SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

[x] Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 1999

OR

[ ] Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from_________ to_________

Commission file number 0-23837

SurModics, Inc.
(Exact Name of Small Business Issuer as Specified in Its Charter)

MINNESOTA	41-1356149
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

9924 West 74th Street
Eden Prairie, Minnesota 55344
(Address of Principal Executive Offices)

(612) 829-2700
(Issuer's Telephone Number, Including Area Code)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No____

As of July 30, 1999, there were 7,422,772 shares of Common Stock outstanding.

Traditional Small Business Disclosure Format (check one):
Yes____ No X

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

SURMODICS, INC.
Condensed Balance Sheets
(In thousands, except share data)

ASSETS	June 30, 1999 (Unaudited)	September 30, 1998
CURRENT ASSETS:		
Cash & cash equivalents	$1,135	$1,344
Short-term investments	1,830	3,526
Accounts receivable, net	1,351	1,057
Inventories	466	380
Prepaids and other	380	255
Total current assets	5,162	6,562
PROPERTY AND EQUIPMENT, net	4,752	1,240
LONG-TERM INVESTMENTS	16,572	16,249
OTHER ASSETS, net	981	254
	$27,467	$24,305
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$208	$305
Accrued liabilities	840	950
Deferred revenues	220	228
Total current liabilities	1,268	1,483
DEFERRED REVENUES AND OTHER, less current portion	--	124

Total liabilities	1,268	1,607
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock-		
$.05 par value, 150,000 shares authorized;		
no shares issued or outstanding	--	--
Common stock-		
$.05 par value, 15,000,000 shares authorized;		
7,403,387 and 7,214,085 shares issued and outstanding	370	361
Additional paid-in capital	29,603	28,934
Unearned compensation	(233)	(170)
Stock purchase notes receivable	(86)	(182)
Accumulated other comprehensive income	(175)	278
Accumulated deficit	(3,280)	(6,523)
Total stockholders' equity	26,199	22,698
	$27,467	$24,305

The accompanying notes are an integral part of these condensed balance sheets.

SURMODICS, INC.
Condensed Statements of Income and Comprehensive Income
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30, 1999	Three Months Ended June 30, 1998	Nine Months Ended June 30, 1999	Nine Months Ended June 30, 1998
REVENUES:				
Royalties	$1,692	$1,240	$4,528	$3,447
License fees	225	88	550	148
Product sales	1,126	831	2,916	2,063
Research and development	642	513	1,638	1,502
Total revenues	3,685	2,672	9,632	7,160
OPERATING COSTS AND EXPENSES:				
Product	381	344	1,060	912
Research and development	1,345	1,184	3,723	3,244
Sales and marketing	504	361	1,339	1,105
General and administrative	700	453	1,899	1,180
Total operating costs and expenses	2,930	2,342	8,021	6,441
INCOME FROM OPERATIONS	755	330	1,611	719
OTHER INCOME:				
Interest income, net	267	248	797	399
Gain (loss) on sale of investments	(2)	--	92	--
Other income, net	265	248	889	399
INCOME BEFORE PROVISION FOR INCOME TAXES	1,020	578	2,500	1,118
INCOME TAX BENEFIT (PROVISION) (Note 3)	194	(12)	743	(25)
NET INCOME	1,214	566	3,243	1,093
OTHER COMPREHENSIVE INCOME (LOSS), net of tax				
Unrealized losses on securities:				
Unrealized holding losses arising during the period	(141)	--	(453)	--
Less: reclassification adjustment for gains/(losses) included in net income	(2)	--	92	--
Other comprehensive loss	(143)	--	(361)	--
COMPREHENSIVE INCOME	$1,071	$566	$2,882	$1,093
NET INCOME PER SHARE:				
Basic	$0.16	$0.08	$0.44	$0.19
Diluted	$0.15	$0.07	$0.41	$0.17
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic weighted average common shares outstanding	7,368	7,218	7,289	5,897
Dilutive effect of outstanding stock options	726	646	703	543
Diluted weighted average common shares outstanding	8,094	7,864	7,992	6,440

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

SURMODICS, INC.
Condensed Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended June 30, 1999	Nine Months Ended June 30, 1998
OPERATING ACTIVITIES:		
Net income	$3,243	$1,093
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	523	436
Amortization of unearned compensation, net	61	94
Deferred rent	(30)	(12)
Deferred taxes	(747)	--
Change in assets and liabilities:		
Accounts receivable	(295)	(201)
Inventories	(86)	(40)
Prepaids and other	(207)	(141)
Accounts payable and accrued liabilities	(102)	207
Deferred revenues	(121)	(180)
Net cash provided by operating activities	2,239	1,256
INVESTING ACTIVITIES:		
Purchases of property and equipment, net	(4,018)	(597)
Purchases of investments available for sale	(20,463)	(17,500)
Sales of investments available for sale	21,383	2,569
Collections on stock purchase notes receivable	96	--
Other	--	(22)
Net cash used in investing activities	(3,002)	(15,550)
FINANCING ACTIVITIES:		
Issuance of common stock	554	15,643
Net increase (decrease) in cash and cash equivalents	(209)	1,349
CASH AND CASH EQUIVALENTS:		
Beginning of period	1,344	492
End of period	$1,135	$1,841

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

SURMODICS, INC.
Notes to Condensed Financial Statements
(Unaudited)

(1) Basis of Presentation:

In the opinion of management, the accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles and reflect all adjustments, consisting solely of normal recurring adjustments, needed to fairly present the financial results for these interim periods. These financial statements include some amounts that are based on management's best estimates and judgments. These estimates may be adjusted as more information becomes available, and any adjustment could be significant. The results of operations for the three months and nine months ended June 30, 1999 are not necessarily indicative of the results that may be expected for the entire fiscal year.

According to the rules and regulations of the Securities and Exchange Commission, the Company has omitted footnote disclosures that would substantially duplicate the disclosures contained in the audited financial statements of the Company. Read together with the disclosures below, management believes the interim financial statements are presented fairly. However, these unaudited condensed financial statements should be read together with the financial statements for the year ended September 30, 1998 and footnotes thereto included in the Company's 10-KSB as filed with the Securities and Exchange Commission.

(2) New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes a new model for segment reporting, called the "management approach," and requires certain disclosures for each segment. The management approach is based on the way the chief operating decision maker organizes segments within a company for making operating decisions and assessing performance. The Company will adopt the provisions of SFAS No. 131 in the fourth quarter of fiscal 1999 by providing additional disclosures.

(3) Income Taxes

Current accounting standards require that future tax benefits, such as net operating loss carryforwards ("NOLs"), be recognized to the extent that realization of such benefits is more likely than not. Through September 30, 1998, management had established a valuation allowance of $2.6 million to offset tax benefits that did not meet the more-likely-than-not criteria.

Based upon recent operating performance and other considerations, management subsequently concluded that the Company will generate sufficient future taxable income to meet the more-likely-than-not criteria. As a result, net income included the reversal of income tax valuation reserves of approximately $572,000 and $1,634,000 for the three months and nine months ended June 30, 1999, respectively, reducing the Company's tax provision to a net credit of $194,000 and $743,000 for the three months and nine months ended June 30, 1999, respectively, based upon the Company's estimated tax rate for the full fiscal year.

(4) Shareholder Rights Plan

In April 1999, the Company adopted a Shareholder Rights Plan (the "Rights Plan"). Under the Rights Plan, the Board of Directors declared a dividend to shareholders of record of one preferred stock purchase right (the "Rights") for each outstanding share of common stock. The Rights issued under the plan will only become exercisable by shareholders, other than a potential acquirer, following an acquisition by the acquirer (without prior approval of the Company's Board of Directors) of 15% or more of the Company's common stock, or the announcement of a tender offer for 15% or more of the common stock. The Rights will expire in April 2009. In conjunction with the adoption of the Rights Plan, the Board of Directors authorized 150,00 shares of $.05 par value preferred stock.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

General

SurModics is a leading provider of surface modification solutions to medical device manufacturers. The Company's revenues are derived from four primary sources: fees from licensing its patented technology to customers; royalties received from licensees; the sale of photoreactive chemical compounds to licensees and stabilization products to the diagnostics industry; and research and development fees generated on projects for commercial customers and pursuant to government grants. In March 1998, the Company completed an initial public offering ("IPO") of 2.3 million shares of Common Stock which generated proceeds of approximately $15.5 million, net of related offering costs.

Results of Operations

Three Months Ended June 30, 1999 and 1998

Revenues. The Company's revenues were $3.7 million for the third quarter of fiscal 1999, an increase of $1,013,000, or 37.9%, over the same period of fiscal 1998. The revenue components were as follows (in thousands):

	1999	1998	$ Increase (Decrease)	% Increase (Decrease)
PhotoLink(R) commercial revenue:				
Royalties	$ 977	$ 545	$ 432	79.3%
License fees	225	88	137	155.7%
Reagent chemical sales	520	249	271	108.8%
Commercial development	412	219	193	88.1%
Total PhotoLink revenue	2,134	1,101	1,033	93.8%
Other revenue:				
Diagnostic royalties	715	695	20	2.9%
Stabilization product sales	606	582	24	4.1%
Government research	230	294	(64)	(21.8%)
Total other revenue	1,551	1,571	(20)	(1.3)%
Total revenues	$3,685	$2,672	$1,013	37.9%

The third quarter revenue growth was primarily a result of a 93.8% increase in PhotoLink-related revenue. The 79.3% growth in PhotoLink royalties resulted from the introduction of additional coated products by the Company's licensees and increases in earned royalties from greater market penetration of previously introduced coated products. The 108.8% increase in reagent chemical sales (those chemicals used by licensees in the PhotoLink coating process) was due to growing production of PhotoLink-coated devices by SurModics' clients. A single client purchased 67% of the reagents sold during the quarter to build inventory for a product launch that occurred during the current quarter. The 88.1% increase in commercial development was primarily due to a high level of effort on development projects for two clients. This level of effort is not expected to continue, therefore, it is anticipated that the commercial development revenue will decrease in the fourth quarter. SurModics signed five new PhotoLink license agreements during the third quarter, which resulted in license fee revenue of $225,000.

Product costs. The Company's product costs were $381,000 for the third quarter of fiscal 1999, an increase of $37,000, or 10.8%, over the same period of fiscal 1998. Overall product margins increased to 66.2% in the third quarter of fiscal 1999 from 58.6% in the same period of fiscal 1998. The margin improvement was the result of efficiencies achieved in manufacturing reagent chemicals due to increased production volumes.

Research and development expenses. Research and development expenses were $1,345,000 for the third quarter of fiscal 1999, an increase of $161,000, or 13.6%, over the same period of fiscal 1998. The change was primarily due to added compensation and benefits, and general business expenses associated with technical personnel added by the Company over the last year and increased patent and legal fees. The increase was offset by lower external project charges on government grants.

Sales and marketing expenses. Sales and marketing expenses were $504,000 for the third quarter of fiscal 1999, an increase of $143,000, or 39.6%, from the same period of fiscal 1998. This increase was due to higher promotional costs associated with a recent product introduction and compensation and benefit costs associated with additional marketing personnel added by the Company over the last year.

General and administrative expenses. General and administrative expenses were $700,000 for the third quarter of fiscal 1999, an increase of $247,000, or 54.6%, over the same period of fiscal 1998. The increase was the result of several factors including charges related to the purchase of the Company's headquarters building, expenses associated with being a public company (such as investor relations costs, and other external reporting expenses), and costs associated with the Company President, who was appointed late last summer.

Income from operations. The Company's income from operations was $755,000 for the third quarter of fiscal 1999, an increase of $425,000, or 128.5%, over the same period of fiscal 1998.

Other income, net. The Company's other income was $265,000 for the third quarter of fiscal 1999, an increase of $17,000, or 6.9%, over the same period of fiscal 1998. The increase was due to additional interest income realized on a higher level of investments.

Income tax benefit. The Company ended fiscal 1998 with $2.6 million of deferred tax assets, which were offset in full by a valuation allowance. Based upon recent operating performance and other considerations, management concluded that the Company will generate sufficient future taxable income to realize the deferred tax asset prior to the expiration of any NOLs. As a result, during the quarter, net income included the reversal of income tax valuation reserves of approximately $572,000 reducing the Company's tax provision at statutory rates to a net credit of $194,000 based upon the Company's estimated tax rate for the full fiscal year. It is anticipated that similar amounts will be recorded in the fourth quarter in order to fully recognize the deferred tax asset by the end of the fiscal year. Excluding the effect of the reversal of income tax valuation reserves, the Company's net income and diluted net income per share would have been as follows on a proforma basis:

	Proforma Three Months Ended June 30, 1999	1998
Net income before provision for income taxes	$1,020,000	$578,000
Income tax provision	(378,000)	(214,000)
Net income	$ 642,000	$364,000
Diluted net income per share	$0.08	$0.05

Other comprehensive income (loss). The Company's other comprehensive loss was $143,000 for the third quarter of fiscal 1999. This loss was due to a reduction in the market value of the Company's long-term investments available for sale. As of June 30, 1999, the Company had a net $175,000 unrealized loss related to those investments.

Nine Months Ended June 30, 1999 and 1998

Revenues. The Company's revenues were $9.6 million for the first nine months of fiscal 1999, an increase of $2.5 million, or 34.5%, over the same period of fiscal 1998. The revenue components were as follows (in thousands):

	1999	1998	$ Increase (Decrease)	% Increase (Decrease)
PhotoLink commercial revenue:				
Royalties	$2,486	$1,522	$964	63.3%
License fees	550	148	402	271.6%
Reagent chemical sales	1,295	562	733	130.4%
Commercial development	903	707	196	27.7%
Total PhotoLink revenue	5,234	2,939	2,295	78.1%
Other revenue:				
Diagnostic royalties	2,042	1,925	117	6.1%
Stabilization product sales	1,621	1,501	120	8.0%
Government research	735	795	(60)	(7.5%)
Total other revenue	4,398	4,221	177	4.2%
Total revenues	$9,632	$7,160	$2,472	34.5%

The year to date revenue growth was primarily a result of a 78.1% increase in PhotoLink-related revenue. The 63.3% growth in PhotoLink royalties was the result of increases in the minimum royalty payments from certain clients, the introduction of additional coated products by the Company's clients, and increased earned royalties from greater market penetration of coated products sold by licensees. The 130.4% increase in reagent chemical sales was due to growing production of PhotoLink-coated devices by SurModics' clients. PhotoLink license fee revenue totaled $550,000 during the first nine months of fiscal 1999. Twelve new license agreements have been signed during the first nine months of this year compared to two new agreements during the first nine months of last year.

Product costs. The Company's product costs were $1,060,000 for the first nine months of fiscal 1999, an increase of $148,000, or 16.3%, over the same period of fiscal 1998. Overall product margins increased to 63.6% in the first nine months of fiscal 1999 from 55.8% in the same period of fiscal 1998. The margin improvement was primarily the result of efficiencies achieved in manufacturing reagent chemicals due to increased production volumes.

Research and development expenses. Research and development expenses were $3,723,000 for the first nine months of fiscal 1999, an increase of $479,000, or 14.8%, over the same period of fiscal 1998. The change was due to additional compensation and benefits, laboratory supplies, and general business expenses associated with technical personnel added by the Company during the period and increased legal and patent fees. This increase was offset by lower external project charges on government grants.

Sales and marketing expenses. Sales and marketing expenses were $1,339,000 for the first nine months of fiscal 1999, an increase of $234,000, or 21.2%, over the same period of fiscal 1998. This increase was primarily the result of compensation and benefits associated with additional marketing personnel and spending for advertising and promotions. Increases were offset by a reduction in external consulting expenses associated with a market research study performed last year.

General and administrative expenses. General and administrative expenses were $1,899,000 for the first nine months of fiscal 1999, an increase of $719,000, or 60.9%, over the same period of fiscal 1998. The increase was due primarily to the cost of maintaining a directors' and officers' liability insurance policy added in March 1998, expenses associated with being a public company (such as investor relations costs, and other external reporting expenses), expenses associated with the recently adopted shareholder rights plan, and costs associated with the Company President, who was appointed late last summer.

Income from operations. The Company's income from operations was $1,611,000 for the first nine months of fiscal 1999, an increase of $892,000, or 124.1%, over the same period of fiscal 1998.

Other income, net. The Company's other income was $889,000 for the first nine months of fiscal 1999, an increase of $490,000, or 122.8%, over the same period of fiscal 1998. The increase was due to additional interest income realized on the investments purchased with the proceeds of the public stock offering. In addition, the Company sold certain investments available for sale resulting in a net gain of $92,000, which can be offset in full by the Company's capital loss carryforwards for tax purposes.

Income tax benefit. During the first nine months, net income included the reversal of income tax valuation reserves of $1,634,000 reducing the Company's tax provision at statutory rates to a net credit of $743,000 based upon the Company's estimated tax rate for the full fiscal year. It is anticipated that similar amounts will be recorded in the fourth quarter in order to fully recognize the deferred tax asset by the end of the fiscal year. Excluding the effect of the reversal of income tax valuation reserves, the Company's net income and diluted net income per share would have been as follows on a proforma basis:

	Proforma	
	Nine Months Ended June 30,	
	1999	1998
Net income before provision for income taxes	$2,500,000	$1,118,000
Income tax provision	(891,000)	(414,000)
Net income	$1,609,000	$ 704,000
Diluted net income per share	$0.20	$0.11

Other comprehensive income (loss). The Company's other comprehensive loss was $361,000 for the first nine months of fiscal 1999. This loss was due to a reduction in the market value of the Company's long-term investments available for sale. As of June 30, 1999, the Company had a net $175,000 unrealized loss related to those investments.

Year 2000 Compliance

The Company has evaluated its information technology infrastructure for Year 2000 compliance. The Company does not utilize any mainframe technology, but instead has an internal technical infrastructure comprised of client server networks and desktop microcomputers. The applications which run on these computers are primarily purchased software without any significant customized programming. Over the last three years, the Company has routinely upgraded most of its computer hardware, software and telecommunications systems. Based on its internal reviews, the Company does not anticipate any problems related to Year 2000 compliance with its information technology infrastructure.

The Company has evaluated its non-information technology systems with regard to Year 2000 compliance. This is especially important related to embedded technology such as microcontrollers contained in certain lab equipment, and raw material suppliers who support the Company's manufacturing process. Based upon information currently available, the Company does not anticipate any material disruption in its operations as a result of any failure by either non-information technology equipment or one of its suppliers to be in compliance. Compliance should not be an issue with the Company's products, since they are not date-sensitive.

Costs associated with Year 2000 compliance are expensed as incurred. To date, those costs have not been material. Based upon currently available information, the Company does not expect that the costs of addressing potential Year 2000 problems will have a material impact on the Company's financial condition or results of operations. The Company plans to devote the necessary resources to resolve any significant Year 2000 issues by no later than the end of fiscal year 1999.

Although the Company is committed to addressing any issues well in advance of the Year 2000, there are risks if the Company's objectives are not met. The most severe risk is business interruption. Specific examples of situations that could cause business interruption include, among others, (i) computer hardware or application software processing errors or failures; (ii) failure of lab or manufacturing equipment; and (iii) outside suppliers who may not be Year 2000 compliant. Depending on the extent and duration of the business interruption resulting from non-compliant Year 2000 systems, such interruption could have a material adverse effect on the Company's financial condition and results of operations.

Liquidity and Capital Resources

As of June 30, 1999, the Company had working capital of approximately $3.9 million and cash, cash equivalents and investments totaling approximately $19.5 million. The Company generated positive cash flows from operating activities of $2.2 million in the first nine months, which was an increase of 78.3% for the same period of last year, primarily due to the increased net income. Approximately $3.0 million of cash was used for investing activities during the first nine months compared to $15.6 million last year. The significant change in investing activities between years was due to the repositioning of the Company's proceeds from its March 1998 initial public offering managed by an external investment manager. The investment manager is guided by an investment policy adopted by the Company. The Company's investments principally consist of U.S. government agency obligations and investment grade, interest-bearing corporate debt securities with varying maturity dates, the majority of which are three years or less. In addition, in May 1999, the Company purchased the land and building it currently occupies (which includes additional space for expansion) for approximately $3.2 million. Finally, $600,000 of cash was generated from financing activities due to the exercise of stock options during the first nine months of the year. Last year, a net of $15.5 million of cash was generated in the Company's initial public offering of 2.3 million shares of Common Stock.

As of June 30, 1999, the Company had no debt, nor did it have any credit agreements. The Company believes that its existing capital resources will be adequate to fund the Company's operations into the foreseeable future.

Forward Looking Statements

The statements contained in this quarterly report relating to future revenue growth are based on current expectations and involve a number of risks and uncertainties. These statements are forward looking and are made pursuant to the safe harbor provisions of the Private Securities Reform Act of 1995. The following factors could cause royalty revenue to materially and adversely differ from that anticipated: the ability of the Company's licensees to successfully gain regulatory approval for, market and sell products incorporating the Company's technology; the amount and timing of resources devoted by the Company's licensees to market and sell products incorporating the Company's technology; the Company's ability to attract new licensees and to enter into agreements for additional applications with existing licensees; the Company's ability to maintain a competitive position in the development of technologies and products in its areas of focus; and business and general economic conditions.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities and Use of Proceeds.

Use of Proceeds for the period ending June 30, 1999.

(1)	Effective Date:	March 3, 1998
	SEC File Number:	333-43217
(2)	Offering Date:	March 3, 1998
(4)(i)	The offering has terminated; all securities registered were sold.	
(4)(ii)	Managing Underwriter:	John G. Kinnard and Company, Incorporated
(4)(iii)	Title of Securities:	Common Stock
(4)(iv)	Amount Registered:	2,300,000
	Aggregate Offering Price:	$17,250,000
	Amount Sold:	2,300,000
	Aggregate Offering Price Sold:	$17,250,000
(4)(v)	Underwriting Discount and Commissions	$ 1,293,750
	Other Expenses	$ 435,148
	Total Expenses	$ 1,728,898
	All the above items represented direct or indirect payments to others.	
(4)(vi)	Net Offering Proceeds	$15,521,102
(4)(vii)	Use of Net Offering Proceeds:	
	Research and development	$ 732,000
	Sales and marketing	$ 684,000
	Property and equipment upgrades	$ 4,343,000
	Patent protection	$ 111,000
	Working capital and general corporate purposes	$ 588,000
	Money market funds	$ 9,063,102
	All the above items represented direct or indirect payments to others.	

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits-10 SurModics, Inc. Executive Income Continuation Plan

27 Financial Data Schedule

(b) Reports on Form 8-K - None

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SurModics, Inc.

August 12, 1999

By: /s/ Stephen C. Hathaway
Stephen C. Hathaway
Vice President & CFO
(Principal Financial Officer)

Exhibit Index

Exhibit Number	Description
10	SurModics, Inc. Executive Income Continuation Plan
27	Financial Data Schedule

SURMODICS, INC.
EXECUTIVE INCOME CONTINUATION PLAN

SECTION 1.

DEFINITIONS

As used herein, the following terms shall have the meanings indicated below:

(a) "Administrator" shall have the meaning set forth in Section 4.

(b) "Board" shall mean the Board of Directors of the Corporation.

(c) "Committee" shall mean a committee of one or more directors who shall be appointed by and serve at the pleasure of the Board.

(d) "Corporation" shall mean SurModics, Inc., a Minnesota corporation.

(e) "Employment Termination Date" shall mean the date on which Employee's employment by the Corporation is terminated.

(f) "Employee" means an employee of the Corporation whose employment with the Corporation has been or is about to be terminated.

(g) "Plan" means this Executive Income Continuation Plan, as amended hereafter from time to time, including the form of Termination Agreements as they may be modified by the Administrator from time to time.

(h) "Severance Pay" shall have the meaning set forth in Section 6.

(i) "Termination Agreement" shall have the meaning set forth in Section 6.

SECTION 2.

PURPOSE

The purpose of the Plan is to provide, under certain circumstances, continued income and benefits to designated executive-level employees of the Corporation in the event of certain terminations of employment. Such policy is intended to assist in the occupational transition and financial security of such executive-level employees who do not violate any of the conditions to which such continued income is subject.

SECTION 3.

EFFECTIVE DATE OF PLAN

The Plan shall be effective as of the date of adoption by the Board of Directors.

SECTION 4.

ADMINISTRATION

The Plan shall be administered by the Board or by a Committee (in either case, the "Administrator"). The Administrator shall have all of the powers vested in it under the provisions of the Plan, including but not limited to exclusive authority (where applicable and within the limitations described in the Plan) to determine, in its sole discretion, application of the Plan to a particular Employee. The Administrator shall have full power and authority to administer and interpret the Plan, to make and amend rules, regulations and guidelines for administering the Plan, to prescribe the form and conditions of agreements entered into by the Corporation and an Employee to carry out the intent of the plan (which may vary from Employee to Employee) and to make all other determinations necessary or advisable for the administration of the Plan. The Administrator's interpretation of the Plan, and all actions taken and determinations made by the Administrator pursuant to the power vested in it hereunder, shall be conclusive and binding on all parties concerned.

No member of the Board or the Committee shall be liable for any action taken or determination made in good faith in connection with the administration of the Plan. In the event the Board appoints a Committee as provided hereunder, any action of the Committee with respect to the administration of the Plan shall be taken pursuant to a majority vote of the Committee members or pursuant to the written resolution of all Committee members.

SECTION 5.

PARTICIPANTS

The Administrator shall from time to time, at its discretion, designate those Employees of the Corporation whom are eligible to participate in the Plan. The Board may from time to time designate Employees as being ineligible to participate in the Plan. No person shall have any rights under the Plan unless and until a Termination Agreement is fully executed with respect to that person and no such person shall have any right to require that an agreement be executed with respect to him or her.

SECTION 6.

TERMS AND CONDITIONS OF AGREEMENTS UNDER THE PLAN

The terms and conditions for continued income and certain benefits under the Plan shall be evidenced by a written termination agreement (the "Termination Agreement"). The Termination Agreement shall be in such form as may be approved from time to time by the Administrator, provided, however, that each Termination Agreement shall comply with and be subject to the following terms and conditions:

(a) Severance Payments. The Termination Agreement shall state the total amount of severance payments to be paid to the Employee ("Severance Pay"). Severance Pay shall range from 10% to 100% of Employee's base annual salary on the Employment Termination Date.

(b) Incentive Compensation Program. If the Employee is a participant in an incentive compensation program of the Corporation on the Employment Termination Date, the Termination Agreement shall provide that the Employee will receive from 1/12ths to 12/12ths of the amount to which the Employee would otherwise be entitled pursuant to such program if the Employee has remained an employee of the Corporation.

(c) Benefits. The Agreement shall provide that Employee will be allowed to participate in the Corporation's group health, dental, and life insurance coverage, if any, for a number of months ranging from 1 to 12 months following the Employment Termination Date, on the same basis the Employee was participating three months prior to the Employment Termination Date.

(d) Other Provisions. The Termination Agreement shall contain such other provisions as the Administrator shall deem advisable.

SECTION 7.

AMENDMENT OF THE PLAN

The Board may from time to time, insofar as permitted by law, suspend or discontinue the Plan or revise or amend it in any respect; provided, however, that no such revision or amendment shall impair the terms and conditions of any Termination Agreement which is in effect on the date of such revision or amendment to the material detriment of the Employee without the consent of the Employee.

FORM OF TERMINATION AGREEMENT

Corporation: SurModics, Inc.
9924 West 74th Street
Eden Prairie, Minnesota 55344-3523

Employee: __________________________________

Employment Termination Date: __________________________________

THIS AGREEMENT is made effective as of _______________________ (the "Agreement Effective Date") by and between the Corporation and Employee.

RECITALS:

A. Employee is an employee and officer of the Corporation.

B. In connection with his employment, Employee executed a certain employment agreement (the "Employment Agreement") attached hereto as Exhibit A.

C. From time to time, Employee executed certain conflict of interest disclosure statements, some of which are attached hereto as Exhibit B ("Disclosure Statements").

D. The Corporation and Employee have engaged in discussions concerning Employee's separation from the Corporation and desire to memorialize their understandings concerning certain payments to be made to Employee in exchange for certain undertakings, representations and other obligations of Employee, all as hereinafter set forth.

E. This Agreement constitutes a Termination Agreement under the Corporation's Executive Income Continuation Plan (the "Plan").

F. The Administrator of the Plan has authorized the Corporation to enter into this Agreement with Employee.

NOW, THEREFORE, in consideration of the foregoing recitals which are expressly incorporated herein by reference, of the following terms, covenants, conditions, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Corporation and Employee, the parties hereto agree as follows:

1. Resignation. Employee hereby resigns from employment with and as an officer of the Corporation effective as of the Employment Termination Date; the Corporation consents to such resignation, each party waiving any notice otherwise required. Except as otherwise specifically provided for in this Agreement, Employee hereby waives any other compensation (whether it be cash wages, benefits, vacation, any other paid time off, or otherwise) to which he is or may become entitled arising out of his employment relationship with the Corporation. Employee acknowledges he has received full payment for all services rendered to the Corporation through __________________ and will, when he has received his regular base salary payments due __________________ have received

full payment for all services rendered to the Corporation through the date of termination of his employment, except with respect to the "Incentive Compensation Program" described below. Furthermore, Employee acknowledges that the Corporation owes him no reimbursement for expenses accrued through the Agreement Effective Date excepting those detailed on Exhibit C hereto. Between the Agreement Effective Date and the Employment Termination Date, Employee shall not incur expenses on behalf of the Corporation and shall not be entitled to reimbursement of expenses he incurs except to the extent prior written approval is given by two officers of the Corporation.

[1A. Incentive Compensation Program. Employee is a participant in the Corporation's Incentive Compensation Program regarding fiscal year ______, a copy of which is attached hereto as Exhibit H. Corporation will pay Employee ___/12ths of the amount to which he would otherwise be entitled pursuant to the Incentive Compensation Program if he had remained an employee, up to a maximum of ___________________. Such amount will be payable, after subtraction of tax withholding amounts, during December ________.]

2. Interim Services. Employee will provide full-time services to the Corporation until the Employment Termination Date. During this time, Employee will exercise best efforts to execute a smooth transition such that the Corporation's relationships with its other employees, its customers, and its prospective customers are preserved and enhanced. In this regard, Employee shall cooperate fully in designing and implementing a plan of transition, including, without limitation, introducing substitute Corporation personnel to clients and customers of the Corporation, providing detailed memoranda on existing and prospective clients and customers, organizing files and similar services. Because of the short time remaining prior to the Employment Termination Date, Employee agrees to work closely with the Corporation's officers in implementing the previous provisions of this Paragraph 2.

3. Post-Termination Consultation. While the parties intend that prior to the Employment Termination Agreement, Employee's transitional services will fully integrate one or more substitute employees of the Corporation to perform Employee's duties, it is understood that there may occur situations following that date in which consultation with Employee is desirable. In that regard, Employee agrees to provide at the Corporation's request, and upon reasonable notice, and, without cost, excepting reimbursement of out-of-pocket expenses, occasional consulting services through _______________. If requested services of Employee exceed an average of ___ hours per month (a total of ___ hours), Employee shall, in advance of providing services beyond such cumulative hour limitation, notify the Corporation in writing and, if the Corporation desires Employee's services, Employee and the Corporation shall negotiate an agreeable fee structure.

4. Benefits. Employee will be allowed to continue participation in the Corporation's group health, dental, and life insurance coverage for an additional ___ months following the Employment Termination Date, on the same basis he is participating three months prior thereto. The Corporation will pay Employee's premiums for participation in the group health and dental insurance plans providing coverage for a period of ___ months following the Employment Termination Date, provided that: (i) the Corporation's aggregate financial obligation with respect to such premiums shall not exceed ____________; (ii) Employee remains an eligible participant in the Corporation's group health and dental programs; and (iii) the Corporation shall be unrestricted in its right to

terminate or change such plans (in the event of termination or change of such plans, Employee shall have the right to take a cash payment in lieu of such benefits equal to the then unconsumed portion of the Corporation's maximum financial obligation as described above). The Corporation's obligations with respect to such group health and dental insurance shall not include any co-payment, deductibles, or employee participation in premiums. Employee may at any time terminate his participation in one or more of such plans in which case he will be paid on a monthly basis the amount by which the Corporation's obligation with respect to such coverage is reduced because of Employee's termination of participation.

5. Post-Employment Restrictions. Employee acknowledges that the Employment Agreement contains prohibitions on disclosure and/or use of "Confidential Information" as therein defined and contains prohibitions on competition and similar activities for a period of time following termination of employment; Employee represents and warrants that he has abided by such restrictions and agrees that he will continue to abide by all post-employment restrictions and obligations contained in the Employment Agreement, as if such obligations were expressly incorporated herein. Employee hereby acknowledges that the durational and geographical scope of the post-employment restrictions therein stated are fair, reasonable and appropriate in the circumstances. Employee has further made certifications in the Disclosure Statements which Employee hereby represents and warrants were true, correct and complete as of the day made and that there are no further disclosures required to make them true, correct and complete if they were made as of the date hereof. Employee agrees that for two years after termination of his employment with the Corporation, he will not solicit, entice, induce or encourage employees of the Corporation to leave the Corporation to become an employee of, consultant to or independent contractor for, any person or entity.

6. Severance Payments. As partial consideration for Employee's representations warranties, undertakings and releases provided by this Agreement, and subject to any specific conditions otherwise set forth in this Agreement, the Corporation will pay Employee $________ ("Severance Pay") payable in _____ equal semi-monthly installments, commencing on the fifteenth day of the first month following the Employment Termination Date, payable without interest, and reduced by applicable tax withholding.

7. Releases. Employee hereby releases and forever discharges the Corporation and its "Affiliates" as hereinafter defined, of and from any and all actions or causes of action, suits, debts, claims, complaints, contracts (express or implied), controversy, agreements, promises, damages, claims for attorneys' fees, judgments, costs, disbursements, severance benefits, compensation, vacation pay, and demands whatsoever, known or unknown, in law or in equity, he had, now has or shall have as of the date of this Agreement including, but not limited to, any alleged violation of any federal, state or local law, regulation or ordinance prohibiting discrimination or other unlawful activity on the basis of race, color, creed, marital status, sex, age, religion, national origin, disability, sexual orientation, sexual harassment, or any other basis, or any other alleged obligation created by statute or by common law, contract or tort theory. Employee releases and discharges the Corporation and Affiliates not only from any and all claims which he could make on his behalf, but also those that may or could be brought by any other person or organization on his behalf. Employee affirms that he has not caused or permitted to be filed any charge, complaint or action against the Corporation, and/or Affiliates and agrees that he will not cause or permit to be filed any charge, complaint or action. "Affiliates" of the Corporation include the Corporation's present and former officers, directors, shareholders, employees, and agents, whether in their individual or official capacity. Without limitation on the generality of the foregoing, the release stated above applies to Title VII of the Civil Rights Act of 1964, 42 U.S.C. ss.20000(e) et. seq., the Americans with Disability Act, 42 U.S.C. ss.12101 et. seq., the Age Discrimination in Employment Act, 29 U.S.C. ss.621, et. seq., the Minnesota Human Rights Act, Minn. Stat. ss.363.01 et.

seq., all as amended, re-named or re-codified from time to time. Employee is hereby notified that he may rescind the release described above with respect to claims arising under the Minnesota Human Rights Act, Minn. Stat. ss.ss.363.01-15 (but only to the extent he has not previously given a release with respect to that claim) within 15 calendar days of his signing this Release. In order to be effective, Employee's rescission with respect to such claims must be in writing and delivered by hand or mailed to the Corporation. An address to which such notice may be delivered or mailed is set forth below the Corporation's signature block to this Agreement and such notice should be mailed or delivered to the attention of the President. If delivered by mail, the rescission must be postmarked within such 15-day period after the signing of this Release and sent by certified mail, return receipt requested.

Employee is hereby notified that he is given 21 days after receiving this Agreement to consider its provisions relating to any settlement or release of claims arising under the Federal Age Discrimination in Employment Act. At least 21 days after receipt of this Agreement, Employee shall execute and deliver to the Corporation a release in the form and style set forth in the attached Exhibit D entitled "21-Day Release" if Employee desires to give such release. It is understood that no payments becoming owing to Employee under this Agreement after 30 days following the Termination Effective Date will be paid until 10 days after receipt by the Corporation from Employee of a fully-executed and acknowledged 21-Day Release, which thereafter remains unrevoked in all aspects.

Employee agrees that the payments and benefits that will be provided to him or for his benefit pursuant to Agreement will fully compensate him for and extinguish any and all claims arising out of his employment with (or the termination thereof from) the Corporation, including but not limited to, claims for attorneys' fees and costs, and any and all other claims for any type of legal or equitable relief. It is further understood that the Corporation's obligations under this Agreement are full and adequate consideration for the releases given and contemplated to be given by Employee pursuant to this Agreement and in further full and adequate consideration for Employee never making any claims against the Corporation or its Affiliates. Employee agrees that should any such claims be made, the amounts owing Employee under this Agreement shall be reduced by the amount of any such claims as well as by any costs and expenses incurred by the Corporation or Affiliates relating to such claims.

This release and the 21-Day Release do not apply to payments being made under this Agreement to Employee.

8. Records. During the period between the date of this Agreement and the Employment Termination Date, Employee will exercise his best efforts to return to the Corporation all records containing Confidential Information (as that term is defined in the Employment Agreement) and all other property of the Corporation and materials relating to the Corporation including correspondence, credit cards, keys and other documents in his possession. Following termination of employment, Employee will execute and deliver to the Corporation a certificate relating to such items precisely in the form contained in Exhibit E hereof; any payments becoming due under Paragraph 6 after 30 days following the Employment Termination Date, will be suspended until such certificate is executed and delivered by Employee to the Corporation.

9. Tax Liability. Except for the employer's portion of the so-called FICA tax, Employee agrees that he is solely responsible for any and all liability of Employee arising under the federal and state tax laws from any and all payments and benefits made pursuant to this Agreement, and Employee further agrees to indemnify, defend and hold the Corporation harmless from any and all such liabilities or obligations, if any. The Corporation makes no representations nor warranties concerning the treatment of any sums paid hereunder under said laws. The Corporation may, if it deems appropriate, withhold and pay over to federal or state authorities reasonable amounts related thereto. [Employee has received his own legal and accounting advice concerning the tax consequences of the adjustments, if any, in the Incentive Stock Agreements and the Non-Qualified Stock Agreement as described in Paragraphs 11A and 11B.]

10. Claims Involving the Corporation. At the Corporation's request, Employee will cooperate with the Corporation and the Corporation's Affiliates in any future claims or lawsuits involving the Corporation wherein Employee has knowledge of the underlying facts and Employee will not voluntarily aid, assist or cooperate with any claimants or plaintiffs (or their attorneys or agents) in any claims or lawsuits by third parties against the Corporation or the Corporation's Affiliates.

11. Stock Options and Other Similar Rights: The Employee holds certain options to purchase stock of the Corporation or otherwise acquire stock rights relating to the Corporation, all of which are hereby waived, terminated and extinguished[, excepting as described in the following Paragraph 11A and Paragraph 11B].

11A. Incentive Stock Options. Employee is a party to _____ separate agreements attached hereto as Exhibit F (the "Incentive Stock Agreements") which provide Employee with certain rights to purchase stock of the Corporation pursuant to the Corporation's ______ Incentive Stock Option Plan. Except as provided in the following sentence, Employee understands that there have been no modifications, waivers, or other adjustments to the Incentive Stock Agreements, that he has not relied on any statements of the Corporation in interpreting his rights thereunder, and that his rights to purchase any stock pursuant to the Incentive Stock Agreements will expire not later than _____________. The Corporation waives its right of repurchase contained in Paragraph [13] of the Incentive Stock Agreement dated ___________.

[11B. Non-Qualified Stock Agreements. Employee is a party to a certain Employee Non-Qualified Stock Option dated ______________ (the "Non-Qualified Stock Agreement"), a copy of which is attached hereto as Exhibit G. Employee agrees that pursuant to the terms of the Non-Qualified Stock Agreement, as of _______________, the option pursuant to the Non-Qualified Stock Agreement, would be exercisable only to the extent of ___% of the Option Stock therein described and that the termination of his employment would otherwise eliminate any additional Option Stock becoming subject to his rights of exercise. Notwithstanding such limitation, it is hereby agreed that from and after the Effective Date of this Agreement, Employee's option pursuant to the Non-Qualified Stock Agreement shall be exercisable with respect to ___% of the Option Stock (it being understood that the Option Stock consists of an original ________ shares adjusted pursuant to Paragraph 7 of the Non-Qualified Stock Agreement to ___________ shares of voting, common stock of the Corporation. Applying ___% to the ___________ of Option Stock yields a right of Employee to exercise his option pursuant to the Non-Qualified Stock Agreement to the extent of ________ shares of the Corporation's voting, common stock. The Corporation further agrees that, until ______________, Employee's termination of employment will not prevent Employee from exercising the option contained in the Non-Qualified Stock Agreement provided Employee meets all of the other conditions and performs all of the other obligations set forth in the Non-Qualified Stock Agreement. The Corporation waives its right of repurchase contained in Paragraph [12] of the Non-Qualified Stock Agreement.]

12. Miscellaneous.

a. This Agreement (along with all of the exhibits which are incorporated herein by reference), along with the Employment Agreement and the Disclosure Statements, contains the full agreement of the parties respecting the subject matter hereof and may not be modified, altered or changed in any way except by written agreement executed by both parties. Employee agrees he will maintain the contents and terms of this Agreement confidential.

b. Employee acknowledges that he has been advised by the Corporation to consult with an attorney and, has in fact consulted with counsel relating to this Agreement and has been fully advised in connection herewith and with respect to all of his rights under applicable law. Employee acknowledges and agrees that in choosing to execute this Agreement, he has not relied on any representations or statements of the Corporation, whether oral or written, other than those expressly set forth herein. Employee acknowledges that his resignation from the Corporation shall be deemed voluntary for all purposes.

c. This Agreement shall be binding upon and inure to the benefit of the respective successors, assigns and legal representatives of the parties hereto. Employee acknowledges that his releases run in favor of certain persons who are not parties to this Agreement but that such persons are intended to be third-party beneficiaries of such portions of this Agreement and shall be fully entitled to the benefits of such release and of such other provisions of this Agreement as are needed to enforce such rights. This Agreement may be pleaded as a full and complete defense to, and may be used as a basis for an injunction against, any action, suit or other proceeding which may be instituted, prosecuted or attempted by any one or more parties hereto regarding any matter within the scope of this Agreement, except for an action based on breach of this Agreement. If any action is brought by Employee regarding any matter within the scope of this Agreement, then any defendant in such action for whose benefit a release was given under this Agreement shall be entitled to recover all costs and expenses of defending such action (including reasonable attorneys' fees) unless it is ultimately determined by a court of competent jurisdiction that (i) no part of the subject matter of such lawsuit against such defendant was subject to the release given in this Agreement, or (ii) there was a breach of this Agreement by such defendant.

d. Any amounts owing by Employee to the Corporation may be offset against amounts owing Employee hereunder or otherwise. Employee acknowledges that the Corporation has agreed to make the payments pursuant to Paragraph 6 only if Employee has not previously and does not in the future commit any material breach of his obligations under this Agreement and/or the Employment Agreement, and if the representations and warranties set forth in Paragraph 5 are true, accurate and complete. If there is or shall hereafter occur any material breach or misrepresentation, then the Corporation shall, in addition to its other remedies, not owe Employee the amount described in Paragraph 6; provided, however, that if the Corporation shall intend to invoke its rights with respect to the preceding provisions of this sentence with respect to any matter which then remains curable, it shall offer Employee 30 days in which to cure such wrongdoing.

e. In the event that any one or more of the provisions or portions of this Agreement is determined to be illegal or unenforceable, the remainder of this Agreement shall not be affected thereby and shall remain and continue to be valid and effective; provided, however, that payments to Employee pursuant to Paragraph 6 are expressly conditioned upon there being no material reduction in scope or duration of Employee's obligations with respect to competition with the Corporation and Employee not having asserted any claims against the Corporation or its Affiliates.

f. Time shall be the essence in the performance of all obligations under this Agreement.

g. It is understood that this Agreement shall be interpreted and enforced in accordance with the laws of the State of Minnesota and that venue for any action relating to this Agreement or Employee's relationship with the Corporation shall be in the applicable state or federal court located in Minnesota and if permitted by the applicable court, in the City of Minneapolis.

h. Employee acknowledges that he has been given the so-called "COBRA" notice of his right to continue certain insurance benefits under applicable law.

i. Employee's releases given pursuant to this Agreement are unconditional and irrevocable (except for the limited rescission rights specifically set forth with respect to the Minnesota Human Rights Act and the Federal Age Discrimination in Employment Act) and no act or failure of the Corporation shall in any way affect the validity or enforceability of such releases; provided, however, it is understood that such releases do not prevent or restrict Employee's right to compel the Corporation's performance of its obligations hereunder, including the payment of money and the provision of benefits (to the extent such payment or provision is not otherwise excused pursuant to this Agreement or applicable law).

j. The Employee represents that he has previously abided by the Employment Agreement and that it remains valid and enforceable. In exchange for the payments and benefits given to Employee both during his employment and under this Agreement, Employee acknowledges and agrees that he will continue to abide by and be bound by the Employment Agreement through and after termination of employment.

k. The Corporation agrees to pay up to $___________ to ______________ for out-placement services provided for the benefit of Employee.

l. This Agreement is made pursuant to the Plan, a copy of which Plan has been made available to Employee and is hereby incorporated into this Agreement. This Agreement is subject to and in all respects limited and conditioned as provided in the Plan. The Plan governs this Agreement and, in the event of any questions as to the construction of this Agreement or in the event of a conflict between the Plan and this Agreement, the Plan shall govern, except as the Plan otherwise provides.

IN WITNESS WHEREOF, the Corporation and Employee have executed this Agreement as of the date and year first above written.

SURMODICS, INC.

Date signed by Corporation:

______________________, ____

By:________________________________

Its:_______________________________

Address: 9924 West 74th Street
Eden Prairie, MN 55344-3523

Date signed by Employee:

____________________, ____

____

Employee

Address: ___________________________

____

____

SCHEDULE OF EXHIBITS
- --------------------

Exhibit A	-	Employment Agreement
Exhibit B	-	Disclosure Statements
Exhibit C	-	Expenses
Exhibit D	-	21-Day Release
Exhibit E	-	Certificate of Return
Exhibit F	-	Qualified Stock Agreements
Exhibit G	-	Non-Qualified Stock Agreements
Exhibit H	-	Incentive Compensation Program

21-DAY RELEASE

Corporation: SurModics, Inc. f/k/a BSI Corporation
9924 West 74th Street
Eden Prairie, Minnesota 55344-3523

Agreement: Agreement for Termination of Employment and Release

Employee: _______________________________________

Employment Termination Date: ____

Employee, in consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby states and agrees as follows:

1. His termination of employment with the Corporation occurred on or before the Employment Termination Date stated above.

2. Employee hereby releases and forever discharges the Corporation and its "Affiliates" as hereinafter defined, of and from any and all actions or causes of action, suits, debts, claims, complaints, contracts (express or implied), controversy, agreements, promises, damages, claims for attorneys' fees, judgments, costs, disbursements, severance benefits, compensation, vacation pay, and demands whatsoever, known or unknown, in law or in equity, he had, now has or shall have as of the date of this Agreement including, but not limited to, any alleged violation of any federal, state or local law, regulation or ordinance prohibiting discrimination or other unlawful activity on the basis of race, color, creed, marital status, sex, age, religion, national origin, disability, sexual orientation, sexual harassment, or any other basis, or any other alleged obligation created by statute or by common law, contract or tort theory. Employee releases and discharges the Corporation and Affiliates not only from any and all claims which he could make on his behalf, but also those that may or could be brought by any other person or organization on his behalf. Employee affirms that he has not caused or permitted to be filed any charge, complaint or action against the Corporation, and/or Affiliates and agrees that he will not cause or permit to be filed any charge, complaint or action. "Affiliates" of the Corporation include the Corporation's present and former officers, directors, shareholders, employees, and agents, whether in their individual or official capacity. Without limitation on the generality of the foregoing, the release stated above applies to Title VII of the Civil Rights Act of 1964, 42 U.S.C.ss.20000(e) et. seq., the Americans with Disability Act, 42 U.S.C. ss.12101 et. seq., the Age Discrimination in Employment Act, 29 U.S.C.ss.621, et. seq., the Age Discrimination in Employment Act, 29 U.S.C.ss.621, et. seq., the Minnesota Human Rights Act, Minn. Stat.ss.363.01 et. seq., all as amended, re-named or re-codified from time to time.

3. Employee is hereby notified that he may rescind the release described above with respect to claims arising under the Minnesota Human Rights Act, Minn. Stat.ss.ss.363.01-15 (but only to the extent he has not previously given a release with respect to that claim) within 15 calendar days of his signing this Release. In order to be effective, Employee's rescission with respect to such claims must be in writing and delivered by hand or mailed to the Corporation. An address to which such notice may be delivered or mailed is set forth below the Corporation's signature block to this Agreement and such notice should be mailed or delivered to the attention of the President. If delivered by mail, the rescission must be postmarked within such 15-day period after the signing of this Release and sent by certified mail, return receipt requested.

4. Employee acknowledges that he may rescind his release of claims given under the Federal Age Discrimination in Employment Act within 7 days of his signing of this Release. It is recommended that Employee's rescission be in writing and delivered by hand or mailed to Corporation. An address to which such notice may be delivered or mailed is set forth at the beginning of this Agreement and it is recommended that such notice be given to the attention of the President, and, if delivered by mail, the rescission must be postmarked within such 7-day period after the signing of this Release.

5. Employee certifies that he executed this Release on the date set forth below and that he executed this Release more that 21 days after he received this Release and he signed the Agreement.

6. Employee acknowledges that he has received consideration for this Release in addition to anything of value to which he would otherwise be entitled. Employee acknowledges that he is advised to consult with an attorney prior to executing this Release and, has, in fact, consulted with counsel who has verified that his release given herein is knowing and voluntary.

Dated: _________________,____ ______________________________________
"Employee"

STATE OF MINNESOTA)
)
COUNTY OF __________)

The foregoing instrument was acknowledged before me this ____ day of __________, _____, by ________________________, the Employee stated above.

____
Notary Public

CERTIFICATE OF RETURN

The undersigned hereby certifies that he has returned to SurModics, Inc. all records concerning Confidential Information (as that term is defined in a certain agreement to which this document is attached as Exhibit E), including any copies thereof, and including all drawings, blueprints, notes, notebooks, memoranda, specifications, documents or materials of whatsoever kind and nature which contain or disclose any of such confidential information, and further that he has returned to SurModics, Inc. all other property of SurModics, Inc. and records relating to the business of SurModics, Inc. of any kind or nature whatsoever, and howsoever maintained (including, but not limited to, electronic formats).

Dated: __________________, ____ ______________________________________
Employee

Exhibit E

5
1,000
U.S. Dollars

9-MOS
SEP-30-1999
OCT-01-1998
JUN-30-1999
1
1,135
1,830
1,351
0
466
5,162
8,641
3,889
27,467
1,268
0
0
0
370
25,829
27,467
2,916
9,632
1,060
8,021
0
0
0
2,500
(743)
3,243
0
0
0
3,243
.44
.41