
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

December 17, 2012

Date of report (Date of earliest event reported)

SurModics, Inc.

(Exact Name of Registrant as Specified in its Charter)

Minnesota
(State of
Incorporation)

0-23837
(Commission
File Number)

41-1356149
(I.R.S. Employer
Identification No.)

9924 West 74th Street
Eden Prairie, Minnesota
(Address of Principal Executive Offices)

55344
(Zip Code)

(952) 500-7000
(Registrant's Telephone Number, Including Area Code)

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

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

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(c) On December 21, 2012, SurModics, Inc. (the “Company” or “SurModics”) announced that its Board of Directors (the “Board”) had appointed Andy LaFrence to serve as the Company’s Vice President and Chief Financial Officer, effective on February 12, 2013. Upon the effectiveness of Mr. LaFrence’s appointment, Timothy J. Arens will cease to serve as the Company’s interim Chief Financial Officer and will transition into the role of Vice President of Corporate Development and Strategy. The Board approved these appointments on December 17, 2012.

Mr. LaFrence, age 49, is a certified public accountant and has over 25 years of finance and management experience. Prior to joining SurModics, he served as Chief Financial Officer of CNS Therapeutics, Inc., since January 2011. He also served as the interim Chief Financial Officer of International Green Power LLC from 2010 to 2011. Prior to that, Mr. LaFrence was an accountant at KPMG LLP, including having served as an audit partner from 1996 to 2010. While at KPMG, Mr. LaFrence focused on supporting public and private, high-growth medical technology, pharmaceutical and biotechnology companies. Mr. LaFrence holds a B.S. in Accounting with a minor in Business Administration from Illinois State University.

In connection with his hiring, on December 17, 2012, Mr. LaFrence entered into an Offer Letter, a Change of Control Agreement, and a Non-Competition, Invention, Non-Disclosure Agreement. Pursuant to the Offer Letter, Mr. LaFrence’s annual salary will be \$242,500, and he will be eligible for an annual target incentive award equal to 40% of his base salary (pro-rated for fiscal 2013). Mr. LaFrence’s incentive award, if any, will be based on achievement of the Company’s fiscal 2013 corporate objectives as approved by the Board’s Organization and Compensation Committee. Additionally, on the date of the first regularly scheduled Board meeting following his first day of employment with the Company (the “Grant Date”), Mr. LaFrence will be granted the following stock awards: (1) a restricted stock award having a fair value equal to \$125,000, which will vest in one-third annual increments beginning on the first anniversary of the Grant Date; (2) a 7-year non-qualified option to purchase shares of the Company’s common stock having a fair value of \$237,500, which will vest in four equal annual increments beginning on the first anniversary of the Grant Date; (3) a performance share award under the Company’s fiscal 2013 officer performance share plan, the target number of shares provided in such award having a fair value equal to \$112,500. Vesting of the performance shares will be determined based on the achievement of corporate objectives, as approved by the Board’s Organization and Compensation Committee, over a three-year period consisting of the Company’s fiscal years 2013 through 2015. Each of the foregoing stock awards will be granted in accordance with the SurModics 2009 Equity Incentive Plan.

The Change of Control Agreement (the “Agreement”) will be in effect for a term of three (3) years unless a “change of control” (as defined in the Agreement) occurs within such three-year period, in which case, the Agreement will terminate twelve (12) months following the occurrence of such a change of control. The Company may terminate Mr. LaFrence’s employment, for any reason or no reason, at any time prior to the earlier of the third anniversary of the Agreement or a change of control without obligation for severance benefits. Pursuant to the Agreement, Mr. LaFrence will be provided with severance benefits in the event his

employment with the Company is terminated following a “change in control” (as defined in the agreement) of the Company. If, within twelve months following the occurrence of a change of control, Mr. LaFrence’s employment with the Company is terminated either by the Company without cause, or by him for “good reason” (as defined in the agreement), then Mr. LaFrence will receive: (1) a severance payment equal to two times the sum of his (i) base salary in effect as of the date of the change of control termination, and (ii) an amount equal to the target short-term incentive opportunity for the year in which the change of control termination occurs; and (2) continuation coverage of life, health or dental benefits for up to 18 months. In addition, any unvested portions of Mr. LaFrence’s outstanding options or stock appreciation rights will immediately vest and become exercisable; any remaining forfeiture provisions associated with his outstanding restricted stock awards will immediately lapse; and all shares or units subject to all outstanding performance share awards shall become immediately vested and payable at the applicable target performance objectives. If the severance benefits payable to Mr. LaFrence would constitute an “excess parachute payment” under Section 280G of the Internal Revenue Code, such payment shall either be reduced so that it will not constitute an excess parachute payment, or paid in full, depending on which payment would result in Mr. LaFrence receiving the greatest after tax payment. In case of the latter, Mr. LaFrence would be liable for any excise tax owed.

The Non-Competition, Invention, Non-Disclosure Agreement provides that Mr. LaFrence will be subject to certain restrictive covenants regarding competition, solicitation, and confidentiality. The non-competition and non-solicitation covenants apply during the term of Mr. LaFrence’s employment with the Company and for the two-year period following termination of employment, and the confidentiality covenants apply during the term of his employment and at all times thereafter.

A copy of the press release announcing Mr. LaFrence’s appointment is furnished as Exhibit 99.1 to this Current Report on Form 8-K. The foregoing description is qualified in its entirety by reference to the Offer Letter and the Agreement, which are filed hereto as exhibits and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.*

- 99.1 Press Release dated December 21, 2012.
- 10.1 Offer Letter dated as of December 17, 2012 (in favor of Andrew D. C. LaFrence executed by SurModics, Inc.).
- 10.2 Change of Control Agreement by and between Andrew D. C. LaFrence and SurModics, Inc. dated as of December 17, 2012.

SIGNATURES

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

SURMODICS, INC.

Date: December 21, 2012

/s/ Bryan K. Phillips

Bryan K. Phillips

Sr. Vice President, General Counsel and Secretary

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release
10.1	Offer Letter dated as of December 17, 2012 (in favor of Andrew D. C. LaFrence executed by SurModics, Inc.).
10.2	Change of Control Agreement by and between Andrew D. C. LaFrence and SurModics, Inc. dated as of December 17, 2012.



GARY R. MAHARAJ
gmaharaj@surmodics.com
(952) 500-7020

PERSONAL AND CONFIDENTIAL

December 17, 2012

Mr. Andrew D. C. LaFrence
10475 110th Street North
Stillwater, MN 55082

Dear Andy:

I am pleased to confirm our offer for you to join SurModics, Inc. ("SurModics," or the "Company") as our Vice President of Finance, and Chief Financial Officer. The terms of your employment are as follows:

1. Position and Duties.

(a) Position. Your title will be Vice President of Finance, and Chief Financial Officer, reporting directly to me. Your employment with the Company will begin on January 31, 2013.

(b) Performance of Duties and Responsibilities. You will perform such duties and responsibilities customarily rendered by chief financial officers of companies of similar size and nature and such other duties and responsibilities as may be delegated from time to time by me or the Board of Directors. You will serve the Company faithfully and to the best of your ability, devoting your full working time, attention, and efforts to the business of the Company; provided, however, that you will be allowed to continue to serve on the board of directors of the entities listed on Exhibit A attached hereto, and any additional boards of directors that may be approved in advance by me; and provided further, however, that such service shall be subject to your compliance with the Company's Code of Ethics and Business Conduct and your ability to devote the required time, energies, skills and attention to perform your duties hereunder is not impaired. During your employment with the Company, it will not be a violation of the foregoing commitment to fulfill any post-employment assistance obligations to your prior employer, as such obligations are referenced in the Conflict of Interest Disclosure Statement delivered pursuant to the Non-Competition, Invention, Non-Disclosure Agreement referenced in Section 8 of this offer letter. You agree that you will be subject to all Company policies applicable to executive officers (as they may be amended from time to time), SurModics' employee handbook (the "Employee Handbook"), SurModics' Code of Ethics and Business Conduct, and other policies in effect for salaried employees of SurModics, except as otherwise stated herein.

2. Cash Compensation.

(a) Base Salary. Your annual base salary ("Base Salary") will be \$242,500, subject to all required taxes and withholdings. Your Base Salary will be payable on a semi-monthly basis according to SurModics' regular payroll practices.

(b) Short Term Incentive Plan. You will be a participant in the Company's annual incentive plan (the "Plan"), subject to the Plan's terms and conditions. Awards under the Plan are based on achievement of corporate objectives as approved by the Board's Organization and Compensation Committee. You will have the potential to earn a target payout of 40% of your Base Salary. The potential payouts under the Plan, if any, may range between 50% and 150% of the target payout. For the Company's fiscal year 2013, your incentive payout, if any, will be prorated based on the number of days that you are employed by the Company during such fiscal year. You must be employed by the Company at the time of the incentive payout in order to receive the payout.

3. Equity Awards.

(a) Initial Awards. On the date of the first regularly scheduled Board meeting following your first day of employment with the Company (the "Grant Date"), SurModics will grant you the following stock awards:

(i) Stock Options. You will be granted a non-qualified stock option to purchase shares of the Company's common stock (a "Stock Option") having a fair value of \$125,000 (determined using the Company's Black-Scholes valuation methodology on the Grant Date).

(ii) Restricted Stock Awards. SurModics will also grant you restricted shares of the Company's common stock with a value equal to \$125,000 (based on the fair market value of the Company's common stock on the Grant Date). The restricted stock award will vest in one-third annual increments beginning on the first anniversary of the Grant Date.

(b) Long-term Incentive Compensation. Also on the Grant Date, SurModics will grant you the following additional stock awards:

(i) Stock Options. You will be granted a Stock Option having a value of \$112,500 (determined using the Company's Black-Scholes valuation methodology on the Grant Date).

(ii) Performance Shares. SurModics will also grant you a performance share award under the Company's fiscal 2013 officer performance share plan (the "2013-15 Performance Share Plan"), the target number of shares provided in such award having a value equal to \$112,500 (based on the fair market value of the Company's common stock on the Grant Date). Vesting under the 2013-15 Performance Share Plan will be determined over a three-year period (i.e., our fiscal years 2013 through 2015) based on the achievement of corporate financial objectives that were approved by the Board's Organization and Compensation Committee. The number of shares that may vest under the plan, if any, can range from 20% to 200% of the target number of shares.

(c) General Terms. All stock awards will be granted in accordance with the SurModics 2009 Equity Incentive Plan (the "Equity Plan"), and shall be evidenced by the applicable award agreement to be entered into between you and the Company. Each Stock Option grant will (i) have a seven-year term, (ii) vest annually in four equal increments, beginning on the first anniversary of the Grant Date, and (iii) have an exercise price equal to the fair market value of the Company's common stock on the Grant Date.

4. Employee Benefits. In addition to the Company plans and programs described in Sections 2 and 3 of this offer letter, you will also be eligible to participate in all other employee benefit plans and programs generally available to employees of SurModics to the extent that you meet the eligibility requirements for each such other individual plan or program. Your participation in any such other plan or program will be subject to the provisions, rules, and regulations of, or applicable to, such other plan or program, and SurModics provides no assurance as to the adoption or continuation of any such other employee benefit plan or program.

5. Expenses. The Company will reimburse you for all reasonable and necessary out-of-pocket business, travel, and entertainment expenses incurred by you in the performance of your duties and responsibilities to the Company, subject to the Company's normal policies and procedures for expense verification and documentation.

6. Paid Time Off. You will receive four (4) weeks of paid time off ("PTO") in addition to regular Company holidays. The accrual and usage of PTO is subject to the provisions set forth in the Employee Handbook.

7. Other Benefits. In addition to the benefits outlined in this offer letter, the Company will provide you with the change of control benefits as set forth in the Change of Control Agreement attached hereto as Exhibit B.

8. Non-Competition, Invention, Non-Disclosure Agreement. Like all Company employees, you will be required, as a condition of your employment with the Company, to sign the Company's standard Non-Competition, Invention, Non-Disclosure Agreement, a copy of which is attached hereto as Exhibit C.

9. Absence of Employment Restrictions. You hereby represent and warrant to the Company that, to the best of your knowledge, neither the execution and delivery of this offer letter, nor the performance of the duties described herein violates or will violate the provisions of any other agreement to which you are a party or by which you are bound, or any other legal obligations you have, including any written agreements you have with any prior employer, including, but not limited to, your service on the boards set forth on Exhibit A or the agreements you have listed on the Conflict of Interest Disclosure Statement delivered pursuant to the Non-Competition, Invention, Non-Disclosure Agreement referenced in Section 8 of this offer letter.

10. Employment Relationship/Severance. Your employment with the Company will be “at will,” meaning that either you or the Company may terminate your employment at any time and for any reason, with or without Cause, including as a result of your death or disability. Any contrary representations that may have been made to you are superseded by the terms set forth in this offer letter. The reason for and timing of your termination will determine the amount of post-termination benefits, if any, as provided in Exhibit B.

11. Miscellaneous.

(a) Adjustments to Compensation. All elements of your compensation, including the Base Salary and equity compensation shall be subject to annual review and possible adjustment by the Board, in its sole discretion.

(b) Tax Withholding. The Company will withhold from any amounts payable to you such federal, state and local income and employment taxes as the Company shall determine are required pursuant to any applicable law or regulation or are otherwise authorized by you in writing to be withheld.

(c) Section 409A. This offer letter and the Change of Control Agreement is intended to provide certain benefits that are not deferred compensation subject to the requirements of Code Sections 409A(a)(2), (3), or (4). To the extent any benefits provided under this offer letter or the Change of Control Agreement and are subject to the requirements of Code Sections 409A(a)(2), (3), or (4), this offer letter and the Change of Control Agreement are intended to satisfy such requirements, including current and future guidance and regulations interpreting such provisions, and should be interpreted accordingly.

(d) Governing Law. All matters relating to the interpretation, construction, application, validity, and enforcement of this offer letter will be governed by the laws of the State of Minnesota without giving effect to any choice or conflict of law provision or rule, whether of the State of Minnesota or any other jurisdiction, that would cause the application of laws of any jurisdiction other than the State of Minnesota.

(e) Jurisdiction and Venue. You and the Company consent to jurisdiction of the courts of the State of Minnesota and/or the United States District Court, District of Minnesota, for the purpose of resolving all issues of law, equity, or fact arising out of or in connection with this offer letter. Any action involving claims of a breach of the matters set forth herein must be brought in such courts. Each party consents to personal jurisdiction over such party in the state and/or federal courts of Minnesota and hereby waives any defense of lack of personal jurisdiction. Venue, for the purpose of all such suits, will be in Hennepin County, State of Minnesota.

(f) Entire Agreement. This offer letter, along with the Exhibits referenced herein or attached hereto, constitutes the entire understandings and agreements between you and the Company with regard to the subject matter hereof, including payments and benefits upon a termination of your employment or other separation from service with the Company. This offer

letter, along with the Exhibits referenced herein or attached hereto, supersedes and renders null and void all prior agreements, offer letters, plans, programs or other undertakings between the parties with regard to the subject matter hereof (other than those specifically referenced herein), whether written or oral.

* * * * *

Andy, we hope that you will accept our offer to join the Company. Please indicate your acceptance of this offer by signing both copies of this offer letter and returning one original to Bryan Phillips (at our corporate offices). The other original of the offer letter is for your records. Please, also sign the two copies of each of (a) Change of Control Agreement, and (b) Non-Competition, Invention, Non-Disclosure Agreement, and return one of each with the offer letter in the enclosed envelope.

Very truly yours,
SURMODICS, INC.
/s/ Gary R. Maharaj
Gary R. Maharaj
President and Chief Executive Officer

I have read and accept this employment offer in accordance with the terms as outlined in this letter.

Andrew D. C. LaFrence

/s/ Andrew D. C. LaFrence

Signature

December 17, 2012

Date

Enclosures

Exhibit A: Board of Directors

Exhibit B: Change in Control Agreement

Exhibit C: Non-Competition, Invention, Non-Disclosure Agreement

Enclosures

Board of Directors

- Biothera, Inc.
- EarthClean Corporation
- American Heart Association Minnesota Chapter

CHANGE OF CONTROL AGREEMENT

Parties: SurModics, Inc.
("Company")
9924 West 74th Street
Eden Prairie, MN 55344-3523

Andrew D. C. LaFrence
("Executive")

10475 110th Street North
Stillwater, MN 55082

Date: December 17, 2012

RECITALS:

1. Executive has agreed to become Vice President of Finance and Chief Financial Officer of the Company pursuant to the terms and conditions of that certain Offer Letter dated as of the date hereof.
2. The parties recognize that a "Change of Control" may materially change or diminish Executive's responsibilities and substantially frustrate Executive's commitment to the Company.
3. The parties further recognize that it is in the best interests of the Company and its stockholders to provide certain benefits payable upon a termination of Executive's employment following a Change of Control or upon a termination of Executive's employment Without Cause or For Good Reason.
4. The parties further desire to provide certain benefits payable upon a termination of Executive's employment following a Change of Control.
5. The parties further recognize that it is in the best interests of the Company to protect confidential, proprietary, and trade secret information of the Company, to prevent unfair competition by former executives of the Company following separation of their employment with the Company, and to secure cooperation from former executives with respect to matters related to their employment with the Company.

AGREEMENTS:

1. **Term of Agreement.** Except as otherwise provided herein, this Agreement shall commence on the date executed by the parties and shall continue in effect until the third anniversary of the date set forth above; provided, however, that if a Change of Control shall occur before such three-year anniversary, this Agreement shall continue in effect for a period of twelve (12) months beyond the date of such Change of Control. If, anytime during the term of

this Agreement and prior to a Change of Control, Executive's employment with the Company terminates for any reason or no reason, or if Executive no longer serves as an executive officer of the Company, this Agreement shall immediately terminate, and Executive shall not be entitled to any of the compensation and benefits described in this Agreement. Any rights and obligations accruing before the termination or expiration of this Agreement shall survive to the extent necessary to enforce such rights and obligations.

2. **"Change of Control."** For purposes of this Agreement, "Change of Control" shall mean any one or more of the following events occurring after the date of this Agreement:

- (a) The purchase or other acquisition by any one person, or more than one person acting as a group, of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total combined value or total combined voting power of all classes of stock issued by the Company; provided, however, that if any one person or more than one person acting as a group is considered to own more than 50% of the total combined value or total combined voting power of such stock, the acquisition of additional stock by the same person or persons shall not be considered a Change of Control;
- (b) A merger or consolidation to which the Company is a party if the individuals and entities who were shareholders of the Company immediately prior to the effective date of such merger or consolidation have, immediately following the effective date of such merger or consolidation, beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of less than fifty percent (50%) of the total combined voting power of all classes of securities issued by the surviving entity for the election of directors of the surviving corporation;
- (c) Any one person, or more than one person acting as a group, acquires or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons, direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of stock of the Company constituting thirty-five percent (35%) or more of the total combined voting power of all classes of stock issued by the Company;
- (d) The purchase or other acquisition by any one person, or more than one person acting as a group, of substantially all of the total gross value of the assets of the Company during the twelve-month period ending on the date of the most recent purchase or other acquisition by such person or persons. For purposes of this Section 2(d), "gross value" means the value of the assets of the Company or the value of the assets being disposed of, as the case may be, determined without regard to any liabilities associated with such assets;

- (e) A change in the composition of the Board of the Company at any time during any consecutive twelve (12) month period such that the “Continuity Directors” cease for any reason to constitute at least a fifty percent (50%) majority of the Board. For purposes of this event, “Continuity Directors” means those members of the Board who either:
 - (1) were directors at the beginning of such consecutive twelve (12) month period; or
 - (2) were elected by, or on the nomination or recommendation of, at least a two-thirds (2/3) majority of the then-existing Board of Directors.

In all cases, the determination of whether a Change of Control has occurred shall be made in accordance with the Internal Revenue Code of 1986, as amended (the “Code”), Section 409A and the regulations, notices and other guidance of general applicability issued thereunder.

3. **“Change of Control Termination.”** For purposes of this Agreement, “Change of Control Termination” shall mean any of the following events occurring upon or within twelve (12) months after a Change of Control:

- (a) The termination of Executive’s employment by the Company for any reason, with or without cause, except for termination resulting from conduct by Executive constituting (i) a felony involving moral turpitude under either federal law or the law of the state of the Company’s incorporation, or (ii) Executive’s willful failure to fulfill his employment duties with the Company; provided, however, that for purposes of this clause (ii), an act or failure to act by Executive shall not be “willful” unless it is done, or omitted to be done, in bad faith and without any reasonable belief that Executive’s action or omission was in the best interests of the Company; or
- (b) The termination of employment with the Company by Executive for “Good Reason.” Such termination shall be accomplished by, and effective upon, Executive giving written notice to the Company of his decision to terminate. “Good Reason” shall mean a good faith determination by Executive, in Executive’s sole and absolute judgment, that any one or more of the following events has occurred, at any time during the term of this Agreement or after a Change of Control; provided, however, that such event shall not constitute Good Reason if Executive has expressly consented to such event in writing or if Executive fails to provide written notice of his decision to terminate, which notice describes the event giving rise to the resignation, within ninety (90) days of the occurrence of such event and the Company has not cured the event within thirty (30) days after receiving such notice from Executive.

- (1) A material change in Executive's duties, responsibilities, or authority, or any removal of Executive from or any failure to re-elect Executive to any position which has the effect of materially diminishing Executive's duties, responsibility or authority;
- (2) A material reduction, in the aggregate, by the Company in Executive's base salary (as increased from time to time), variable pay opportunities (including short and long-term cash incentives and equity-based compensation), or the employee benefits to which Executive is entitled to participate in irrespective of any standard waiting periods with respect to the same, unless such material reduction is generally applicable to all executive officers of the Company;
- (3) A requirement imposed by the Company on Executive that results in Executive being based at a location that is outside of a fifty (50) mile radius of Executive's prior job location; or
- (4) Any material breach by the Company of any employment agreement between Executive and the Company.

Termination for "Good Reason" shall not include Executive's death or a termination for any reason other than one of the events specified in clauses (1) through (4) above.

For purposes of Section 4 of this Agreement only, with respect to the timing of payments thereunder, "Change of Control Termination" shall mean the date of Executive's "separation from service" with the Company within the meaning of Section 409A(a)(2)(A)(i) of the Code (with "Company" for purposes of this paragraph to include any business entity that is treated as a single employer with the Company under the rules of Section 414(b) and (c) of the Code).

4. Compensation and Benefits. Upon a termination of Executive's employment for any reason, Executive shall be entitled to receive all salary and other compensation earned by Executive through the date of such termination at the rate in effect immediately prior to such termination, and all other amounts to which Executive may be entitled to receive under any compensation plan maintained by the Company, subject to any distribution requirements contained in such compensation plans. In addition, subject to the conditions and limitations contained in this Agreement, upon a Change of Control Termination, Executive shall be entitled to all of the following compensation and benefits:

- (a) Within five (5) business days after a Change of Control Termination, the Company shall pay to Executive a severance payment equal to two (2) times the sum of (i) Executive's base salary as of the date of the Change of Control Termination, and (ii) an amount equal to Executive's target short-term incentive opportunity for the year in which the Change of Control Termination occurs;

- (b) The Company shall continue to provide Executive, at the Company's expense, with coverage under its life, health, or dental benefit plans at a level comparable to the benefits which Executive was receiving or entitled to receive immediately prior to the Change of Control Termination or, if greater, at a level comparable to the benefits which Executive was receiving immediately prior to the event which constituted Good Reason. Such coverage shall continue for eighteen (18) months following such Change of Control Termination or, if earlier, until Executive is eligible to be covered for such benefits through his employment with another employer or continuation coverage under Section 4980B (COBRA) otherwise ends;
- (c) All outstanding Options or Stock Appreciation Rights shall become immediately exercisable, and the risks of forfeiture on any outstanding Restricted Stock Awards or Restricted Stock Unit Awards shall immediately lapse. For purposes of this Agreement, "Option," "Stock Appreciation Rights," "Restricted Stock Awards" and "Restricted Stock Unit Awards" shall have the meaning set forth in the SurModics, Inc. 2009 Equity Incentive Plan, or any successor plan; and
- (d) All shares or units subject to all outstanding Performance Awards shall become immediately vested and payable at the target performance objectives set forth in said Performance Awards. For purposes of this Agreement, "Performance Awards" and "Performance Period" shall have the meaning set forth in the SurModics, Inc. 2009 Equity Incentive Plan, or any successor plan.

The parties intend that the payment described in Section 4(a) shall be excluded from deferred compensation as a "short-term deferral" under Treas. Reg. § 1.409A-1(b)(4). The parties intend that the continuation of health and dental benefits described in Section 4(b) shall be excluded from deferred compensation pursuant to the medical benefits exception for separation pay plans under Treas. Reg. § 1.409A-1(b)(9)(v)(B).

The parties intend that the continuation of life insurance benefits described in Section 4(b) shall be excluded from deferred compensation as separation pay due to an involuntary separation from service under Treas. Reg. § 1.409A-1(b)(9)(iii), and the amounts payable for such continuation of life insurance coverage shall not exceed two times the lesser of (x) Executive's annualized compensation based on the annual rate of pay for services to the Company for the calendar year prior to the calendar year in which the Change of Control Termination occurs (adjusted for any increase during the year that was expected to continue indefinitely if Executive had not separated from service) or (y) the compensation limit under

Section 401(a)(17) of the Code for the year in which the Change of Control Termination occurs. Further, in no event shall the benefits described in Section 4(b) extend beyond December 31st of the second calendar year following the calendar year in which the Change of Control Termination occurs.

Notwithstanding the foregoing, if any of the payments described in Section 4 above are subject to the requirements of Code Section 409A and the Company determines that Executive is a “specified employee” as defined in Code Section 409A as of the date of the Change of Control Termination, such payments shall not be paid or commence earlier than the date that is six months after the Change of Control Termination, but shall be paid or commence during the calendar year following the year in which the Change of Control Termination occurs and within 30 days of the earliest possible date permitted under Code Section 409A.

5. Limitation on Change of Control Payments. This Section 5 applies only in the event the Company determines that this Agreement is subject to the limitations of Code Section 280G, or any successor provision, and the regulations issued thereunder. The intent of this Section 5 is to reduce any Change of Control Benefits, as defined below, that would otherwise be characterized as a “parachute payment” as defined in Code Section 280G and be subject to an additional excise tax under Code Section 4999 by the minimum amount necessary to avoid characterization as a parachute payment and avoid the imposition of the excise tax, but only if doing so would provide a more favorable net after-tax result to the Executive than if the Change in Control Benefits were not reduced and the Executive were subject to the excise tax.

- (a) In the event the Change of Control Benefits payable to Executive would collectively constitute a “parachute payment” as defined in Code Section 280G, and if the “net after-tax amount” of such parachute payment to Executive is less than what the net after-tax amount to Executive would be if the Change of Control Benefits otherwise constituting the parachute payment were limited to the maximum “parachute value” of Change of Control Benefits that Executive could receive without giving rise to any liability for any excise tax imposed by Section 4999 of the Code (the “Excise Tax”), then the Change of Control Benefits otherwise constituting the parachute payment shall be reduced so that the parachute value of all Change of Control Benefits, in the aggregate, will equal the maximum parachute value of all Change of Control Benefits that Executive can receive without any Change of Control Benefits being subject to the Excise Tax. Should such a reduction in Change of Control Benefits be required, Executive shall be entitled, subject to the following sentence, to designate those Change of Control Benefits under this Agreement or the other arrangements that will be reduced or eliminated so as to achieve the specified reduction in Change of Control Benefits to Executive and avoid characterization of such Change of Control Benefits as a parachute payment. The Company will provide Executive with all information reasonably requested by Executive to permit Executive to make such designation. To the extent that Executive’s ability to make such a

designation would cause any of the Change of Control Benefits to become subject to any additional tax under Code Section 409A, or if Executive fails to make such a designation within ten business days of receiving the requested information from the Company, then the Company shall achieve the necessary reduction in the Change of Control Benefits by reducing them in the following order: (a) reduction of cash payments payable under this Agreement; (b) reduction of other payments and benefits to be provided to Executive; (c) cancellation or reduction of accelerated vesting of equity-based awards that are subject to performance-based vesting conditions; and (d) cancellation or reduction of accelerated vesting of equity-based awards that are subject only to service-based vesting conditions. If the acceleration of the vesting of Executive's equity-based awards is to be cancelled or reduced, such acceleration of vesting shall be reduced or cancelled in the reverse order of the date of grant.

- (b) For purposes of this Section 5, a "net after-tax amount" shall be determined by taking into account all applicable income, excise and employment taxes, whether imposed at the federal, state or local level, including the Excise Tax, and the "parachute value" of the Change of Control Benefits means the present value as of the date of the Change of Control for purposes of Code Section 280G of the portion of such Change of Control Benefits that constitutes a parachute payment under Code Section 280G(b)(2).
- (c) For purposes of this Section 5, "Change of Control Benefits" shall mean any payment, benefit or transfer of property in the nature of compensation paid to or for the benefit of Executive under any arrangement which is considered contingent on a Change of Control for purposes of Code Section 280G, including, without limitation, any and all of the Company's salary, incentive payments, restricted stock, stock option, equity-based compensation or benefit plans, programs or other arrangements, and shall include benefits payable under this Agreement.
- (d) For clarity, the Company shall have no obligation to provide any "tax gross-up" payment related to the Excise Tax in the event the Change of Control Benefits that would otherwise be characterized as a parachute payment are not reduced as set forth in Section 5(a) above and Executive is subject to the Excise Tax.

6. Withholding Taxes. The Company shall be entitled to deduct from all payments or benefits provided for under this Agreement any federal, state or local income and employment-related taxes required by law to be withheld with respect to such payments or benefits.

7. Post-Termination Obligations and Conditions.

- (a) In the event of termination of Executive's employment, the sole obligation of the Company under this Agreement will be its obligation to make the payments called for by Sections 4 and 5 hereof, as the case may be, and the Company will have no other obligation to Executive or to Executive's beneficiary or estate.
- (b) Notwithstanding the foregoing provisions of Section 4, the Company will not be obligated to make any payments to Executive under Sections 4(a) through 4(d) unless: (i) Executive has signed a release of claims in favor of the Company and its affiliates and related entities, and their directors, officers, insurers, employees and agents, provided such release shall not require Executive to release claims Executive may have for indemnification from the Company or rights of Executive under this Agreement; (ii) all applicable rescission periods provided by law for releases of claims shall have expired and Executive shall have signed and not rescinded the release of claims; and (iii) Executive is in strict compliance with the terms of this Agreement as of the dates of such payments.
- (c) Immediately upon termination of Executive's employment with the Company for any reason, Executive will resign all positions then held as a director or officer of the Company and of any affiliated entity of the Company.
- (d) Upon termination of Executive's employment with the Company, Executive shall promptly deliver to the Company any and all Company records and any and all Company property in Executive's possession or under Executive's control, including, without limitation, manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, printouts, computer disks, computer tapes, source codes, data, tables or calculations and all copies thereof, documents that in whole or in part contain any trade secrets or confidential, proprietary or other secret information of the Company and all copies thereof, and keys, access cards, access codes, passwords, credit cards, personal computers, telephones, and other electronic equipment belonging to the Company.
- (e) Following termination of Executive's employment with the Company for any reason, Executive will, upon reasonable request of the Company or its designee, cooperate with the Company in connection with the transition of Executive's duties and responsibilities for the Company; consult with the Company regarding business matters that Executive was directly and substantially involved with while employed by the Company; and be reasonably available, with or without subpoena, to be interviewed, review documents or things, give depositions, testify, or engage in other

reasonable activities in connection with any litigation or investigation, with respect to matters that Executive then has or may have knowledge of by virtue of Executive's employment by or service to the Company or any related entity; provided, however, that: (i) the Company shall not unreasonably request such cooperation of Executive; (ii) the Company shall reimburse Executive or pay directly any reasonable expenses actually incurred in connection with such cooperation and assistance by Executive; and (iii) Executive shall not be required to assist or cooperate with the Company to the extent such assistance or cooperation would prevent Executive from performing, or would materially interfere with Executive's performance of, the duties or responsibilities of his then-current occupation.

- (f) Executive will not at any time disparage, defame, or besmirch the reputation, character, image, products, or services of the Company or any of its affiliates, or the reputation or character of any of its current or former directors, officers, employees, or agents; provided that nothing in this Section 7(f) is intended to prevent or interfere with Executive making any required or reasonable communications with, or providing information to, any governmental, law enforcement, or stock exchange agency or representative, or in connection with any governmental investigation, court, administrative or arbitration proceeding.
- (g) The Company will direct its executive officers to not at any time disparage, defame, or besmirch the reputation, character or image of Executive; provided that nothing in this Section 7(g) is intended to prevent or interfere with the Company or its executive officers from making any required or reasonable communications with, or providing information to, any governmental, law enforcement, or stock exchange agency or representative, or in connection with any governmental investigation, court, administrative or arbitration proceeding.

8. Successors and Assigns. This Agreement shall inure to the benefit of and shall be enforceable by Executive, his heirs and the personal representative of his estate, and shall be binding upon and inure to the benefit of the Company and its successors and assigns. The Company will require the transferee of any sale of all or substantially all of the business and assets of the Company or the survivor of any merger, consolidation or other transaction expressly to agree to honor this Agreement in the same manner and to the same extent that the Company would be required to perform this Agreement if no such event had taken place. Failure of the Company to obtain such agreement before the effective date of such event shall be a material breach of this Agreement within the meaning of Section 3(b)(4) of this Agreement.

9. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt. All notices to the Company shall be directed to the attention of the Board of Directors of the Company.

10. **Captions.** The headings or captions set forth in this Agreement are for convenience only and shall not affect the meaning or interpretation of this Agreement.

11. **Governing Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Minnesota.

12. **Construction.** Wherever possible, each term and provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law. If any term or provision of this Agreement is invalid or unenforceable under applicable law, (a) the remaining terms and provisions shall be unimpaired, and (b) the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the unenforceable term or provision.

13. **Amendment; Waivers.** This Agreement may not be modified, amended, waived or discharged in any manner except by an instrument in writing signed by both parties hereto. The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

14. **Section 409A.** This Agreement is intended to satisfy, or be exempt from, the requirements of Section 409A(a)(2), (3) and (4) of the Code, including current and future guidance and regulations interpreting such provisions, and should be interpreted accordingly.

15. **Entire Agreement.** This Agreement sets forth Executive's sole and exclusive remedy with respect to severance benefits payable to Executive upon a Change of Control Termination, and except for the Non-Competition Agreement supersedes all prior or contemporaneous negotiations, commitments, agreements (written or oral) and writings between the Company and Executive with respect to the subject matter hereof, including but not limited to any negotiations, commitments, agreements or writings relating to any severance benefits payable to Executive, and constitutes the entire agreement and understanding between the parties hereto. All such other negotiations, commitments, agreements and writings will have no further force or effect, and the parties to any such other negotiation, commitment, agreement or writing will have no further rights or obligations thereunder.

16. **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

17. **Arbitration.** Any dispute arising out of or relating to this Agreement or the alleged breach of it, or the making of this Agreement, including claims of fraud in the inducement, shall be discussed between the disputing parties in a good faith effort to arrive at a mutual settlement of any such controversy. If, notwithstanding, such dispute cannot be resolved, such dispute shall be settled by binding arbitration. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitrator shall be a retired state or federal judge or an attorney who has practiced securities or business litigation for at least 10 years. If the parties cannot agree on an arbitrator within 20 days, any party may request that the chief judge of the District Court for Hennepin County, Minnesota, select an arbitrator. Arbitration will be conducted pursuant to the provisions of this Agreement, and the commercial arbitration rules of the American Arbitration Association, unless such rules are inconsistent with the provisions of this Agreement. Limited civil discovery shall be permitted for the production of documents and taking of depositions. Unresolved discovery disputes may be brought to the attention of the arbitrator who may dispose of such dispute. The arbitrator shall have the authority to award any remedy or relief that a court of this state could order or grant; provided, however, that punitive or exemplary damages shall not be awarded. Unless otherwise ordered by the arbitrator, the parties shall share equally in the payment of the fees and expenses of the arbitrator. The arbitrator may award to the prevailing party, if any, as determined by the arbitrator, all of the prevailing party's costs and fees, including the arbitrator's fees, and expenses, and the prevailing party's travel expenses, out-of-pocket expenses and reasonable attorneys' fees. Unless otherwise agreed by the parties, the place of any arbitration proceedings shall be Hennepin County, Minnesota.

[signature page follows]

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

SURMODICS, INC.

By: /s/ Gary R. Maharaj

Gary R. Maharaj

Its President and Chief Executive Officer

/s/ Andrew D. C. LaFrence

Andrew D. C. LaFrence

**NEWS RELEASE****SurModics Appoints Andy LaFrence as Chief Financial Officer**

EDEN PRAIRIE, Minn – (BUSINESS WIRE) – December 21, 2012 – SurModics, Inc. (Nasdaq:SRDX), a leading provider of surface modification and in vitro diagnostic technologies to the healthcare industries, today announced the appointment of Andy LaFrence as the company's Vice President of Finance and Chief Financial Officer, effective February 12, 2013. He will lead all of the financial activities of SurModics, including controlling, financial planning and analysis, treasury, tax, audit and investor relations. LaFrence will succeed Timothy Arens, who currently serves as interim Chief Financial Officer. Arens will remain with the company and will transition into the role of Vice President of Corporate Development and Strategy. In his new role, Mr. Arens will lead the company's efforts in developing strategies and assessing growth opportunities for its Medical Device and In Vitro Diagnostics businesses.

"Andy will be a tremendous addition to our executive team," said Gary Maharaj, President and Chief Executive Officer, noting that "his extensive financial experience, sound business judgment, leadership and strong knowledge of the medical device and healthcare space will help guide SurModics through our next stage of growth. I would also like to thank Tim for all of his exemplary work as interim Chief Financial Officer and look forward to his continuing contributions to SurModics' success in this important new role."

LaFrence is a certified public accountant and has over 25 years of finance and management experience. Most recently, he served as Chief Financial Officer of CNS Therapeutics, which was recently acquired by Covidien. Prior to that, he was an audit partner at KPMG, where he focused on supporting public and private, high-growth medical technology, pharmaceutical and biotechnology companies.

About SurModics, Inc.

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

Safe Harbor for Forward-Looking Statements

This press release contains forward-looking statements. Statements that are not historical or current facts, including statements about beliefs and expectations regarding our strategies and ability to achieve our growth plans, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including the factors identified under “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2012, and updated in our subsequent reports filed with the SEC. These reports are available in the Investors section of our website at www.surmodics.com and at the SEC website at www.sec.gov. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them in light of new information or future events.

Source: SurModics, Inc.

SurModics, Inc.

Tim Arens, 952-500-7000

Vice President of Finance and Interim Chief Financial Officer