent Commencement Date” is hereby amended as follows: “Except as otherwise provided in the Lease, the Phase 2 Rent Commencement Date for the Phase 2 Expansion Space shall be the earlier of (a) receipt of a certificate of occupancy for the Phase 2 Expansion Space; or (b) January 1, 2023. Beginning on the Phase 2 Rent Commencement Date, Minimum Rent and all Additional Rent will be calculated using a Floor Area of 90,435 rentable square feet.”
4. **Lease Ratification and Effect.** Except as expressly amended hereby, all of the terms, provisions, covenants and conditions of the Lease are hereby ratified and confirmed and shall continue in full force and effect.
5. **Binding Effect.** This Fourth Addendum shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and permitted assigns.
6. **Signatory Authority.** Landlord and Tenant hereby represent and warrant that the undersign individuals executing this Fourth Addendum have received all applicable approvals and consents and are empowered and duly authorized to so execute this Fourth Addendum on behalf of the parties they represent.
7. **Effective Upon Execution and Delivery.** This Fourth Addendum shall not be binding upon either party unless and until it is signed by both parties and a fully executed copy thereof is delivered to each party.
8. **Counterparts/Electronic Signatures.** This Fourth Addendum may be executed in counterparts, each of which is deemed an original. Electronic signatures in “PDF” format are valid as original signatures.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed as of the date first written above.

Dated March 17, 2022

LANDLORD:

MN GOLDEN 1, LLC

By: [Signature illegible]

Its: Manager

MN GOLDEN 2, LLC

By: [Signature illegible]

Its: Manager

Dated March 16, 2022

TENANT:

SURMODICS, INC.

By: /s/ Timothy J. Arens

Its: Senior Vice President of Finance and Chief Financial Officer

THIRD ADDENDUM TO LEASE

THIS THIRD ADDENDUM TO LEASE (“Third Addendum”) is entered into as of the 23rd day of November, 2021 (“Effective Date”), by and between MN Golden 1, LLC and MN Golden 2, LLC (as tenants in common), both being Minnesota limited liability companies having offices at 820 Morris Turnpike, Suite 301, Short Hills, New Jersey 07078 (collectively, “Landlord”), and Surmodics, Inc., a Minnesota corporation (“Tenant”),

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that certain Lease dated November 17, 2017, as amended by that certain First Addendum to Lease dated September 13, 2019, and as amended by that certain Second Addendum to Lease dated May 2020 (collectively, the “Lease”), whereby Landlord is leasing to Tenant those certain premises described as Suite 190, containing approximately 50,148 rentable square feet (the “Premises”), at the Golden Triangle Technology Center (the “Building”) in the City of Eden Prairie, County of Hennepin, State of Minnesota; and

WHEREAS, Landlord and Tenant desire to amend the Lease to provide for, among other things, Tenant to expand the leased Premises by approximately 40,287 rentable square feet in two sequenced phases as set forth herein; and

WHEREAS, the first phase of expansion is comprised of approximately 18,814 rentable square feet and is the entirety of Suite 150 of the Building as generally depicted on Exhibit A attached hereto (the “Phase 1 Expansion Space”); and

WHEREAS, the second phase of expansion is comprised of approximately 21,473 rentable square feet and is the entirety of Suite 100 of the Building as generally depicted on Exhibit A attached hereto (the “Phase 2 Expansion Space”); and

WHEREAS, the Phase 1 Expansion Space and the Phase 2 Expansion Space are referred to hereinafter collectively as the “Expansion Space.”

NOW, THEREFORE, in consideration of the foregoing recitals, each of which is incorporated by reference herein, and the mutual promises and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree the Lease is amended as follows:

1. **Rules of Construction.** The terms contained in Third Addendum will be as effective as if they were typewritten in the Lease. In the event there is any conflict between the Lease and this Third Addendum, the provisions of this Third Addendum will prevail with respect to the Expansion Space. All other terms of the Lease are still in full force and effect. As used in this Third Addendum, the words “this Lease” will mean the Lease and this Third Addendum. The term “Minimum Rent” shall have the same meaning as the term “Minimum Rental” (as that term is used in the Lease). Unless specifically defined herein, all capitalized terms used in this Third Addendum shall have the same meaning as the capitalized terms in the Lease.

2. **Premises.** Landlord does hereby lease to Tenant, and Tenant takes and hires from Landlord, the premises and improvements constituting the Expansion Space, as depicted on **Exhibit A** attached hereto and made a part hereof, together with all easements, appurtenances, rights and privileges now or hereafter belonging or appurtenant thereto. Upon execution and delivery of this Third Addendum and Landlord's delivery of the Expansion Space in two phases as set forth herein, the leased Premises (as that term is used in the Lease) shall contain 90,435 rentable square feet of Floor Area.
3. **Phase 1 Expansion Space Tenant Improvements.** Upon the date on which Landlord tenders delivery of possession of the Phase 1 Expansion Space to Tenant ("Phase 1 Expansion Space Delivery Date"), Tenant agrees to accept the Phase 1 Expansion Space in its "As-Is" condition and thereafter promptly complete the Phase 1 Expansion Space tenant improvements. Landlord will use commercially reasonable efforts to cause the Phase 1 Expansion Space Delivery Date to occur on the Effective Date (the "Target Phase 1 Expansion Space Delivery Date"), to allow Tenant's build-out to begin. If Landlord shall be unable to give possession because a certificate of occupancy or any other required certificate, permit, or variance has not been procured, or for any other reason not within the reasonable control of Landlord, Landlord shall not be subject to any liability for the failure to give possession. No such failure to give possession shall in any other respect affect the validity of this Third Addendum or the obligations of Tenant hereunder, nor shall the same be construed in any way to extend the Term. Notwithstanding anything to the contrary herein, the Phase 1 Rent Commencement Date for the Phase 1 Expansion Space shall be extended by one day for each day after the Target Phase 1 Expansion Space Delivery Date that the actual Phase 1 Expansion Space Delivery Date fails to occur.
 - a. **Plans.** If it has not done so already, within ten (10) days after the Phase 1 Expansion Space Delivery Date, Tenant shall deliver to Landlord a space plan (the "Tenant Phase 1 Space Plan") depicting Tenant's desired improvements in the Phase 1 Expansion Space (the "Phase 1 Tenant Improvements"). Within ten (10) days after receipt of the Tenant Phase 1 Space Plan, Landlord will review and approve or disapprove the Tenant Phase 1 Space Plan in its reasonable discretion. If Landlord disapproves the Tenant Phase 1 Space Plan, it shall state with particularity the reasons for such disapproval. If disapproved, Tenant shall revise the Tenant Phase 1 Space Plan to address Landlord's concerns and resubmit to Landlord for review and approval or disapproval. Upon approval of the Tenant Phase 1 Space Plan, Tenant shall cause working drawings (hereafter, "Tenant Phase 1 Working Drawings") of the Phase 1 Tenant Improvements shown on the Tenant Phase 1 Space Plan to be prepared and delivered to Landlord. The Tenant Phase 1 Working Drawings shall consist of the plans and specifications in the form of working drawings or construction drawings identifying Tenant's interior layout of the Phase 1 Expansion Space, including complete sets of architectural, structural, mechanical, electrical, and plumbing working drawings for all Phase 1 Tenant Improvements, in each case to the extent applicable. The Tenant Phase 1 Working Drawings shall include written instructions or specifications as may be necessary or required to secure a building permit from the City of Eden Prairie for said improvements to commence in due course. The Tenant Phase 1 Working Drawings shall be prepared by architects and engineers selected by Tenant and reasonably approved by

Landlord. Within ten (10) days after delivery of the Tenant Phase 1 Working Drawings. Landlord shall either reasonably approve the Tenant Phase 1 Working Drawings or notify Tenant of the reasons Landlord does not reasonably approve them. Tenant shall revise the Tenant Phase 1 Working Drawings to address the concerns raised by Landlord and then resubmit for Landlord's approval or disapproval pursuant to this section.

- b. **Demolition.** Promptly after the Phase 1 Expansion Space Delivery Date and during the plan approval process described above, Tenant may commence demolition activities in the Phase 1 Expansion Space, including removal and disposal of any fixtures, furniture, and equipment (FF&E) located in the Phase 1 Expansion Space as of the Phase 1 Expansion Space Delivery Date.
- c. **Construction.** Tenant shall have the right, subject to Landlord approval, which approval shall not be unreasonably withheld, conditioned, or delayed, to retain its own contractor (the "Outside Contractor"), designers, and engineers to perform the Phase 1 Tenant Improvements. Once commenced, Tenant shall promptly complete the Phase 1 Tenant Improvements in material compliance with the Tenant Phase 1 Working Drawings.
- d. **Occupancy.** Once the Phase 1 Tenant Improvements are completed and a certificate of occupancy has been issued by the City of Eden Prairie, Tenant may occupy the Phase 1 Expansion Space.

4. **Phase 2 Expansion Space Demolition Work.**

- a. **Demolition Scope of Work.** Subject to reaching mutual agreement on the cost for such work. Landlord shall pay for the following demolition work within the Phase 2 Expansion Space to be completed by Tenant's contractor in accordance with drawings and specifications prepared by Tenant's design professional: (a) removal of interior walls, including framing, doors, electrical outlets and switches, wiring, low voltage/data cabling, and plumbing or other utilities located in such interior walls to the extent not being reused by the Tenant (electrical, low voltage wiring/data cabling and plumbing serving the base building MEP systems and restrooms shall be left in place); (b) removal of carpeting, tile and other installed floor coverings to include mastics and/or other adhesives/setting beds; (c) removal of the acoustical and gypsum ceilings and soffits, including light fixtures and HVAC ductwork diffusers and grilles to the extent not being reused by the Tenant; (d) the existing restrooms shall be left in place and unmodified; (e) the existing wall framing and drywall at the exterior walls and restrooms shall be left in place and unmodified; (f) the existing HVAC roof top units shall be left in place and unmodified; (g) the existing fire protection sprinkler system shall be left in place and unmodified; (h) removal of all interior millwork and cabinetry; (i) the existing fire alarm system shall be left in place and unmodified; and (j) the interior doors, frames and finish hardware shall be salvaged for reuse by the Tenant (collectively, the "Landlord Demolition Work").

- b. **Tenant Delivery of Tenant Phase 2 Demolition Plans.** On or before **May 1, 2022**. Tenant shall deliver to Landlord demolition drawings and specifications in accordance with the Landlord Demolition Work scope set forth in Section 4(a) above and as may be necessary or required to secure a demolition building permit from the City of Eden Prairie for the Phase 2 Expansion Space (“Tenant Phase 2 Demolition Plans”) at Landlord’s cost (not to exceed \$6,500.00). Within ten (10) business days after receipt of the Tenant Phase 2 Demolition Plans, Landlord will review and approve or disapprove the Tenant Phase 2 Demolition Plans in its reasonable discretion. If Landlord disapproves the Tenant Phase 2 Demolition Plans, it shall state with particularity the reasons for such disapproval. If disapproved, Tenant shall revise the Tenant Phase 2 Demolition Plans to address Landlord’s concerns and resubmit to Landlord for review and approval or disapproval.
- c. **Tenant Delivery of Tenant Phase 2 Demolition Cost Estimate and Completion of the Landlord Demolition Work.**
- i. On or before **June 15, 2022**, Tenant shall deliver to Landlord a demolition cost estimate from a contractor to be retained by Tenant, subject to Landlord approval, which approval shall not be unreasonably withheld, conditioned, or delayed, and in accordance with the Landlord-approved Tenant Phase 2 Demolition Plans. Landlord and Tenant will have until **July 15, 2022**, to reach agreement on the cost to be paid by Landlord for completion of the Landlord Demolition Work by Tenant’s selected contractor.
 - ii. If Landlord and Tenant reach agreement by **July 15, 2022**, on the cost to be paid by Landlord for completion of the Landlord Demolition Work by Tenant’s selected contractor, then Landlord will deliver the Phase 2 Expansion Space to Tenant on **August 1, 2022**, and Tenant will cause the demolition scope of work to be completed in substantial compliance with the approved Tenant Phase 2 Demolition Plans, and Landlord shall pay Tenant’s selected contractor for completion of the Landlord Demolition Work, not to exceed the amount agreed to by and between Landlord and Tenant pursuant to this section.
 - iii. If Landlord and Tenant are unable to reach agreement by **July 15, 2022**, on the cost to be paid by Landlord for completion of the Landlord Demolition Work by Tenant’s selected contractor, then Landlord will cause the demolition scope of work to be completed in substantial compliance with the approved Tenant Phase 2 Demolition Plans by a contractor selected by Landlord in its sole discretion; **provided, however**, that nothing in this Lease or in the approved Tenant Phase 2 Demolition Plans shall require the Landlord to complete any work in excess of the Landlord Demolition Work scope set forth in Section 4(a) above.
5. **Phase 2 Expansion Space Tenant Improvements.** Subject to Section 4 of this Third Addendum above, upon the date on which Landlord tenders delivery of possession of the

Phase 2 Expansion Space to Tenant (“Phase 2 Expansion Space Delivery Date”), Tenant agrees to accept the Phase 2 Expansion Space in its “As-Is” condition and thereafter promptly complete the Phase 2 Expansion Space tenant improvements. In the event that Landlord is required to cause the Landlord Demolition Work to be performed in accordance with Section 4(c)(iii) above. Landlord will use commercially reasonable efforts to cause the Phase 2 Expansion Space Delivery Date to occur by no later than **September 15, 2022** (the “Target Phase 2 Expansion Space Delivery Date”), to allow Tenant's build out to begin; **provided, however**, that if Tenant fails to submit to Landlord final approved Tenant Phase 2 Demolition Plans and a cost estimate in accordance with Section 4(c)(i) above on or before **June 15, 2022**, then the Target Phase 2 Expansion Space Delivery Date shall be extended on a day-for-day basis until Tenant submits approved Tenant Phase 2 Demolition Plans. If Landlord shall be unable to give possession to Tenant by the Target Phase 2 Expansion Space Delivery Date because a certificate of occupancy or any other required certificate, permit or variance has not been procured, or because demolition activities within the Phase 2 Expansion Space required to be performed by Landlord are not completed in the manner set forth in this Third Addendum, or for any other reason not within the reasonable control of Landlord, Landlord shall not be subject to any liability for the failure to give possession. No such failure to give possession shall in any other respect affect the validity of this Third Addendum or the obligations of Tenant hereunder, nor shall the same be construed in any way to extend the Term. Notwithstanding anything to the contrary herein, the Phase 2 Rent Commencement Date for the Phase 2 Expansion Space shall be extended by one day for each day after the Target Phase 2 Expansion Space Delivery Date that the actual Phase 2 Expansion Space Delivery Date fails to occur.

- a. **Plans.** If it has not done so already, within ten (10) days after the Phase 2 Expansion Space Delivery Date, Tenant shall deliver to Landlord a space plan (the “Tenant Phase 2 Space Plan”) depicting Tenant's desired improvements in the Phase 2 Expansion Space (the “Phase 2 Tenant Improvements”). Within ten (10) days after receipt of the Tenant Phase 2 Space Plan, Landlord will review and approve or disapprove the Tenant Phase 2 Space Plan in its reasonable discretion. If Landlord disapproves the Tenant Phase 2 Space Plan, it shall state with particularity the reasons for such disapproval. If disapproved, Tenant shall revise the Tenant Phase 2 Space Plan to address Landlord's concerns and resubmit to Landlord for review and approval or disapproval. Upon approval of the Tenant Phase 2 Space Plan, Tenant shall cause working drawings (hereafter, “Tenant Phase 2 Working Drawings”) of the Phase 2 Tenant Improvements shown on the Tenant Phase 2 Space Plan to be prepared and delivered to Landlord. The Tenant Phase 2 Working Drawings shall consist of the plans and specifications in the form of working drawings or construction drawings identifying Tenant's interior layout of the Phase 2 Expansion Space, including complete sets of architectural, structural, mechanical, electrical, and plumbing working drawings for all Phase 2 Tenant Improvements, in each case to the extent applicable. The Tenant Phase 2 Working Drawings shall include written instructions or specifications as may be necessary or required to secure a building permit from the City of Eden Prairie for said improvements to commence in due course. The Tenant Phase 2 Working Drawings shall be prepared by architects and engineers selected by Tenant and reasonably approved by Landlord. Within ten (10) days after delivery of the Tenant Phase 2 Working

Drawings, Landlord shall either reasonably approve the Tenant Phase 2 Working Drawings or notify Tenant of the reasons Landlord does not reasonably approve them. Tenant shall revise the Tenant Phase 2 Working Drawings to address the concerns raised by Landlord and then resubmit for Landlord's approval or disapproval pursuant to this section.

- b. **Construction.** Tenant shall have the right, subject to Landlord approval, which approval shall not be unreasonably withheld, conditioned, or delayed, to retain its own contractor (the "Outside Contractor"), designers, and engineers to perform the Phase 2 Tenant Improvements. Once commenced, Tenant shall promptly complete the Phase 2 Tenant Improvements in material compliance with the Tenant Phase 2 Working Drawings.
 - c. **Occupancy.** Once the Phase 2 Tenant Improvements are completed and a certificate of occupancy has been issued by the City of Eden Prairie, Tenant may occupy the Phase 2 Expansion Space.
6. **Tenant Improvement Allowance.** Landlord and Tenant have agreed that the costs of both the Phase 1 Tenant Improvements and the Phase 2 Tenant Improvements (collectively, "Tenant Improvements") shall be paid by Tenant (excepting the cost of the Tenant Phase 2 Demolition Plans which shall be at the sole cost of Landlord, not to exceed \$6,500.00), although Landlord shall provide Tenant an allowance not to exceed \$1,007,175.00 or \$25.00 per rentable square foot for both the Phase 1 Expansion Space and the Phase 2 Expansion Space to be utilized toward the cost of the Tenant Improvements (including the cost for removal and disposal of any FF&E located in the Phase 1 Expansion Space) (the "Tenant Improvement Allowance"); **provided, however,** that any costs to be paid from the Tenant Improvement Allowance must be incurred and submitted to Landlord on or before June 30, 2023, and any costs incurred or submitted to Landlord on or after July 1, 2023, shall not be eligible for payment from the Tenant Improvement Allowance. For the avoidance of doubt, Tenant may apply all or any portion of the Tenant Improvement Allowance to eligible costs incurred to complete the Phase 1 Tenant Improvements and shall not be required to limit use of the Tenant Improvement Allowance in proportion to the Floor Area included in the Phase 1 Expansion Space.
- a. **Costs and Construction Management Fee.** The Tenant Improvement Allowance shall be used only for the payment of costs relating to the construction of the Tenant Improvements (including (i) the cost of preparing the Tenant Phase 1 Working Drawings and the Tenant Phase 2 Working Drawings and (ii) payment of a construction management fee payable to Landlord's construction manager in the amount of two percent (2%) of the total cost of the Tenant Improvements eligible for payment from the Tenant Improvement Allowance), which costs Landlord shall pay directly out of the Tenant Improvement Allowance, for the credit of Tenant, and in no event shall any part of the Tenant Improvement Allowance be paid to or payable to Tenant, except for the portion that is allocable to the purchase by Tenant of FF&E as set forth below.

- b. **Excess Costs.** Any costs of the Tenant Improvements which exceed the Tenant Improvement Allowance shall be the financial responsibility of Tenant. Any improvements to the Expansion Space, other than as shown on the Tenant Phase 1 Working Drawings and/or Tenant Phase 2 Working Drawings, and the furnishing of the Expansion Space, shall be made by Tenant at the sole cost and expense of Tenant, subject to all other provisions of this Third Addendum and the Lease, including the cost of any improvements required to comply with applicable governmental laws, ordinances, and regulations. Any excess or unused portion of the Tenant Improvement Allowance shall be retained by the Landlord.
- c. **FF&E.** Tenant may apply up to fifteen percent (15%) of the Tenant Improvement Allowance for the purchase and installation of FF&E.
- d. **Disbursing.** The Tenant Improvement Allowance, including payment of a proportional share of the two percent (2%) construction management fee, shall be paid monthly in arrears during completion of the Tenant Improvements in accordance with usual and customary construction disbursement procedures.
7. **Phase 1 Commencement Date.** The Commencement Date of the Lease for the Phase 1 Expansion Space shall be the earlier of (a) receipt of a certificate of occupancy for the Phase 1 Expansion Space; or (b) April 1, 2022. Upon execution of this Third Addendum and Landlord's delivery of the Phase 1 Expansion Space to Tenant, the Premises (as that term is used in the Lease) shall contain 68,962 rentable square feet of Floor Area.
8. **Phase 1 Rent Commencement Date.** Except as otherwise provided in the Lease, the Phase 1 Rent Commencement Date for the Phase 1 Expansion Space shall be April 1, 2022. Beginning on the Phase 1 Rent Commencement Date, Minimum Rent and all Additional Rent will be calculated using a Floor Area of 68,962 rentable square feet.
9. **Phase 1 Expansion Space Minimum Rent.** Notwithstanding anything to the contrary in the Lease, the Minimum Rent to be applied to the Phase 1 Expansion Space shall be \$12.00 per rentable square foot and shall increase by two and one-half percent (2.5%) each year upon the anniversary of the Phase 1 Rent Commencement Date as set forth in the table below:

Period	Phase 1 Expansion Space RSF	Minimum Rent PSF	Annual	Monthly
April 1, 2022 to March 31, 2023	18,814	\$12.00	\$225,768.00	\$18,814.00
April 1, 2023 to March 31, 2024	18,814	\$12.30	\$231,412.20	\$19,284.35
April 1, 2024 to March 31, 2025	18,814	\$12.61	\$237,197.51	\$19,766.46
April 1, 2025 to March 31, 2026	18,814	\$12.92	\$243,127.44	\$20,260.62
April 1, 2026 to March 31, 2027	18,814	\$13.25	\$249,205.63	\$20,767.14
April 1, 2027 to March 31, 2028	18,814	\$13.58	\$255,435.77	\$21,286.31
April 1, 2028 to April 30, 2028	18,814	\$13.92	\$261,821.66	\$21,818.47
First Renewal Period, if applicable	Determined pursuant to Article 3 of the Lease			
Second Renewal Period, if applicable	Determined pursuant to Article 3 of the Lease			

10. **Phase 2 Commencement Date.** The Commencement Date of the Lease for the Phase 2 Expansion Space shall be the earlier of (a) receipt of a certificate of occupancy for the Phase 2 Expansion Space; or (b) January 1, 2023. Upon execution of this Third Addendum and Landlord's delivery of the Phase 2 Expansion Space to Tenant, the Premises (as that term is used in the Lease) shall contain 90,435 rentable square feet of Floor Area.
11. **Phase 2 Rent Commencement Date.** Except as otherwise provided in the Lease, the Phase 2 Rent Commencement Date for the Phase 2 Expansion Space shall be January 1, 2023. Beginning on the Phase 2 Rent Commencement Date, Minimum Rent and all Additional Rent will be calculated using a Floor Area of 90,435 rentable square feet.
12. **Phase 2 Expansion Space Minimum Rent.** Notwithstanding anything to the contrary in the Lease, the Minimum Rent to be applied to the Phase 2 Expansion Space shall be \$12.00 per rentable square foot and shall increase by two and one-half percent (2.5%) each year upon the anniversary of the Phase 1 Rent Commencement Date as set forth in the table below:

Period	Phase 2 Expansion Space RSF	Minimum Rent PSF	Annual	Monthly
January 1, 2023 to March 31, 2023	21,473	\$12.00	\$257,676.00	\$21,473.00
April 1, 2023 to March 31, 2024	21,473	\$12.30	\$264,117.90	\$22,009.83
April 1, 2024 to March 31, 2025	21,473	\$12.61	\$270,720.85	\$22,560.07
April 1, 2025 to March 31, 2026	21,473	\$12.92	\$277,488.87	\$23,124.07
April 1, 2026 to March 31, 2027	21,473	\$13.25	\$284,426.09	\$23,702.17
April 1, 2027 to March 31, 2028	21,473	\$13.58	\$291,536.74	\$24,294.73
April 1, 2028 to April 30, 2028	21,473	\$13.92	\$298,825.16	\$24,902.10
First Renewal Period, if applicable	Determined pursuant to Article 3 of the Lease			
Second Renewal Period, if applicable	Determined pursuant to Article 3 of the Lease			

13. **Current Premises Minimum Rent.** For the avoidance of doubt, nothing in this Third Addendum shall be construed to amend or modify Tenant's Minimum Rent obligations set forth in Article 3 of the Lease for the current Premises comprising approximately 50,148 rentable square feet as set forth in the table below:

Period	Existing Premises RSF	Minimum Rent PSF	Annual	Monthly
May 1, 2021 to April 30, 2022	50,148	\$10.61	\$532,070.28	\$44,339.19
May 1, 2022 to April 30, 2023	50,148	\$10.82	\$542,601.36	\$45,216.78
May 1, 2023 to April 30, 2024	50,148	\$11.04	\$553,633.92	\$46,136.16
May 1, 2024 to April 30, 2025	50,148	\$11.26	\$564,666.48	\$47,055.54
May 1, 2025 to April 30, 2026	50,148	\$11.48	\$575,699.04	\$47,974.92
May 1, 2026 to April 30, 2027	50,148	\$11.72	\$587,734.56	\$48,977.88
May 1, 2027 to April 30, 2028	50,148	\$11.95	\$599,268.60	\$49,939.05
First Renewal Period, if applicable	Determined pursuant to Article 3 of the Lease			
Second Renewal Period, if applicable	Determined pursuant to Article 3 of the Lease			

14. **Additional Rent - Real Estate Taxes and Operating Expenses.** Notwithstanding anything in this Lease to the contrary, beginning on the Phase 1 Rent Commencement Date. Tenant's *pro rata* share of Real Estate Taxes and Operating Expenses shall be adjusted upwards to include the Phase 1 Expansion Space, and beginning on the Phase 2 Rent Commencement Date, Tenant's *pro rata* share of Real Estate Taxes and Operating Expenses shall be adjusted upwards to include the Phase 2 Expansion Space. For the avoidance of doubt, (a) effective on the Phase 1 Rent Commencement Date, Tenant's *pro rata* share of Real Estate Taxes and Operating Expenses will be based on 68,962 rentable square feet and will equal 76.26%; and (b) effective on the Phase 2 Rent Commencement Date, Tenant's *pro rata* share of Real Estate Taxes and Operating Expenses will be based on 90,435 rentable square feet and will equal 100%.
15. **Term.** For the avoidance of doubt, the Term of the Lease applicable to the Expansion Space will expire at **11:59 p.m. CT on April 30, 2028**, subject to Tenant's renewal option as set forth in Article 3 of the Lease.
16. **Offer Space.** Notwithstanding anything to the contrary in this Lease, Landlord and Tenant acknowledge and agree that neither the Phase 1 Expansion Space nor the Phase 2 Expansion Space is contiguous Offer Space (as defined in the Lease) subject to the expansion rights set forth in Article 36 of the Lease.
17. **Landlord Consents.** Landlord warrants, represents and agrees that (i) Landlord has obtained all consents of third parties (including without limitation any lenders and ground lessors) which are necessary for the execution and performance of this Third Addendum by Landlord and (ii) no party other than Landlord has an ownership interest in the Premises or a lessor's interest in the Lease. Landlord shall defend, indemnify and hold harmless Tenant from and against any and all losses, claims, demands, damages, liabilities, costs and expenses (including without limitation attorneys' fees and disbursements and court costs) arising from or in connection with a breach of or inaccuracy in any of the representations, warranties and agreements set forth in this Paragraph.
18. **No Default.** Tenant hereby certifies that: (a) to the best of Tenant's knowledge, as of the date of this Third Addendum without any independent inquiry, Tenant is not in default, nor does any condition or state of facts exist that with the passage of time or the giving of notice or both, would constitute a default, under the Lease as of the date hereof beyond any applicable cure period, (b) no consent, approval, order or authorization of, or registration or filing with, any third party is required in connection with the execution, delivery and carrying out of this Third Addendum or, if required, has been obtained, and (c) this Third Addendum has been duly authorized, executed and delivered so that it constitutes the legal, valid and binding obligation of Tenant.

19. **Landlord Representation.** Landlord warrants, represents and agrees that (i) Landlord has obtained all consents of third parties (including without limitation any lenders and ground lessors) which are necessary for the execution and performance of this Third Addendum by Landlord and (ii) no party other than Landlord has an ownership interest in the Premises or a lessor's interest in the Lease. Landlord shall defend, indemnify and hold harmless Tenant from and against any and all losses, claims, demands, damages, liabilities, costs and expenses (including without limitation reasonable attorneys' fees and disbursements and court costs) arising from or in connection with a breach of or inaccuracy in any of the representations, warranties and agreements set forth in this Section 19.
20. **Lease Ratification and Effect.** Except as expressly amended hereby, all of the terms, provisions, covenants and conditions of the Lease are hereby ratified and confirmed and shall continue in full force and effect.
21. **Binding Effect.** This Third Addendum shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and permitted assigns.
22. **Signatory Authority.** Landlord and Tenant hereby represent and warrant that the undersign individuals executing this Third Addendum have received all applicable approvals and consents and are empowered and duly authorized to so execute this Third Addendum on behalf of the parties they represent.
23. **Effective Upon Execution and Delivery.** This Third Addendum shall not be binding upon either party unless and until it is signed by both parties and a fully executed copy thereof is delivered to each party.
24. **Counterparts/Electronic Signatures.** This Third Addendum may be executed in counterparts, each of which is deemed an original. Electronic signatures in "PDF" format are valid as original signatures.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed as of the date first written above.

Dated November 22, 2021

LANDLORD:

MN GOLDEN 1, LLC

By: [Signature illegible]

Its: Manager

MN GOLDEN 2, LLC

By: [Signature illegible]

Its: Manager

Dated November 18, 2021

TENANT:

SURMODICS, INC.

By: /s/ Timothy J. Arens

Its: Senior Vice President of Finance and Chief Financial Officer

EXHIBIT A

Golden Triangle Building

(Schedule excluded. Surmodics, Inc. agrees to furnish the schedule to the Securities and Exchange Commission upon request.)

SECOND ADDENDUM TO LEASE

THIS SECOND ADDENDUM TO LEASE (this "Second Addendum") is entered into as of the 27th day of May, 2020 (the "Effective Date"), by and between MN Golden I, LLC and MN Golden 2, LLC (as tenants in common), both being Minnesota Limited Liability Companies having offices at 820 Morris Turnpike, Suite 301, Short Hills, New Jersey 07078 (hereafter called the "Landlord"), and Surmodics, Inc., a Minnesota corporation (hereafter called the "Tenant"),

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that certain Lease dated November 17, 2017 (hereinafter referred to as the "Lease") whereby Landlord is leasing to Tenant those certain premises described as Suite 190, containing approximately 36,573 rentable square feet, (hereafter called the "Premises") at the Golden Triangle Technology Center (hereafter called the "Building") in the City of Eden Prairie, County of Hennepin, State of Minnesota:

WHEREAS, Landlord and Tenant entered a First Addendum to Lease dated September 13, 2019, whereby Landlord and Tenant amended the Lease to provide, among other things, for Tenant to expand the Premises by 13,575 rentable square feet ("Expansion Space"). The Expansion Space is adjacent to the Premises and is in a portion of Suite 150 of the Building. The Premises (as that term is used in the Lease) contains 50,148 rentable square feet of floor area.

WHEREAS, Landlord and Tenant desire to amend the Lease to provide, among other things, that the Delivery Date of the Expansion Space, Commencement Date and Rent Commencement Date are modified.

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that, as of the date first written above, the Lease shall be amended as follows:

1. The terms contained in this Second Addendum will be as effective as if they were typewritten in the Lease. In the event there is any conflict between, the Lease Agreement, the First Addendum and this Second Addendum, the provisions of this Second Addendum will prevail. All other terms of the Lease are still in full force and effect. As used in this Second Addendum, the words "this Lease" will mean the Lease, the First Addendum and this Second Addendum.

2. Unless specifically defined herein, all capitalized terms used in this Second Addendum shall have the same meaning as the capitalized terms in the Lease.

3. On February 21, 2020 ("Expansion Space Delivery Date"). Tenant accepted delivery of possession of the Expansion Space in its "As-Is" condition. On such date, Tenant, subject to the terms of the Lease, may take possession and begin their TI Work. Once their TI Work is completed and they receive a certificate of occupancy from the city, Tenant may occupy the Demised Premises.

4. The Commencement Date of the Lease for the Expansion Space is September 21, 2020.

5. The Rent Commencement Date for the Expansion Space is November 22, 2020, subject to extension as provided above in Paragraph 3. Beginning on the Rent Commencement Date, Minimum Rent and all additional rent will be calculated using a Floor Area of 50,148 rentable square feet.

6. Notwithstanding anything in Paragraph 5 hereof to the contrary, beginning on September 21, 2020, Tenant's pro rata share of Real Estate Taxes and Operating Expenses shall be adjusted upwards to include the Expansion Space.

7. Tenant's obligation to pay Rent and Tenant's Share of "real property taxes impositions" and "Common Area Costs" and all other charges due and payable under the Lease dated November 17, 2017 shall be unaffected by this Agreement.

8. Landlord warrants, represents and agrees that (i) Landlord has obtained all consents of third parties (including without limitation any lenders and ground lessors) which are necessary for the execution and performance of this Second Addendum by Landlord and (ii) no party other than Landlord has an ownership interest in the Premises or a lessor's interest in the Lease. Landlord shall defend, indemnify and hold harmless Tenant from and against any and all losses, claims, demands, damages, liabilities, costs and expenses (including without limitation attorneys' fees and disbursements and court costs) arising from or in connection with a breach of or inaccuracy in any of the representations, warranties and agreements set forth in this Paragraph.

9. Tenant hereby certifies that: (a) to Tenant's knowledge, Landlord is not in default, nor does any condition or state of facts exist that with the passage of time or the giving of notice or both, would constitute a default, under the Lease as of the date hereof, (b) no consent, approval, order or authorization of, or registration or filing with, any third party is required in connection with the Tenant's execution, delivery and carrying out of this Second Addendum or, if required, has been obtained, and (c) this Second Addendum has been duly authorized, executed and delivered so that it constitutes the legal, valid and binding obligation of Tenant.

10. Except as expressly amended hereby, all of the terms, provisions, covenants and conditions of the Lease are hereby ratified and confirmed and shall continue in full force and effect.

11. This Second Addendum shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

12. Landlord and Tenant hereby represent and warrant that the individuals executing this Second Addendum are empowered and duly authorized to so execute this Second Addendum on behalf of the parties they represent.

13. This Second Addendum shall not be binding upon either party unless and until it is signed by both parties and a fully executed copy thereof is delivered to each party.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed as of the date first written above.

WITNESS:

[Signature illegible]

/s/ Thomas Heiland

Name: Thomas Heiland
Name: Facilities Manager

LANDLORD:

MN GOLDEN 1, LLC AND MN GOLDEN 2, LLC

By: [Signature illegible]

Name:
Title: Authorized Signatory

TENANT:

SURMODICS, INC.

By: /s/ Thomas Greaney

Name: Thomas Greaney
Title: Chief Operating Officer

FIRST ADDENDUM TO LEASE

THIS FIRST ADDENDUM TO LEASE (this "First Addendum") is entered into as of the 13th day of September, 2019 (the "Effective Date"), by and between MN Golden 1, LLC and MN Golden 2, LLC (as tenants in common), both being Minnesota Limited Liability Companies having offices at 820 Morris Turnpike, Suite 301, Short Hills, New Jersey 07078 (hereafter called the "Landlord"), and Surmodics, Inc., a Minnesota corporation (hereafter called the "Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that certain Lease dated November 17, 2017 (hereinafter referred to as the "Lease"), whereby Landlord is leasing to Tenant those certain premises described as Suite 190, containing approximately 36,573 rentable square feet, (hereafter called the "Premises") at the Golden Triangle Technology Center (hereafter called the "Building") in the City of Eden Prairie, County of Hennepin, State of Minnesota;

WHEREAS, Landlord and Tenant desire to amend the Lease to provide, among other things, for Tenant to expand the Premises by 13,575 rentable square feet ("Expansion Space"). The Expansion Space is adjacent to the Premises and is located in a portion of Suite 150 of the Building. Landlord hereby leases to Tenant, and Tenant takes and hires from Landlord, the premises and improvements constituting the Expansion Space, as depicted on Exhibit A attached hereto and made a part hereof, together with all easements, appurtenances, rights and privileges now or hereafter belonging or appurtenant thereto. Upon execution of this First Addendum and Landlord's delivery of the Expansion Space, the Premises (as that term is used in the Lease) shall contain 50,148 rentable square feet of floor area.

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that, as of the date first written above, the Lease shall be amended as follows:

1. Unless specifically defined herein, all capitalized terms used in this First Addendum shall have the same meaning as the capitalized terms in the Lease.

2. Tenant acknowledges that the Expansion Space is currently occupied by another tenant. As such, this First Addendum is contingent upon Landlord being able to deliver the Expansion Space. Section 4D of the Lease does not apply to Landlord's inability to deliver the Expansion Space.

3. Upon the date on which Landlord tenders delivery of possession of the Expansion Space to Tenant ("Expansion Space Delivery Date"), Tenant agrees to accept the Expansion Space in its "As-Is" condition and thereafter move into the Expansion Space. Landlord will use commercially reasonable efforts to cause the Expansion Space Delivery Date to occur by December 1st, 2019 (the "Target Expansion Space Delivery Date") to allow Tenant's build out to begin. If Landlord shall be unable to give possession because a certificate of occupancy or any other required certificate, permit or variance has not been procured, or because of the holding over or retention of possession of any tenant or occupant, or because construction, repairs, improvements or decorations of the Expansion Space required to be performed by Landlord are not completed in the manner set forth in this First Addendum or for any other reason, Landlord shall not be subject to any liability for the failure to give possession. No such failure to give possession shall in any other respect affect the validity of this First Addendum or the obligations of Tenant hereunder, nor shall the same be construed in any way to extend the Term. Notwithstanding anything to the contrary herein, the Rent Commencement Date for the Expansion Space shall be extended by one day for each day after the Target Expansion Space Delivery Date that the actual Expansion Space Delivery Date fails to occur.

4. A. Plans. If it has not done so already, within fifteen (15) days after the Expansion Space Delivery Date, Tenant shall deliver to Landlord a space plan (the "Tenant Space Plan") depicting Tenant's desired improvements in the Expansion Space (the "Tenant Improvements"). Within five (5) business days after receipt of the Tenant Space Plan, Landlord will review and approve or disapprove the Tenant Space Plan in its reasonable discretion. If Landlord disapproves the Tenant Space Plan, it shall state with particularity the reasons for such

disapproval. If disapproved, Tenant shall revise the Tenant Space Plan to address Landlord's concerns. Upon approval of the Tenant Space Plan, Tenant shall cause working drawings (hereafter called "Tenant Working Drawings") of the

Tenant Improvements shown on the Tenant Space Plan to be prepared and delivered to Landlord. The Tenant Working Drawings shall consist of the plans and specifications in the form of working drawings or construction drawings identifying Tenant's interior layout of the Premises, including complete sets of architectural, structural, mechanical, electrical, and plumbing working drawings for all Tenant Improvements, in each case to the extent applicable. The Tenant Working Drawings shall include written instructions or specifications as may be necessary or required to secure a building permit from the City of Eden Prairie for said improvements to commence in due course. The Tenant Working Drawings shall be prepared by architects and engineers selected by Tenant and reasonably approved by Landlord. Within five (5) business days after delivery of the Tenant Working Drawings, Landlord shall either reasonably approve the Tenant Working Drawings or notify Tenant of the reasons Landlord does not reasonably approve them. Tenant shall revise the Tenant Working Drawings to address the concerns raised by landlord and then resubmit for Landlord's approval pursuant to this Section.

B. Demolition. Promptly after the Expansion Space Delivery Date and during the plan approval process described in Section 4A above, Tenant may commence demolition activities in the Premises.

C. Construction. Tenant has the right, subject to Landlord approval, which approval shall not be unreasonably withheld, conditioned or delayed, to retain its own contractor (the "Outside Contractor"), designers and engineers to perform the Tenant Improvements. Once commenced, Tenant shall complete the Tenant Improvements in material compliance with the Tenant Working Drawings. Landlord and Tenant have agreed that the costs of such Tenant Improvements shall be paid by Tenant, although Landlord shall provide Tenant an allowance not to exceed \$356,343.75 or \$26.25 per rentable square foot of the Expansion Space to be utilized toward the cost of the Tenant Improvements for the Expansion Space only (hereafter called the "T. I. Allowance"). The T. I. Allowance shall be used only for the payment of costs relating to the construction of the Tenant Improvements (including the cost of preparing the Tenant Working Drawings and a construction management fee payable to Landlord's construction manager in the total amount of three percent (3%) of the total cost of the Tenant Improvements), which costs Landlord shall pay directly out of the T. I. Allowance, for the credit of Tenant, and in no event shall any part of the T. I. Allowance be paid to or payable to Tenant, except for the portion that is allocable to the purchase by Tenant of FF&E. Any costs of the Tenant Improvements which exceed the T. I. Allowance shall be the financial responsibility of Tenant. Any improvements to the Premises, other than as shown on the Tenant Working Drawings, and the furnishing of the Premises, shall be made by Tenant at the sole cost and expense of Tenant, subject to all other provisions of this First Addendum and the Lease, including compliance with all applicable governmental laws, ordinances and regulations. Tenant may apply 10% of the T.I. Allowance for the purchase and installation of FF&E. The T.I. Allowance shall be paid monthly in arrears during completion of the Tenant Improvements in accordance with usual and customary construction disbursement procedures. Landlord shall be responsible for all demising costs (including, without limitation, construction of demising walls (except for finishing of the demising walls, such finishing shall mean painting, wall paper or covering, etc.) and relocation of utilities and mechanicals) associated with demising the Expansion Space.

5. The Rent Commencement Date for the Expansion Space shall be July 1st, 2020, subject to extension as provided above in Paragraph 3. Beginning on the Rent Commencement Date, Minimum Rent and all additional rent will be calculated using a Floor Area of 50,148 rentable square feet.

6. Notwithstanding anything in Paragraph 5 hereof to the contrary, beginning on May 1st, 2020, Tenant's pro rata share of Real Estate Taxes and Operating Expenses shall be adjusted upwards to include the Expansion Space.

7. Notwithstanding anything to the contrary contained in the Lease (including, without limitation, in Article 12 thereof), Tenant shall have the right, without Landlord's consent, to make interior non-structural alterations to the Premises that: (i) do not affect any Building systems; (ii) do not require the issuance of a building permit; and (iii) and do not cost more than \$75,000 in the aggregate per year.

8. Landlord warrants, represents and agrees that (i) Landlord has obtained all consents of third parties (including without limitation any lenders and ground lessors) which are necessary for the execution and performance of this First Addendum by Landlord and (ii) no party other than Landlord has an ownership interest in the Premises or a lessor's interest in the Lease. Landlord shall defend, indemnify and hold harmless Tenant from and against any and all losses, claims, demands, damages, liabilities, costs and expenses (including without limitation attorneys' fees and disbursements and court costs) arising from or in connection with a breach of or inaccuracy in any of the representations, warranties and agreements set forth in this Paragraph.

9. Tenant hereby certifies that: (a) to Tenant's knowledge, Tenant is not in default, nor does any condition or state of facts exist that with the passage of time or the giving of notice or both, would constitute a default, under the Lease as of the date hereof, (b) no consent, approval, order or authorization of, or registration or filing with, any third party is required in connection with the execution, delivery and carrying out of this First Addendum or, if required, has been obtained, and (c) this First Addendum has been duly authorized, executed and delivered so that it constitutes the legal, valid and binding obligation of Tenant.

10. Except as expressly amended hereby, all of the terms, provisions, covenants and conditions of the Lease are hereby ratified and confirmed and shall continue in full force and effect.

11. This First Addendum shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

12. Landlord and Tenant hereby represent and warrant that the individuals executing this First Addendum are empowered and duly authorized to so execute this First Addendum on behalf of the parties they represent.

13. This First Addendum shall not be binding upon either party unless and until it is signed by both parties and a fully executed copy thereof is delivered to each party.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed as of the date first written above.

WITNESS:

[Signature illegible]

LANDLORD:

MN GOLDEN 1, LLC AND MN GOLDEN 2, LLC

By: [Signature illegible]

Name:

Title:

WITNESS:

[Signature illegible]

TENANT:

SURMODICS, INC.

By: /s/ Timothy J. Arens

Name: Timothy J. Arens

Title: Vice President of Finance and Chief Financial Officer

EXHIBIT A

The Building

(Schedule excluded. Surmodics, Inc. agrees to furnish the schedule to the Securities and Exchange Commission upon request.)

[Cushman & Wakefield logo]

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Building: Golden Triangle
Tenant: Surmodics, Inc.
Unit(s): 190
Lease ID/PDF File Name: ls085701!00018867

Lease Documents in File as of December 7, 2017

A. Standard Office Lease Agreement (NET), dated 11-17-2017

- A1. Exhibit A-1 - Depiction of Premises**
 - A2. Exhibit A-2 - Depiction of Trash Dumpster Area**
 - A3. Exhibit A-3 - Form of Escrow Agreement**
-

A. Standard Office Lease Agreement (NET), dated 11-17-2017

- 1. Premises and Term**
 - 2. Use**
 - 3. Rentals**
 - 4. Plans and Construction**
 - 5. Possession**
 - 6. Tenant's Pro Rata Share of Real Estate Taxes and Operating Expenses**
 - 7. Tenant's Utilities**
 - 8. Non-Liability of Landlord**
 - 9. Maintenance**
 - 10. Non-Permitted Use**
 - 11. Inspection**
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 - 13. Signs**
 - 14. Common Areas**
 - 15. Assignment and Subletting**
-

- 16. Loss by Casualty**
 - 17. Waiver of Subrogation**
 - 18. Eminent Domain**
 - 19. Surrender**
 - 20. Non-Payment of Rent, Defaults**
 - 21. Landlord's Default**
 - 22. Holding Over**
 - 23. Subordination**
 - 24. Indemnity, Insurance and Security**
 - 25. Notices, Demands and Other Instruments**
 - 26. Applicable Law**
 - 27. Mechanics' Lien**
 - 28. Intentionally Omitted**
 - 29. Brokerage**
 - 30. Intentionally Omitted**
 - 31. Estoppel Certificates and Financial Statements**
 - 32. General**
 - 33. Security deposit**
 - 34. Exculpation**
 - 35. Submission**
 - 36. Expansion Rights**
 - 37. State of Minnesota Incentives**

 - A1. Exhibit A-1 - Depiction of Premises**
 - A2. Exhibit A-2 - Depiction of Trash Dumpster Area**
 - A3. Exhibit A-3 - Form of Escrow Agreement**
-

STANDARD OFFICE LEASE AGREEMENT (NET)

THIS LEASE AGREEMENT (hereafter called the "**Lease Agreement**") made as of the 17th day of November, 2017, by and between MN Golden 1, LLC and MN Golden 2, LLC (as tenants in common), both being Minnesota Limited Liability Companies having offices at 820 Morris Turnpike, Suite 301, Short Hills, New Jersey 07078 (hereafter called the "**Landlord**"), and Surmodics, Inc., a Minnesota corporation (hereafter called the "**Tenant**").

WITNESSETH

FOR AND IN CONSIDERATION of the sum of One Dollar (\$1.00) in hand paid by each of the parties to the other, and other good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

ARTICLE 1 - PREMISES AND TERM

A. Landlord does hereby lease and let unto Tenant, and Tenant does hereby hire, lease and take from Landlord, that area outlined in red or otherwise described on Exhibit A-1 attached hereto, and by this reference incorporated herein, and described as Suite 190, containing approximately 36,573 rentable square feet, (hereafter called the "**Premises**") at the Golden Triangle Technology Center (hereafter called the "**Building**") in the City of Eden Prairie, County of Hennepin, State of Minnesota. The term Building as it is used herein shall consist of the land and building(s) also set forth in Exhibit A-1 hereto.

B. To have and to hold said Premises for a 120 term of months, commencing on May 1, 2018 (such date being the "**Commencement Date**") and terminating on the last day of the one hundred twentieth (120th) month following the Commencement Date (hereafter called the "**Term**") upon the rentals and subject to the conditions set forth in this Lease Agreement, and the Exhibits attached hereto. The commencement and termination dates are specifically subject to the provisions of Article 5 hereof. Tenant shall also have two consecutive optional renewal periods, which may be exercised pursuant to Section 3(b) and 3(c) below.

ARTICLE 2 - USE

The Premises shall be used by the Tenant solely for the following purposes: general office, medical device research, development and manufacturing, including without limitation, the use of chemicals and pharmaceutical agents for use with, or incorporated into coatings used with, such medical devices, and all ancillary uses related thereto and for no other purpose.

ARTICLE 3 - RENTALS

A. Beginning on the Commencement Date, Tenant agrees to pay to Landlord as minimum rental (hereafter called "**Minimum Rental**") for the Premises, without notice, set-off or demand as follows: (i) During the first twelve months of the Term (as defined in Section 1.B), at the rate per annum determined by multiplying the rentable square feet (the "Floor Area") of the Premises (measured as provided in Section 1.1) by Ten and 00/100 (\$10.00) Dollars per square foot; (ii) During months 13 through 24 of the Term, at the rate per annum determined by multiplying the Floor Area of the Premises by Ten and 20/100 (\$10.20) Dollars per square foot; (iii) During months 25 through 36 of the Term, at the rate per annum determined by multiplying the Floor Area of the Premises by Ten and 40/100 (\$10.40) Dollars per square foot; (iv) During months 37 through 48 of the Term, at the rate per annum determined by multiplying the Floor Area of the Premises by Ten and 61/100 (\$10.61) Dollars per square foot; (v) During months 49 through 60 of the Term, at the rate per annum determined by multiplying the Floor Area of the Premises by Ten and 82/100 (\$10.82) Dollars per square foot; (vi) During months 61 through 72 of the Term, at the rate per annum determined by multiplying the Floor Area of the Premises by Eleven and 04/100 (\$11.04) Dollars per square foot; (vii) During months 73 through 84 of the Term, at the rate per annum determined by multiplying the Floor Area of the Premises by Eleven and 26/100 (\$11.26) Dollars per square foot; (viii) During months 85 through 96 of the Term, at the rate per annum determined by multiplying the Floor Area of the Premises

by Eleven and 48/100 (\$11.48) Dollars per square foot; (ix) During months 97 through 108 of the Term, at the rate per

annum determined by multiplying the Floor Area of the Premises by Eleven and 72/100 (\$11.72) Dollars per square foot; and (x) During months 109 through 120 of the Term, at the rate per annum determined by multiplying the Floor Area of the Premises by Eleven and 95/100 (\$11.95) Dollars per square foot

B. **FIRST RENEWAL PERIOD.** Tenant shall have the right to renew this Lease for a term of five (5) years consecutive with the term herein provided ("**First Renewal Period**"), at the then "fair market rent". Tenant shall give the Landlord no less than nine (9) months prior written notice of Tenant's intention to exercise the option to renew prior to the Lease expiration, or Tenant's option shall be considered waived. The "fair market rent" as contemplated by Paragraph Section 3b hereof shall be determined as follows: Upon receipt of Tenant's notice of renewal, Landlord shall notify Tenant of Landlord's opinion of the fair market rent for the First Renewal Period. If Tenant disputes Landlord's opinion, Tenant shall, within thirty (30) days after Landlord's said notice, by written notice to Landlord, either withdraw its exercise of its renewal option or notify Landlord that Tenant elects arbitration in accordance with then prevailing Rules of Commercial Arbitration of the American Arbitration Association. If Tenant elects arbitration, it shall deliver a written notice to Landlord within fifteen (15) days after its notice to Landlord electing arbitration specifying Tenant's determination of fair market rent for the First Renewal Period. The said Association shall designate an appraiser familiar with office buildings located in the Hennepin County, Minnesota area that is reasonably acceptable to Landlord and Tenant. The arbitrator shall, after hearing testimony from the parties and their expert witnesses, determine which of Landlord's determination of the fair market rent or Tenant's determination of fair market rent is closest to the actual fair market rent, and that amount shall be the Base Rent for the First Renewal Period. Each party shall pay the cost and expenses of its own expert witnesses and attorney's fees, and the cost of the arbitration shall be shared equally by the parties.

C. **SECOND RENEWAL PERIOD.** Tenant shall have the additional right to renew this Lease for a second term of five (5) years consecutive with the term herein provided ("**Second Renewal Period**"), at the "fair market rent". Tenant shall give the Landlord no less than nine (9) months prior written notice of Tenant's intention to exercise the option to renew prior to the Lease expiration, or Tenant's option shall be considered waived. The "fair market rent" for the Second Renewal Period shall be determined as as contemplated by Paragraph Section 3b above.

D. No Renewal Period set forth in this Section 3 shall be deemed validly exercised if Tenant is in default of any of the terms of this Lease past any applicable notice and cure period at the time Tenant attempts to exercise said Renewal Period and at the time said Renewal Period is to commence. If this Lease has been assigned or all or a portion of the Demised Premises has been sublet to other than a Permitted Transferee (as defined below), all subsequent Renewal Periods shall be deemed null and void and neither Tenant nor any assignee or subtenant shall have the right to exercise such option during the term of such assignment or sublease.

E. Said monthly installments of Minimum Rent be due and payable by Tenant in advance on the first day of each calendar month during the Term of this Lease Agreement, or any extension or renewal thereof, at the office of Landlord set forth in the preamble to this Lease Agreement or at such other place as Landlord may designate. In the event of any fractional calendar month, the rent and Additional Rents shall be equitably apportioned. Pursuant to Article 6 hereof, Landlord's estimated Operating Expenses for 2017 are \$2.50 per rentable square foot and estimated Real Estate Taxes payable in 2017 are \$3.47 per rentable square foot.

ARTICLE 4 - PLANS AND CONSTRUCTION

A. Plans. If it has not done so already, within fifteen (15) days after the Delivery Date, Tenant shall deliver to Landlord a space plan (the "**Tenant Space Plan**") depicting Tenant's desired improvements in the Premises (the "**Tenant Improvements**"). Within five (5) business days after receipt of the Tenant Space Plan, Landlord will review and approve or disapprove the Tenant Space Plan in its reasonable discretion. If Landlord disapproves the Tenant Space Plan, it shall state with particularity the reasons for such disapproval. If disapproved, Tenant shall revise the Tenant Space Plan to address Landlord's concerns. Upon approval of the Tenant Space

Plan, Tenant shall cause working drawings (hereafter called “**Tenant Working Drawings**”) of the Tenant Improvements shown on the Tenant Space Plan to be prepared and delivered to Landlord. The Tenant Working Drawings shall consist of the plans and specifications in the form of working drawings or construction drawings identifying Tenant’s interior layout of the Premises, including complete sets of architectural, structural, mechanical, electrical, and plumbing working drawings for all Tenant Improvements, in each case to the extent applicable. The Tenant Working Drawings shall include written instructions or specifications as may be necessary or required to secure a building permit from the City of Eden Prairie for said improvements to commence in due course. The Tenant Working Drawings shall be prepared by architects and engineers selected by Tenant and reasonably approved by Landlord. Within five (5) business days after delivery of the Tenant Working Drawings, Landlord shall either reasonably approve the Tenant Working Drawings or notify Tenant of the reasons Landlord does not reasonably approve them. Tenant shall revise the Tenant Working Drawings to address the concerns raised by landlord and then resubmit for Landlord’s approval pursuant to this Section.

B. Demolition. Promptly after the Delivery Date and during the plan approval process described in Section 4A above, Tenant may commence demolition activities in the Premises.

C. Construction. Tenant has the right, subject to Landlord approval, which approval shall not be unreasonably withheld, conditioned or delayed, to retain its own contractor (the “**Outside Contractor**”), designers and engineers to perform the Tenant Improvements. Once commenced, Tenant shall complete the Tenant Improvements in material compliance with the Tenant Working Drawings. Landlord and Tenant have agreed that the costs of such Tenant Improvements shall be paid by Tenant, although Landlord shall provide Tenant an allowance of up to 32.81 per rentable square foot of office spaced leased to be utilized toward the cost of the Tenant Improvements (hereafter called the “**T. I. Allowance**”). The T. I. Allowance shall be used only for the payment of costs relating to the construction of the Tenant Improvements (including the cost of preparing the Tenant Working Drawings and a construction management fee payable to Landlord’s construction manager in the total amount of three percent (3%) of the total cost of the Tenant Improvements), which costs Landlord shall pay directly out of the T. I. Allowance, for the credit of Tenant, and in no event shall any part of the T. I. Allowance be paid to or payable to Tenant, except for the portion that is allocable to the purchase by Tenant of FF&E. Any costs of the Tenant Improvements which exceed the T. I. Allowance shall be the financial responsibility of Tenant. Any improvements to the Premises, other than as shown on the Tenant Working Drawings, and the furnishing of the Premises, shall be made by Tenant at the sole cost and expense of Tenant, subject to all other provisions of this Lease Agreement, including compliance with all applicable governmental laws, ordinances and regulations. Tenant may apply 10% of the T.I. Allowance for the purchase and installation of FF&E. The T.I. Allowance shall be paid monthly in arrears during completion of the Tenant Improvements in accordance with usual and customary construction disbursement procedures.

D. Landlord Delay. For each day that a Landlord Delay exists, the Commencement Date shall be extended by one (1) day. For the purpose of this Lease, “**Landlord Delay**” shall mean any delay in the completion of the Tenant Improvements caused by (i) Landlord’s failure to timely approve or respond to requests or review plans and specifications within the time periods set forth in this Lease; or (ii) any other act or omission of Landlord or its agents, employees or contractors that causes a delay in the completion of the Tenant Improvements.

E. Space Plan Allowance. Upon providing to Landlord, a paid invoice showing the costs incurred by Tenant, Landlord shall reimburse Tenant for its space planning costs in an amount not to exceed \$0.12 per rentable square foot in the Premises.

ARTICLE 5 - POSSESSION

A. Delivery. Not later than the fifth (5th) business day following the date of this Lease (the “**Delivery Date**”), Landlord shall deliver the Premises to Tenant in its “as is” condition. Failure of Landlord to deliver possession of the Premises by the Delivery Date, due to a holding over by a prior tenant or any other cause beyond Landlord’s control shall not subject the Landlord to liability, except that for each day after the Delivery Date that

Landlord does not deliver the Premises to Tenant, the Commencement Date shall be extended by one (1) day. In addition, If the Delivery Date has not occurred by December 1, 2017, Tenant may elect to terminate this Lease upon written notice to Landlord, in which case the Security Deposit and amount deposited in escrow for Liquidated Damages pursuant to Section 37 shall be promptly returned to Tenant. On the date that Landlord actually delivers the Premises to Tenant, Landlord shall deliver a written notice to Tenant memorializing such delivery.

B. Declaration of Commencement. Immediately after the Commencement Date, Landlord and Tenant shall execute a ratification agreement which shall set forth the final commencement and termination dates for the Term and shall acknowledge the Minimum Rental, the rentable square footage of the Premises, and delivery of the Premises in the condition required by this Lease Agreement.

ARTICLE 6 - TENANT'S PRO RATA SHARE OF REAL ESTATE TAXES AND OPERATING EXPENSES

A. Additional Rent. Tenant shall pay to Landlord as Additional Rent throughout the Term, the following:

(1) *Real Estate Taxes*. During the Term of this Lease Agreement and any renewals or extensions thereof, Tenant shall pay its pro rata share of the Real Estate Taxes. The term "**Real Estate Taxes**" herein shall mean the total of all taxes, fees, charges and assessments, general and special, ordinary and extraordinary, foreseen and unforeseen, which become due or payable against or upon the Building or the parcel(s) of land upon which it is located. All reasonable attorneys' fees and other reasonable costs and expenses incurred by Landlord during negotiations for or contests of the amount of Real Estate Taxes shall be included within the term "Real Estate Taxes". The term "Real Estate Taxes" shall not include (i) federal, state or local income taxes, or any other tax measured by Landlord's income or the rents paid at the Building; (ii) franchise, gift, transfer, excise, transfer, capital stock, estate, succession or inheritance taxes; and (iii) penalties or interest on late payment of Real Estate Taxes. In the event the taxing authorities include in the Real Estate Taxes the value of any machinery, equipment, inventory or other personal property or assets of Tenant, then Tenant shall pay, as Additional Rent, all of the taxes attributable to such items in addition to its pro rata share of said aforementioned Real Estate Taxes.

(2) *Operating Expenses*. During the Term of this Lease Agreement and any renewals or extensions thereof, Tenant shall pay its pro rata share of the Operating Expenses incurred by Landlord in the operation, maintenance and repair of the Building, the Parking Areas and other common areas of the Building, and the parcel(s) of land on which they are located. The term "**Operating Expenses**" herein shall include, but not be limited to, all payments by Landlord for maintenance, operation, repair, replacement and care of all heating, lighting, fire protection and plumbing fixtures in or serving the Parking Areas and other common areas of the Building and of all equipment, systems, exterior glass, landscaped areas, signs, Building exteriors (non-structural) and parking lots (including seal coating); all payments by Landlord for electricity, water, sewer and other utilities not separately metered or sub metered and specially billed to and payable by an individual tenant, snow removal, refuse removal, insurance premiums and deductibles, commercially reasonable management fees, wages and fringe benefits or personnel employed for the aforesaid work and proportionate costs of equipment purchased and used for such purposes; and the amortization of capital expenditures or investments that are made to reduce operating costs, or that are necessary due to governmental requirements first enacted after the date of this Lease, all as determined on a commercially reasonable basis by Landlord. The term "Operating Expenses" shall not be deemed to include any of the following: (i) leasing costs and commissions, costs of tenant disputes, leasehold improvements and other costs of preparing space for tenants, other tenant incentives, and expenses incurred in negotiating or enforcing leases; (ii) interest, principal or any other payments made to the mortgagee under any mortgage or rental or any other payments made to the ground lessor under any ground lease, (iii) the cost of any items of a capital nature, except as expressly provided above, (iv) charges charged to Tenant under any

other sections of this Lease, paid by other tenants, or covered by insurance or condemnation proceeds; (v) costs and expenses attributable to any personnel except to the extent the time and energies of such personnel are devoted exclusively to the Building; (vi) costs related to the ownership or operation of the entity that is the Landlord, (vii) items not typically included as operating and maintenance costs in similar projects in the region; (viii) advertising and promotional expenses; and (ix) insurance costs to the extent that any insurance coverage, deductibles and/or premiums are not consistent with standard, prudent industry practice for similar projects in the region. Any capital expenditures permitted to be included in Operating Expenses shall be amortized over the useful life of the improvement at an annual interest rate of eight percent (8%) and only the annual portion thereof that occurs during the Term shall be included in Operating Expenses.

B. Tenant's Pro Rata Share. Tenant's pro rata share shall be the ratio expressed as a percentage that the rentable area of the Premises bears to the rentable area of the Building (which is 40.44% based on Premises being 36,573 rentable square feet and the Building being 90,435 rentable square feet). For the purposes of calculating Tenant's share of Real Estate Taxes and Operating Expenses, Landlord may not reduce the rentable area of the Building during the Term. Landlord and Tenant acknowledge the current management fee being charged by Landlord is 3.25% of Tenant's gross rents and the Landlord agrees that such fee will not increase by more than 5% annually throughout Tenants initial occupancy of the Building.

C. Cap on Controllable Expenses. Notwithstanding anything to the contrary above or elsewhere in this Lease, that portion of Tenant's pro rata share of Controllable Operating Costs exceeding one hundred five percent (105%) of Tenant's pro rata share of Controllable Operating Costs for the preceding calendar year (taking into account the cap for such prior year described in this paragraph), if any, shall be excluded from Operating Expenses for that calendar year. As used herein, "**Controllable Operating Costs**" means all Operating Expenses other than utilities, insurance premiums, snow plowing and Real Estate Taxes.

D. Estimated Additional Rent: Annual Reconciliation. Landlord shall, each year during the Term of this Lease Agreement, give Tenant an estimate of Operating Expenses and Real Estate Taxes payable per square foot of rentable area for the coming calendar year. Tenant shall pay, as Additional Rent, along with its monthly Minimum Rental payments required hereunder, one-twelfth (1/12) of such estimated Operating Expenses and Real Estate Taxes and such Additional Rent shall be payable until subsequently adjusted for the following year pursuant to this Article. As soon as possible after the expiration of each calendar year, Landlord shall determine and certify to Tenant the actual Operating Expenses and Real Estate Taxes for the previous year per square foot of rentable area in the Building and the amount applicable to the Premises. If such statement shows that Tenant's share of Operating Expenses and Real Estate Taxes exceeds Tenant's estimated monthly payments for the previous calendar year, then Tenant shall, within thirty (30) days after receiving Landlord's certification, pay such deficiency to Landlord. In the event of an overpayment by Tenant, such overpayment shall be refunded to Tenant, at the time of certification, in the form of an adjustment in the Additional Rental next coming due, or if at the end of the Term by a refund.

E. Tenant's Audit. On Tenant's request, Landlord shall provide Tenant with supporting documentation for any element of Real Estate Taxes and Operating Expenses or any other charges passed through to Tenant under this Lease. In addition, no more than once each year, Tenant or Tenant's representatives shall have the right following written notice to Landlord to inspect and audit Landlord's books and records pertaining to Real Estate Taxes and Operating Expenses and any other charges passed through to Tenant under this Lease. In the event any such inspection or audit indicates that Tenant has overpaid any charges under this Lease, Landlord shall credit such overpayment to the next charges due Landlord under this Lease or refund to Tenant if for the final year. In addition, if Landlord has overstated Operating Expenses by more than three percent (3%), then Landlord shall pay for Tenant's cost of to conduct the audit. The provisions of this section shall survive termination or expiration of this Lease.

ARTICLE 7 - TENANT'S UTILITIES

Tenant agrees to pay for all utilities for the Premises including but not limited to water and electricity. Tenant shall also pay for its own janitorial service in the Premises.

ARTICLE 8 - NON-LIABILITY OF LANDLORD

Except in the event of the negligence or willful misconduct of Landlord, its agents, employees or contractors, Landlord shall not be liable for any loss or damage for failure to furnish heat, air conditioning, electricity, elevator service, water or sprinkler system. Landlord shall not be liable for personal injury, death or any damage from any cause about the Premises or the Building except if caused by the negligence or willful misconduct of Landlord, its agents, employees or contractors.

ARTICLE 9 - MAINTENANCE

A. Tenant's Maintenance. Tenant agrees:

1. Subject to Landlord's obligations in Section 9C below, to keep the Premises in as good condition and repair as they were in at the time Tenant took possession of same, reasonable wear and tear and damage from fire and other casualty excepted, except that Tenant shall not be responsible to maintain any mechanical, electrical or plumbing systems that serve more than one tenant in the Building or otherwise maintain any of the systems that Landlord is obligated to maintain pursuant to Section 9C below. Without limitation of the foregoing, Tenant's obligation to maintain the premises shall include repairs and maintenance to entrance doors, overhead garage doors, truck dock doors, dock levelers, bumpers and seals, doors, interior walls and columns that are non-structural, and plumbing, electrical, mechanical and heating, mechanical and air conditioning roof top fixtures serving only the Premises ("**Tenant's HVAC**"). In the event that Tenant is required to make or pay for any repairs or maintenance of a capital nature, the costs for such repair shall be amortized out over the useful life of the repair and Tenant shall only be responsible for paying that portion of the costs for such repair or maintenance which is attributable to the portion of the useful life of such repair or maintenance which falls within the then remaining Term of the Lease.

2. To keep the Premises in a clean and sanitary condition;

3. Not to commit any nuisance or waste on the Premises, overload the Premises or the electrical, water and/or plumbing facilities in the Premises or Building, throw foreign substances in plumbing facilities, or waste any of the utilities furnished by Landlord;

4. To abide by such rules and regulations as may from time to time be reasonably promulgated by Landlord, provided all such rules and regulations are enforced on a non-discriminatory basis; and

5. To provide its own dumpster for trash and store in the location designated for such storage on Exhibit A-2, and contract directly with a qualified trash hauler for the timely removal of all trash. Tenant shall not leave or store any materials or trash on the Paring Areas or other common areas of the Building and shall not litter such Parking Areas and common areas.

B. Landlord Self-Help. If Tenant shall fail to keep and preserve the Premises in the state of condition required by the provisions of this Article 9, upon the expiration of Tenant's notice and cure period, the Landlord may at its option put or cause the same to be put into the condition and state of repair agreed upon, and in such case the Tenant, on demand, shall pay the reasonable out-of-pocket cost thereof.

C. Landlord's Maintenance. Landlord agrees to maintain the following in a good and first class

manner and in compliance with applicable laws: the exterior walls, roof, foundation, and other structural portions and the Building, the common areas, the mechanical, electrical, plumbing and HVAC systems, if any, that serve more than one tenant in the Building. Landlord shall also be responsible for the maintenance and repair (including any necessary replacements) of utility and mechanical systems and equipment up to the point of hook up for the Premises. In addition, on the Commencement Date, Landlord shall be deemed to have certified that all HVAC equipment and systems, hot water heater, plumbing and electrical systems are in good working order and shall guarantee all of the foregoing servicing the Premises for the first twelve (12) months of the Term. If any HVAC unit exclusively serving the Premises fails and requires replacement during that 12 month period, then Landlord shall replace the HVAC unit with a new unit of the same quality and capacity (as reasonably determined by a licensed HVAC contractor) at Landlord's sole cost and expense, subject to reimbursement as provided in the following sentence. The cost of the replacement unit shall be amortized over a 15-year useful life at an annual interest rate equal to five percent (5%) and Tenant shall pay Tenant's proportionate share of such amortized cost over the remaining Term.

D. HVAC Inspections. Maintenance of the all HVAC systems shall specifically include the reasonable cost of semi-annual inspections performed by Landlord's own engineers or by an independent mechanical contractor who shall be contract for by Landlord. In either event, said cost shall be included by Landlord in Operating Expenses under Article 6 of this Lease Agreement.

E. Tenant's HVAC Replacement. If in the commercially reasonable judgment of Landlord Tenant's HVAC or portion thereof requires replacement after the first anniversary of the Commencement Date rather than repair and such replacement constitutes a capital improvement, such replacement shall be undertaken by Landlord at its initial cost; provided, however (i) such cost of replacement (together with accrued interest thereon at the rate of six percent (6%) per annum) shall be amortized in equal monthly installments over an assumed useful life of such capital improvement of one hundred eight (180) months and (ii) Tenant shall reimburse Landlord monthly, as Additional Rent, for the amortized portion thereof attributable to the remainder of the Term of this Lease Agreement (including any renewals or extensions thereof) payable in equal monthly installments on the same days monthly installments of Minimum Rent are payable under this Lease Agreement.

ARTICLE 10 - NON-PERMITTED USE

Tenant agrees to use the Premises only for the purposes set forth in Article 2 hereof. Tenant further agrees not to commit or permit any act to be performed on the Premises or any omission to occur which shall be in violation of any statute, regulation or ordinance of any governmental body or which will increase the insurance rates on the Building or which will be in violation of any insurance policy carried on the Building by the Landlord, provided Landlord has notified Tenant in writing of any such insurance requirements. Tenant, at its expense, shall comply with all governmental laws, ordinances, rules and regulations applicable to the use of the Premises and its occupancy and shall promptly comply with all governmental orders, rulings and directives for the correction, prevention and abatement of any violation upon, or in connection with the Premises or Tenant's use or occupancy of the Premises, including the making of any alterations or improvements to the Premises, all at Tenant's sole cost and expense. Any provision of this Lease to the contrary notwithstanding, (i) Tenant shall in no event be obligated to perform or bear the cost of any work or repair of a capital or structural nature in connection with compliance with any laws applicable to the Premises unless required solely due to Tenant's specific use of the Premises (as opposed to general office purposes); and (ii) Tenant shall not be required to correct any condition that does not comply with laws if such condition existed on or before the Commencement Date. The Tenant shall not disturb other occupants of the Building by making any undue or unseemly noise or otherwise and shall not do or permit to be done in or about the Premises anything which will be dangerous to life or limb.

ARTICLE 11 - INSPECTION

Upon not less than 24 hours prior notice to Tenant (or after reasonable notice in the event of an emergency), Landlord or its employees or agents shall have the right without any diminution of rent or other charges payable hereunder by Tenant to enter the Premises at all reasonable times for the purpose of exhibiting the

Premises to prospective tenants or purchasers or existing or prospective mortgagees of the Building (“**Mortgagees**”), inspection, repairing, testing, altering or improving the same or said Building, but nothing contained in this Article shall be construed so as to impose any obligation on the Landlord to make any repairs, alterations or improvements. Landlord shall use commercially reasonable efforts to minimize any interference with the conduct of Tenant’s business in the Premises in connection with any such entry. In addition, in connection with any entry by Landlord, Landlord’s representatives, agents, contractors, or any other party (a) Landlord shall repair any damage caused during any entry into the Premises under this Article 11, (b) all information in the Premises shall be deemed confidential and neither Landlord, nor any of Landlord’s employees, agents or contractors shall disclose any such information to any third party, (c) in its sole but commercially reasonable discretion, Tenant shall have the right to require a duly executed non-disclosure agreement on Tenant’s then-current form prior to permitting any third party (person or entity) to enter the Premises (and Tenant may deny access in the absence of such a non-disclosure agreement), (d) except in an emergency that presents an imminent threat of damage to persons or property, Tenant shall have the right to deny access to the Premises to third parties if Tenant determines in its sole discretion that allowing such third party potential exposure to Tenant’s proprietary and confidential information within the Premises would be detrimental to Tenant’s business interests, and (e) Tenant may elect to accompany anyone entering the Premises under this Article 11.

ARTICLE 12 - ALTERATIONS

Tenant will not make any alterations, repairs, additions or improvements in or to the Premises (for purposes of this Article 12, any of the foregoing being referred to as the “**Work**”) or add, disturb or in any way change any plumbing, wiring, life/safety or mechanical systems, locks, or structural portions of the Building without the prior written consent of the Landlord as to the character of the Work, the manner of doing the Work, and the contractor(s) doing the Work. Such consent shall not be unreasonably withheld or delayed. As a condition to Landlord’s consent to Work proposed by Tenant, Landlord may impose such reasonable conditions with respect thereto as Landlord deems appropriate, including, without limitation, requiring Tenant to furnish insurance against liabilities that may arise out of such Work, plans and specifications approved by Landlord and permits necessary for such Work. In addition, Landlord may as a condition to approving Tenant’s request to complete the Work, notify Tenant in writing concurrently with such approval, that Tenant must remove at the expiration or earlier termination of this Lease that portion of the Work that is designated by Landlord for removal in such approval (the “**Required Removables**”), provided that Landlord may only include in Required Removables those alterations that are not usual and customary for a tenant operating in a building of this sort or that requires materially excessive removal costs. In addition, Landlord may not designate any portion of the Tenant Improvements installed pursuant to Section 4 as Required Removables. If Landlord does not expressly describe any Required Removables at the time it consents to the installation or completion of Work, then Tenant shall not be required to remove them upon the expiration or earlier termination of this Lease. If such Work is performed by contractor(s) not retained by Landlord, Tenant shall upon completion of such Work, deliver to Landlord evidence that payment for all such Work has been made by Tenant, contractors’ affidavits and full and final mechanic’s lien waivers. and (ii) pay to Landlord a construction supervision fee of five percent (5%) of the total cost of such Work, but in no event less than \$500.00 to reimburse Landlord for the costs incurred by its construction manager in inspecting and supervising such Work, which fee shall be used to offset Operating Expenses. All such Work shall be done in a good and workmanlike manner using quality materials and shall comply with all applicable governmental laws, ordinances, rules and regulations. Tenant agrees to indemnify and hold Landlord free and harmless from any liability, loss, cost, damage or expense (including attorney’s fees) by reason of any of such Work. The provisions of Article 27 of this Lease Agreement shall apply to all Work performed under this Article 12.

ARTICLE 13 - SIGNS

Tenant agrees that no signs or other advertising materials shall be erected, attached or affixed to any portion of the exterior (or if an interior sign is visible to the exterior)of the Premises or the Building without the express prior written consent of Landlord. Notwithstanding the above, Subject to City approval, Landlord shall allow Tenant, at its sole expense, to have exterior signage. Said signage must be submitted to landlord for its reasonable approval.

ARTICLE 14 – COMMON AREAS

A. Tenant agrees that the use of all corridors, passageways, elevators, toilet rooms, parking areas and landscaped areas in and around said Building, by the Tenant or Tenant's employees, visitors or invitees, shall be subject to such rules and regulations as may from time to time be made by Landlord for the safety, comfort and convenience of the owners, occupants, tenants and invitees of said Building. Tenant agrees that no awnings, curtains, drapes or shades shall be used upon the Premises except as may be approved by Landlord.

B. In addition to the Premises, Tenant shall have the right of non-exclusive use, in common with others, of (a) all unrestricted automobile parking areas, driveways and walkways and other common areas in and around the Building, and (b) loading facilities, freight elevators and other facilities as may be constructed in the Building, all to be subject to the terms and conditions of this Lease Agreement and to reasonable rules and regulations for the use thereof as prescribed from time to time by Landlord.

C. Intentionally Deleted.

D. Landlord and Tenant agree that Landlord will not be responsible for any loss, theft or damage to vehicles, or the contents thereof, parked or left in the parking areas of the Building and Tenant agrees to so advise its employees, visitors or invitees who may use such parking areas. The parking areas shall include those areas designated by Landlord, in its sole discretion, as either restricted or unrestricted parking areas. Any restricted parking areas shall be leased only by separate license agreement with Landlord. Tenant further agrees not to use or permit its employees, visitors or invitees to use the parking areas for overnight storage of vehicles.

ARTICLE 15 - ASSIGNMENT AND SUBLETTING

A. Tenant agrees not to assign, sublet, license, mortgage or encumber this Lease Agreement, the Premises, or any part thereof, whether by voluntary act, operation of law, or otherwise, without the specific prior written consent of Landlord in each instance, which will not be unreasonably withheld, conditioned or delayed. If Tenant is a corporation, partnership or other legal entity, transfer of a controlling interest of Tenant shall be considered an assignment of this Lease Agreement for purposes of this Article. Consent by Landlord in one such instance shall not be a waiver of Landlord's rights under this Article as to requiring consent for any subsequent instance. In connection with any assignment of this Lease Agreement or subletting of the Premises made or requested by Tenant for which Landlord's consent is required, Tenant shall pay Landlord (i) a processing fee of \$500.00 and (ii) all reasonable out-of-pocket costs incurred by Landlord, including reasonable attorneys' fees, not to exceed \$2,000.00. In the event Tenant desires to sublet a part or all of the Premises, or assign this Lease Agreement, Tenant shall give written notice to Landlord at least thirty (30) days prior to the proposed subletting or assignment, which notice shall state the name of the proposed subtenant or assignee, the terms of any sublease or assignment documents and copies of financial reports or other relevant financial information of the proposed subtenant or assignee. At Landlord's option, any and all payments by the proposed assignee or subtenant with respect to the assignment or sublease shall be paid directly to Landlord, not to exceed the amount Tenant owes to Landlord for such period. In any event no assignment or subletting shall release Tenant of its obligation to pay the rent and to perform all other obligations to be performed by Tenant hereunder for the Term of this Lease Agreement. The acceptance of rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. In addition, in connection with any assignment of this Lease Agreement or subletting of the Premises made or requested by Tenant for which Landlord's consent is required, Landlord may at Landlord's option, terminate the Lease Agreement in lieu of giving its consent to the requested assignment or subletting (which termination may be contingent upon the execution of a new lease with the proposed assignee or subtenant), provided that Landlord delivers a written notice of such election to Tenant within five (5) business days following Tenant's request for Landlord's approval. In the event Landlord timely delivers a written notice electing to terminate this Lease in lieu of giving its consent, Tenant may rescind its request for the assignment or sublease in writing, in which case, Landlord's notice of termination shall be void and this Lease shall continue in full force and effect. If Landlord shall give its consent to any sublease, Tenant shall, in consideration therefor, pay to Landlord, as additional rent: an amount equal to fifty (50%) percent of any net rents, additional charges, or other

consideration payable under the sublease by the subtenant to Tenant that are in excess of the fixed rent and additional rent accruing during the term of the sublease in respect of the subleased space (at the rate per square foot payable by Tenant hereunder) pursuant to the terms hereof, including all sums paid for the sale or rental of Tenant's fixtures, leasehold improvements, equipment, furniture or other personal property in excess of fair market value, less Tenant's costs related to such sublease, including free rent, transfer taxes, reasonable attorneys fees, brokerage fees, alteration costs, and subtenant improvement allowances. The sums payable under the previous sentence shall be paid to Landlord as and when paid by the subtenant to Tenant.

B. Landlord's right to assign this Lease Agreement is and shall remain unqualified upon any sale or transfer of the Building and, providing the purchaser succeeds to the interests of Landlord under this Lease Agreement and the purchaser affirmatively assumes in writing all of Landlord's obligations under this Lease, Landlord shall thereupon be entirely freed of all obligations of the Landlord hereunder that arise and relate to periods after such conveyance and shall not be subject to any liability resulting from any act or omission or event occurring after such conveyance.

C. Any provision of this Lease to the contrary notwithstanding, Tenant shall have the right to assign the Lease, sublet the Premises or otherwise transfer Tenant's interest under the Lease to any of the following (each a "**Permitted Transferee**"): (i) any parent, affiliate or subsidiary entity of Tenant, (ii) any entity resulting from a merger, spin off or split up involving Tenant or its parent entity, if any, and (iii) any person or entity acquiring substantially all of Tenant's assets. Tenant may not assign this Lease to any entity that has net worth below that of Tenant on the date of such assignment unless Tenant continues to remain liable for the obligations of Tenant under this Lease following such assignment. Any such transfer shall not be subject to the foregoing provisions of this Article 15, be prohibited or require Landlord's consent. Furthermore, in no event shall the public sale of stock in Tenant or its parent or subsidiaries be deemed to constitute a transfer of this Lease.

ARTICLE 16 - LOSS BY CASUALTY

If the Building is damaged or destroyed by fire or other casualty Landlord shall deliver a written notice to Tenant detailing the time estimated by Landlord's architect or general contractor to restore such damage. If it will take more than one hundred eighty (180) days to restore such damage, either Landlord or Tenant shall have the right to terminate this Lease Agreement, provided it gives written notice thereof to the other within thirty (30) days after Landlord delivers the notice detailing the restoration period. If a portion of the Building is damaged by fire or other casualty, and neither Landlord nor Tenant elects to terminate this Lease Agreement, the Landlord shall, at its expense, restore the Premises to as near the condition which existed immediately prior to such damage or destruction, as reasonably possible, and the rentals shall abate during such period of time as the Premises are untenable, in the proportion that the untenable portion of the Premises bears to the entire Premises.

ARTICLE 17 - WAIVER OF SUBROGATION

Landlord and Tenant hereby release the other from any and all liability or responsibility to the other or anyone claiming through or under them by way of subrogation or otherwise for any loss or damage to property caused by fire or any of the extended coverage or supplementary contract casualties, even if such fire or other casualty shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible.

ARTICLE 18 - EMINENT DOMAIN

If the entire Building is taken by eminent domain, this Lease Agreement shall automatically terminate as of the date of taking. If all of the Premises or more than 51% of the Building is taken by eminent domain, Landlord shall have the right to terminate this Lease Agreement, provided it gives written notice thereof to the Tenant within thirty (30) days after the date of taking. If any portion of the Premises is taken and Tenant determines that it cannot continue to conduct its business in the Premises, Tenant may terminate this Lease by providing written notice of such election within thirty (30) after the date of the taking. If a portion of the Building or Premises is taken by eminent domain and this Lease Agreement is not terminated by Landlord or Tenant as provided above, the

Landlord shall, at its expense, restore the Building or Premises to as near the condition which existed immediately prior to the date of taking as reasonably possible, and the rentals shall abate during such period of time as the Premises are untenable, in the proportion that the untenable portion of the Premises bears to the entire Premises. All damages awarded for such taking under the power of eminent domain shall belong to and be the sole property of Landlord, irrespective of the basis upon which they are awarded, provided, however, that nothing contained herein shall prevent Tenant from making a separate claim to the condemning authority for its moving expenses and trade fixtures. For purposes of this Article, a taking by eminent domain shall include Landlord's giving of a deed under threat of condemnation.

ARTICLE 19 - SURRENDER

On the last day of the Term of this Lease Agreement or on the sooner termination thereof in accordance with the terms hereof, Tenant shall peaceably surrender the Premises in good condition and repair consistent with Tenant's duty to make repairs as provided in Article 9 hereof. On or before said last day, Tenant shall at its expense remove all of its equipment from the Premises and any Required Removables, repairing any damage caused thereby, and any property not removed shall be deemed abandoned. Except for Required Removables, all alterations, additions and fixtures other than Tenant's trade fixtures, which have been made or installed by either Landlord or Tenant upon the Premises shall remain as Landlord's property and shall be surrendered with the Premises as a part thereof.

ARTICLE 20 - NON-PAYMENT OF RENT, DEFAULTS

If any one or more of the following occurs: (1) a rent payment or any other payment due from Tenant to Landlord shall be and remain unpaid in whole or in part for more than ten (10) days after Landlord's written notice of non-payment to Tenant; (2) Tenant shall violate or default on any of the other covenants, agreements, stipulations or conditions in this Lease, and such violation or default shall continue for a period of thirty (30) days after written notice from Landlord of such violation or default; provided, however, if Tenant's failure or breach is of a nature such that it cannot reasonably be cured within such thirty (30) day period, Tenant shall not be deemed to be in default of this Lease if Tenant commences to cure such failure or breach within such thirty (30) day period and thereafter diligently prosecutes such cure to completion; or (3) if Tenant shall commence or have commenced against Tenant proceedings under a bankruptcy, receivership, insolvency or similar type of action, and such proceedings are not resolved within ninety (90) days; then it shall be optional for Landlord, without further notice or demand, to cure such default or to declare this Lease Agreement forfeited and the said Term ended, or to terminate only Tenant's right to possession of the Premises, and to re-enter the Premises, with or without process of law, using such force as may be necessary to remove all persons or chattels therefrom, and Landlord shall not be liable for damages by reason of such re-entry or forfeiture; but notwithstanding re-entry by Landlord or termination only of Tenant's right to possession of the Premises, the liability of Tenant for the rent and all other sums provided herein shall not be relinquished or extinguished for the balance of the Term of this Lease Agreement and Landlord shall be entitled to periodically sue Tenant for all sums due under this Lease Agreement or which become due prior to judgment, but such suit shall not bar subsequent suits for any further sums coming due thereafter. Tenant shall be responsible for, in addition to the rentals and other sums agreed to be paid hereunder, the cost of any necessary maintenance, repair, restoration, reletting (including related reasonable cost of removal or modification of tenant improvements) or cure as well as reasonable attorney's fees incurred or awarded in any suit or action instituted by Landlord to enforce the provisions of this Lease Agreement, regain possession of the Premises, or the collection of the rentals due Landlord hereunder. Tenant shall also be liable to Landlord for the payment of a late charge in the amount of five percent (5%) of the rental installment or other sum due Landlord hereunder if said payment has not been received within ten (10) days from the date that said payment becomes due and payable. Landlord agrees to waive any late fee for the first late payment in any calendar year if the amount due is paid within the cure period described above. Tenant agrees to pay interest at the rate of twelve percent (12%) per annum or the maximum permissible rate under the applicable usury statutes, whichever is less, on all rentals and other sums due Landlord hereunder not paid within ten (10) days from the date same become due and payable. Each right or remedy of Landlord provided for in this Lease Agreement shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease Agreement now or hereafter existing at law or in equity or by statute or

otherwise. Any provision of this Lease to the contrary notwithstanding, any eviction or detainer action by Landlord with respect to Tenant's right to use the Premises pursuant to this Lease, shall be conducted in accordance with proper statutory procedures.

ARTICLE 21 - LANDLORD'S DEFAULT

Landlord shall not be deemed to be in default under this Lease Agreement until Tenant has given Landlord written notice specifying the nature of the default and Landlord does not cure such default within thirty (30) days after receipt of such notice or within such reasonable time thereafter as may be necessary to cure such default where such default is of such a character as to reasonably require more than thirty (30) days to cure, provided that Landlord promptly commence and diligently pursue such cure to completion. Notwithstanding any cure/grace periods provided for in this Lease, Landlord shall act immediately to cure any default on its part that results in any emergency constituting a threat of imminent damage to persons or property.

ARTICLE 22 - HOLDING OVER

Tenant will, at the expiration of this Lease Agreement, whether by lapse of time or termination, give up immediate possession to Landlord. If Tenant fails to give up possession the Landlord may, at its option, serve written notice upon Tenant that such holdover constitutes any one of (i) creation of a month-to-month tenancy, or (ii) creation of a tenancy at sufferance. If Landlord does not give said notice, Tenant's holdover shall create a tenancy at sufferance. In any such event the tenancy shall be upon the terms and conditions of this Lease Agreement, except that the Minimum Rental shall be 150% the Minimum Rental Tenant was obligated to pay Landlord under this Lease Agreement immediately prior to termination (in the case of tenancy at sufferance such Minimum Rental shall be prorated on the basis of a 365 day year for each day Tenant remains in possession); excepting further that in the case of a tenancy at sufferance, no notices shall be required prior to commencement of any legal action to gain repossession of the Premises, except for the notice contemplated in Article 20. In the case of a tenancy at sufferance, if Tenant remains in the Premises for more than thirty (30) days, Tenant shall also pay to Landlord all reasonable direct damages sustained by Landlord resulting from retention of possession by Tenant. The provisions of this Article shall not constitute a waiver by Landlord of any right of re-entry as otherwise available to Landlord; nor shall receipt of any rent or any other act in apparent affirmance of the tenancy operate as a waiver of the right to terminate this Lease Agreement for a breach by Tenant hereof.

ARTICLE 23 - SUBORDINATION

Tenant agrees that this Lease Agreement shall be subordinate to any mortgage(s) that may now or hereafter be placed upon the Building or any part thereof, and to any and all advances to be made thereunder, and to the interest thereon, and all renewals, replacements, and extensions thereof, provided the Mortgagee named in any such mortgage shall agree to recognize this Lease Agreement and not disturb Tenant's rights hereunder in the event of foreclosure provided the Tenant is not in default. This subordination and non-disturbance shall be self-operative and no further certificate or instrument of subordination need be required by any such Mortgagee. In confirmation of such subordination and non-disturbance, however, Tenant shall promptly execute and deliver any commercially reasonable instrument, in recordable form, as required by Landlord's Mortgagee to memorialize such agreements. In the event of any Mortgagee electing to have the Lease Agreement a prior encumbrance to its mortgage, then and in such event upon such Mortgagee notifying Tenant to that effect, this Lease Agreement shall be deemed prior in encumbrance to the said mortgage, whether this Lease Agreement is dated prior to or subsequent to the date of said mortgage. Landlord has provided Tenant with Landlord's Lender's form of subordination, non-disturbance and attorney ment agreement ("SNDA") for Teannt to negotiate commercially reasonable changes to with Landlord's Lender. Landlord shall use commercially reasonable efforts to cause its lender to enter into a commercially reasonable form of SNDA within thirty (30) days after the date of this Lease. Notwithstanding anything to the contrary in this Agreement, if Lender, Landlord and Tenant do not execute an SNDA in form and substance reasonably acceptable to Tenant within thirty (30) days of the execution of this Lease, Tenant shall have the one-time right to cancel said Lease by provding written notice of such election to Landlord not later than January 1, 2018.

ARTICLE 24- INDEMNITY, INSURANCE AND SECURITY

A. Tenant will keep in force at its own expense for so long as this Lease Agreement remains in effect commercial general liability insurance with respect to the Premises in which Landlord shall be named as an additional insured, in companies reasonably acceptable to Landlord with a minimum combined limit of liability of Two Million Dollars (\$2,000,000.00). This limit shall apply per location. Said insurance shall also provide for contractual liability coverage by endorsement. Tenant will further deposit with Landlord certificates of insurance. In addition, Tenant shall deliver written notice to Landlord at least thirty (30) days prior to cancellation, material change, or failure to renew the insurance. Tenant further covenants and agrees to indemnify and hold Landlord and Landlord's manager of the Building harmless for any claim, loss or damage, including reasonable attorney's fees, suffered by Landlord, Landlord's manager or Landlord's other tenants to the extent caused by: i) any negligent act or omission or willful misconduct by Tenant, Tenant's employees or anyone claiming through or by Tenant in, at, or around the Premises or the Building; ii) the conduct or management of any work or thing whatsoever done by Tenant in or about the Premises; or iii) Tenant's failure to comply with any and all governmental laws, rules, ordinances or regulations applicable to the use of the Premises and its occupancy pursuant to Article 10. Tenant's indemnity obligations under this Article 24 shall survive the expiration or earlier termination of this Lease Agreement. If Tenant shall not comply with its covenants made in this Article 24, Landlord may, at its option after the expiration of the notice and cure periods described in Article 20, cause insurance as aforesaid to be issued and in such event Tenant agrees to pay the premium for such insurance promptly upon Landlord's demand.

B. Tenant shall be responsible for the security and safeguarding of the Premises and all property kept, stored or maintained in the Premises. Landlord will make available to Tenant, at Tenant's request, the plans and specifications for construction of the Building and the Premises. Tenant represents that, based on the plans provided by Landlord, it is satisfied that the construction of the Building and the Premises, including the floors, walls, windows, doors and means of access thereto are suitable for the particular needs of Tenant's business. Tenant further represents that, as of the date of this Lease, it is satisfied with the security of said Building and Premises for the protection of any property which may be owned, held, stored or otherwise caused or permitted by Tenant to be present upon the Premises. The placement and sufficiency of all safes, vaults, cash or security drawers, cabinets or the like placed upon the Premises by Tenant shall be at the sole responsibility and risk of Tenant. Tenant shall maintain in force throughout the Term, insurance upon all contents of the Premises, including that owned by others and Tenant's equipment. Tenant shall have access to the Building via a key-card, 24 hrs per day, 7 days per week, 365 days a year.

C. Landlord shall carry and cause to be in full force and effect a fire and extended coverage insurance policy on the Building (including the Premises) for the full replacement value (less a commercially reasonable deductible), but not contents owned, leased or otherwise in possession of Tenant. The cost of such insurance shall be an Operating Expense. Landlord further covenants and agrees to indemnify and hold Tenant harmless for any claim, loss or damage, including reasonable attorney's fees, suffered by Tenant or any of its employees to the extent caused by the negligent act or omission or willful misconduct by Landlord or any of Landlord's employees, contactors or agents.

ARTICLE 25 - NOTICES, DEMANDS AND OTHER INSTRUMENTS

All notices, demands, requests, consents, approvals and other instruments required or permitted to be given pursuant to the terms of this Lease Agreement shall be in writing and shall be deemed to have been properly given if (a) with respect to Tenant, sent by registered mail, postage prepaid, or sent by telegram, overnight express courier, facsimile followed by overnight express delivery or delivered by hand, in each case addressed to Tenant at the address set forth below, and (b) with respect to Landlord, sent by registered mail, postage prepaid, or sent by telegram, overnight express courier, facsimile followed by overnight express delivery or delivered by hand in each case, addressed to Landlord at its address first above set forth along with a copy to any Mortgagee, if Tenant has been advised of the address for such Mortgagee, delivered in the same manner; provided however that in no event shall Minimum Rental or Additional Rental be deemed to have been made, given or delivered until actually received by Landlord. Landlord and Tenant shall each have the right from time to time to specify as its address for

purposes of this Lease Agreement any other address in the United States of America upon fifteen (15) days' written notice thereof, similarly given, to the other party and any Mortgagee. Tenant's address for notices under this Lease is:

SURMODICS, INC.
9924 W 74th St.
Eden Prairie, Minnesota 55344
Attn: General Counsel

With copy emailed to: licenseadministration@surmodics.com

ARTICLE 26 - APPLICABLE LAW

This Lease Agreement shall be construed under the laws of the State of Minnesota.

ARTICLE 27 - MECHANICS' LIEN

In the event any mechanic's lien shall at any time be filed against the Premises or any part of the Building by reason of work, labor, services or materials performed or furnished to Tenant or to anyone holding the Premises through or under Tenant, Tenant shall forthwith cause the same to be discharged of record. If Tenant shall fail to cause such lien forthwith to be discharged (or bonded over in accordance with applicable laws) within thirty (30) days after being notified of the filing thereof, then, in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, discharge the same by paying the amount claimed to be due, or by bonding, and the amount so paid by Landlord and all costs and expenses, including reasonable attorney's fees incurred by Landlord in procuring the discharge of such lien, shall be due and payable in full by Tenant to Landlord on demand.

ARTICLE 28 - INTENTIONALLY OMITTED

ARTICLE 29 - BROKERAGE

Each of the parties represents and warrants that except only as may be provided below in this Article 29, there are no claims for brokerage commissions or finder's fees (collectively "**Leasing Commissions**") in connection with this Lease Agreement, and agrees to indemnify the other party against, and hold it harmless from all liabilities arising from any claim for Leasing Commissions asserted by a broker, agent or other person or entity claiming through the indemnifying party, including without limitation, the cost of attorney's fees in connection therewith. Notwithstanding the foregoing, Landlord shall pay Carlson-Commercial Real Estate Advisers ("**Tenant's Broker**") a brokerage commission of \$8.75 per rentable square foot in the Premises, 50% of which will be paid within thirty (30) days of lease execution and 50% of which will be paid on the Commencement Date. In addition, upon Tenant's exercise of each of the First Renewal Period and Second Renewal Period and upon any expansion contemplated in Section 36 below, Landlord shall pay to Tenant's Broker, if Tenant's Broker is the Tenant's Broker at the time of renewal or if Tenant's Broker represented Tenant in any expansion as contemplated in Article 36, a brokerage commission equal to the foregoing amount (on a per square foot basis), prorated for the term of the applicable renewal period. Landlord agrees to indemnify Tenant from any and all claims and demands made by Tenant's Broker in connection with any brokerage fees or commission arising in connection with this Lease or any renewal or expansion thereof. Tenant agrees to indemnify Landlord from any and all claims and demands made by any other broker claiming any brokerage fees or commission on account of the actions of Tenant and arising in connection with this Lease or any renewal or expansion thereof.

ARTICLE 30 - INTENTIONALLY OMITTED

ARTICLE 31 - ESTOPPEL CERTIFICATES AND FINANCIAL STATEMENTS

Each party hereto agrees that at any time, and from time to time during the Term of this Lease Agreement (but not more often than twice in each calendar year), within ten (10) business days after request by the other party hereto, it will execute, acknowledge and deliver to such other party or to any prospective purchaser, assignee or

mortgagee designated by such other party, an estoppel certificate in a form reasonably acceptable to the requesting party.

ARTICLE 32 - GENERAL

This Lease Agreement does not create the relationship of principal and agent or of partnership or of joint venture or of any association between Landlord and Tenant, the sole relationship between Landlord and Tenant being that of landlord and tenant. No waiver of any default of Tenant hereunder shall be implied from any omission by Landlord to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the express waiver and that only for the time and to the extent therein stated. The marginal or topical headings of the several Articles, paragraphs and clauses are for convenience only and do not define, limit or construe the contents of such Articles, paragraphs or clauses. All preliminary negotiations are merged into and incorporated in this Lease Agreement. This Lease Agreement can only be modified or amended by an agreement in writing signed by the parties hereto. All provisions hereof shall be binding upon the heirs, successors and assigns of each party hereto. If any term or provision of this Lease Agreement shall to any extent be held invalid or unenforceable, the remainder shall not be affected thereby, and each other term and provision of this Lease Agreement shall be valid and be enforced to the fullest extent permitted by law. If Tenant is a legal entity, each individual executing this Lease Agreement on behalf of said entity represents and warrants that he is duly authorized to execute and deliver this Lease Agreement on behalf of said entity in accordance with a duly adopted resolution of the governing body of said entity or in accordance with the organizational documents of said entity, and that this Lease Agreement is binding upon said entity in accordance with its terms. No receipt or acceptance by Landlord from Tenant of less than the monthly rent herein stipulated shall be deemed to be other than a partial payment on account for any due and unpaid stipulated rent; no endorsement or statement of any check or any letter or other writing accompanying any check or payment of rent to Landlord shall be deemed an accord and satisfaction, and Landlord may accept and negotiate such check or payment without prejudice to Landlord's rights to (i) recover the remaining balance of such unpaid rent or (ii) pursue any other remedy provided in this Lease Agreement. Neither party shall record this Lease Agreement or any memorandum thereof, and any such recordation shall be a breach of this Lease Agreement void, and without effect. Time is of the essence with respect to the due performance of the terms, covenants and conditions herein contained. Submission of this instrument for examination does not constitute a reservation of or option for the Premises, and this Lease Agreement shall become effective only upon execution and delivery thereof by Landlord and Tenant.

ARTICLE 33 - SECURITY DEPOSIT

Upon the execution hereof, Tenant agrees to pay Landlord the sum to one month of Minimum Rent (the "**Security Deposit**") to guarantee the payment of rent and the performance by Tenant of all the terms of this Lease Agreement. Such amount held as a Security Deposit shall bear no interest. Upon the occurrence of any default hereunder by Tenant, Landlord may use said Security Deposit to the extent necessary to cure such default, whether rent or otherwise. Upon the expiration of this Lease, any remaining balance of said Security Deposit shall be returned to Tenant. Tenant understands that its potential liability under this Lease Agreement is not limited to the amount of the Security Deposit. Use of such Security Deposit by Landlord shall not constitute a waiver, but is in addition to other remedies available to Landlord under this Lease Agreement and under law. Upon the use of all or any part of the Security Deposit to cure any default of Tenant, Tenant shall forthwith deposit with Landlord the amount of Security Deposit so used.

ARTICLE 34 - EXCULPATION

Tenant agrees to look solely to Landlord's interest in the Building (and proceed therefrom) for the recovery of any judgment from Landlord, it being agreed that Landlord and Landlord's partners, whether general or limited (if Landlord is a partnership) or its directors, governors, officers, managers, members or shareholders (if Landlord is a limited liability company or corporation), shall never be personally liable for any such judgment.

ARTICLE 35 - SUBMISSION

Submission of this Lease Agreement by Landlord to Tenant for examination and/or execution shall not in any manner bind Landlord and no obligations on Landlord shall arise under this Lease Agreement unless and until this Lease Agreement is fully signed and delivered by Landlord and Tenant.

ARTICLE 36 - EXPANSION RIGHTS

- (a) Tenant shall have a right of First Offer for any contiguous space in the Building (herein, the “Offer Space”) on the terms and conditions hereinafter set forth, when and if such space becomes “available for leasing.”
- (b) Offer Space shall be deemed “available for leasing” after the latest to occur of (i) the expiration or earlier termination of the existing lease or leases for such space, including any renewals or extensions thereof, and (ii) if such space is subject to an expansion option in an existing lease, upon the expiration of such option or the earlier expiration of such lease. Notwithstanding the foregoing, Offer Space not subject to an existing lease or expansion option shall be deemed “available for leasing.”
- (c) Prior to offering the Offer Space to the public for lease, Landlord shall give Tenant written notice (an “Offer Notice”) of the date of commencement of the term of the demise (the “Offer Space Commencement Date”) and the rental rate and other economic terms applicable to such Offer Space. The Offer Space Commencement Date shall no less than thirty (30) days and no more than sixty (60) days after the date such notice is given by Landlord.
- (d) Tenant's right to lease the Offer Space from Landlord shall be exercisable by written notice from Tenant to Landlord of Tenant's election to exercise said right given not later than ten business (10) days after Landlord's notice is given, time being of the essence. Tenant may not elect to lease less than the entire area of Offer Space described in Landlord's notice and Tenant may not exercise said right if there is less than three (3) years left on the Term of this Lease (unless concurrently with Tenant's exercise of its option, Tenant elects to extend the Term of this Lease pursuant to an outstanding renewal option). If Tenant does not timely exercise its option to lease the entire Offer Space, Tenant's right to lease the Offer Space shall thereupon expire and Landlord shall have the right for a period of one-hundred (180) days to lease the Offer Space to a third party on the terms specified in the Offer Notice, subject to non-material changes in the essential terms and conditions of the Offer Notice, provided there is no reduction to the net effective rental rate offered to the third party. If Landlord desires to lease the Offer Space on terms more favorable to the tenant than those described in the Offer Notice or if Landlord does not lease the Offer Space within such 180 day period, then such space shall again be deemed “available for leasing” and shall be offered to Tenant pursuant to the terms of this Article 36. If Landlord does enter into a lease for the Offer Space with a third party and such space later becomes “available for leasing” as described above, such space shall again be offered to Tenant pursuant to the terms of this Article 36. Except for an assignment to a Permitted Transferee, the Refusal Right is personal to Tenant and may not be assigned by Tenant in connection with an assignment of this Lease or otherwise. The Refusal Right may not be exercised by anyone other than Tenant or a Permitted Transferee. Any attempted assignment of the Refusal Right to other than a Permitted Transferee shall be of no effect and the Refusal Right shall become forever null and void as of the date of the purported assignment.
- (e) If Tenant has validly exercised its right to lease the Offer Space, then, effective as of the Offer Space Commencement Date, such Offer Space shall be delivered to Tenant in the condition described in the Offer Notice and included in the Premises, subject to all of the terms, conditions and provisions of this Lease, except as follows:
- (i) The rentable area of the Premises shall be increased by the rentable area of the Offer Space, and Tenant's proportionate share shall be increased in a corresponding manner;

(ii) The term of the demise covering such Offer Space shall commence on the Offer Space Commencement Date and shall expire on the Expiration Date, subject to any renewal options held by Tenant under this Lease;

(iii) The monthly installment of rent for such Offer Space shall be at the Fair Market Rental Value at the time of the Offer Notice, which shall be determined as set forth below; and

(iv) Such other terms shall be included as are reasonably required to conform to the terms of the Offer Notice.

(f) If Tenant has validly exercised its right to lease the Offer Space, at the request of either party hereto, Landlord and Tenant shall enter into a written amendment to this Lease confirming the terms, conditions and provisions applicable to such Offer Space as determined in accordance herewith.

(g) The Fair Market Rental Value as contemplated by this Section shall be determined as follows: Landlord shall notify Tenant of Landlord's opinion of the Fair Market Rental Value in the Offer Notice. If Tenant disputes Landlord's opinion, Tenant shall, within ten (10) business days after receipt of the Offer Notice, by written notice to Landlord, notify Landlord of Tenant's opinion of the Fair Market Rental Value and that Tenant elects "baseball" arbitration on an expedited basis and in accordance with the then prevailing American Arbitration ("AAA") Rules ("**Tenant's FMRV Notice**"). AAA shall designate as arbitrator an appraiser familiar with commercial buildings and office tenants located in the Eden Prairie, Hennepin County, Minnesota area. The Landlord shall submit to the arbitrator its proposed amount of Fair Market Rental Value, which cannot exceed Landlord's proposed Fair Market Rental Value set forth in the Offer Notice; Tenant shall submit to the arbitrator its proposed amount of Fair Market Rental Value which cannot be less than Tenant's proposed Fair Market Rental Value set forth in Tenant's FMRV Notice; and the arbitrator, after hearing testimony from the parties and their expert witnesses, shall select either Landlord's or Tenant's proposed Fair Market Rental Value for the Offer Space. Each party shall pay the cost and expenses of its own expert witnesses and attorneys fees, and the parties shall share the cost of the arbitration equally. Tenant shall have no further right or option to renew after expiration of the Renewal Period.

ARTICLE 37- STATE OF MINNESOTA INCENTIVES

Tenant is pursuing certain incentives under the Minnesota Job Creation Fund and the Minnesota Investment Fund (the "**State Incentives**"). Within five (5) days of the Effective Date hereof, Tenant shall deposit Three Hundred Fifty Thousand and No/100 Dollars (\$350,000.00) (the "**Liquidated Damages**") to be held in escrow by the Minneapolis office of First American Title Insurance Company (the "**Title Company**") in accordance with the escrow agreement attached hereto as Exhibit A-3 (the "**Escrow Agreement**"). If Tenant is unable to secure or determines that it will be unable to secure the State Incentives on or before April 1, 2018, Tenant may elect to terminate this Lease by providing written notice to Landlord on or before May 31, 2018, of Tenant's election to terminate this Lease. If Tenant elects to terminate this Lease pursuant to this Article 37 (i) Landlord shall be entitled to receipt of the Liquidated Damages; and (ii) Tenant shall pay for all reasonable costs incurred by Landlord to secure this Lease; and (iii) if Tenant is in possession of the Premises, then on the thirtieth day after Tenant delivers its notice of termination, Tenant shall surrender of the Premises to Landlord in either: (i) broom clean condition as it was delivered to Tenant; or (ii) finish the build-out of the space in accordance with the Tenant Space Plans as approved by Landlord (collectively with the Liquidated Damages, the "**Termination Conditions**"). Upon the satisfaction of the Termination Conditions, this Lease shall be deemed terminated and the terms and conditions hereof shall be null and void. The parties acknowledge and agree that, in the event of a termination of this Lease by Tenant under this Article 37, (x) Landlord's damages would be uncertain and difficult to ascertain; that the Liquidated Damages provided for herein constitutes a reasonable liquidation of such damages, and are not intended as a penalty, but as full liquidated damages. Time is of the essence of with respect to the terms of this Article 37. This Article 37 shall survive the expiration or any termination of this Lease.

IN WITNESS WHEREOF this Lease Agreement has been duly executed by the parties hereto as of the day and year indicated above.

TENANT: SURMODICS, INC.

LANDLORD: MN GOLDEN 1 LLC & MN GOLDEN 2 LLC

By: /s/ Andrew D.C. LaFrance
Its: Vice President of Finance and
Information Systems and Chief
Financial Officer

By: [Signature illegible]
Its: Manager

Date: November 14, 2017

Date: November 17, 2017

LIST OF EXHIBITS

- Exhibit A-1 - Depiction of Premises
 - Exhibit A-2 - Depiction of Location of Trash Dumpster
 - Exhibit A-3 - Escrow Agreement
-

EXHIBIT A-1

Depiction of Premises

(Schedule excluded. Surmodics, Inc. agrees to furnish the schedule to the Securities and Exchange Commission upon request.)

EXHIBIT A-2

Depiction of Trash Dumpster Area

(Schedule excluded. Surmodics, Inc. agrees to furnish the schedule to the Securities and Exchange Commission upon request.)

EXHIBIT A-3

Form of Escrow Agreement

(Schedule excluded. Surmodics, Inc. agrees to furnish the schedule to the Securities and Exchange Commission upon request.)

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Gary R. Maharaj, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Surmodics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 26, 2023

Signature: /s/ Gary R. Maharaj
Gary R. Maharaj
President and
Chief Executive Officer

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Timothy J. Arens, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Surmodics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 26, 2023

Signature:

/s/ Timothy J. Arens

Timothy J. Arens

Senior Vice President of Finance and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Surmodics, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2023, as filed with the Securities and Exchange Commission (the "Report"), I, Gary R. Maharaj, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 26, 2023

Signature: /s/ Gary R. Maharaj
Gary R. Maharaj
President and
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Surmodics, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2023, as filed with the Securities and Exchange Commission (the "Report"), I, Timothy J. Arens, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 26, 2023

Signature: /s/ Timothy J. Arens

Timothy J. Arens

Senior Vice President of Finance and Chief Financial Officer
