

CBS CORP
Form SC TO-I/A
May 22, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE TO

(Rule 13e-4)

Tender Offer Statement Under Section 14(d)(1) or 13(e)(1)
of the Securities Exchange Act of 1934
(Amendment No. 6)

CBS CORPORATION

(Name of Subject Company)

CBS CORPORATION

(Names of Filing Persons (Offeror and Issuer))

Certain Options to Purchase Class B Common Stock, Par Value \$0.001 Per Share

(Title of Class of Securities)

124857202

(CUSIP Number of Class of Securities)

Louis J. Briskman
Executive Vice President and General Counsel
CBS Corporation
51 West 52nd Street
New York, New York 10019
(212) 975-4321

(Name, Address and Telephone Number of Persons Authorized to Receive Notices
and Communications on Behalf of filing persons)

Copy to:
Linda E. Rappaport, Esq.
Shearman & Sterling LLP
599 Lexington Avenue
New York, New York 10022

(212) 848-4000

Copy to:

Christa A. D'Alimonte, Esq.
Shearman & Sterling LLP
599 Lexington Avenue
New York, New York 10022
(212) 848-4000

CALCULATION OF FILING FEE

Transaction Valuation*	Amount of Filing Fee
\$400,691,855.00	\$80,138.37

*Calculated solely for the purposes of determining the filing fee. This amount assumes that options to purchase 95,698,884 shares of Class B Common Stock of CBS Corporation having an aggregate value of \$400,691,855 will be exchanged pursuant to this offer. The aggregate value of such options was calculated using the Black-Scholes option pricing model. The amount of the filing fee, calculated in accordance with Rule 0-11(b) of the Securities and Exchange Act of 1934, as amended, equals 1/50th of one percent of the value of the transaction.

Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: \$80,138.37 Filing Party: CBS Corporation
Form or Registration No.: Schedule TO Date Filed: May 3, 2006

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

- Check the appropriate boxes to designate any transactions to which the statement relates:
- third-party tender offer subject to Rule 14d-1.
 - issuer tender offer subject to Rule 13e-4.
 - going-private transaction subject to Rule 13e-3.
 - amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

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This Amendment No. 6 amends and supplements the Tender Offer Statement on Schedule TO filed with the Securities and Exchange Commission (the "SEC") on May 3, 2006, as amended by Amendment No. 1 thereto filed with the SEC on May 5, 2006, Amendment No. 2 thereto filed with the SEC on May 9, 2006, Amendment No. 3 thereto filed with the SEC on May 11, 2006, Amendment No. 4 thereto filed with the SEC on May 16, 2006 and Amendment No. 5 thereto filed with the SEC on May 19, 2006 (the Tender Offer Statement on Schedule TO as so amended, the "Schedule TO"), by CBS Corporation, a Delaware corporation (the "Company"). The Schedule TO relates to the offer by the Company to eligible employees of the Company, as defined in the Offer to Exchange, dated May 3, 2006, which is

attached to the Schedule TO as Exhibit (a)(1) (the "Offer to Exchange"), to tender their currently outstanding options to purchase shares of Class B Common Stock of the Company that were issued prior to January 1, 2006 in exchange for restricted shares (for eligible employees who are subject to United States income tax) or restricted share units (for other eligible employees). The restricted shares and restricted share units will be granted upon the terms and subject to the conditions described in the Offer to Exchange.

Item 12. Material to be Filed as Exhibits.

Item 12 of the Schedule TO is hereby amended and supplemented by adding the following exhibits:

“(a)(29) CBS’s Current Report on Form 8-K, previously filed with the SEC on May 22, 2006 and incorporated herein by reference.”

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SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: May 22, 2006

CBS CORPORATION

By: /s/ Louis J. Briskman
Name: Louis J. Briskman
Title: Executive Vice President
and General Counsel

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EXHIBIT INDEX

Exhibit No.	
(a)(1)	Offer to Exchange, dated May 3, 2006.*
(a)(2)	[Deleted]
(a)(3)	Form of Withdrawal Letter (incorporated by reference to Schedule E of the Offer to Exchange which is attached hereto as Exhibit (a)(1)).*
(a)(4)	Cover Letter to Offer to Exchange, dated May 3, 2006.*

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- (a)(5) Letter to Employees Holding Options, dated April 6, 2006, previously filed with the SEC on the Tender Offer Statement filed on Schedule TO-C, on April 6, 2006 and incorporated herein by reference.
- (a)(6) Letter to U.S. Employees Holding Options, dated April 27, 2006, previously filed with the SEC on the Tender Offer Statement filed on Schedule TO-C, on April 27, 2006 and incorporated herein by reference.
- (a)(7) Letter to International Employees Holding Options, dated April 27, 2006, previously filed with the SEC on the Tender Offer Statement filed on Schedule TO-C, on April 27, 2006 and incorporated herein by reference.
- (a)(8) Letter to All Employees Holding Options, dated April 27, 2006, previously filed with the SEC on the Tender Offer Statement filed on Schedule TO-C, on May 1, 2006 and incorporated by reference herein.
- (a)(9) Voluntary Exchange Offer Workshop Schedule, dated April 27, 2006, previously filed with the SEC on the Tender Offer Statement filed on Schedule TO-C, on May 1, 2006 and incorporated herein by reference.
- (a)(10) Letter to CBS Radio Employees Holding Options, dated April 28, 2006, previously filed with the SEC on the Tender Offer Statement filed on Schedule TO-C, on May 1, 2006 and incorporated herein by reference.
- (a)(11) Participant Statement Letter, dated May 2, 2006, previously filed with the SEC on the Tender Offer Statement filed on Schedule TO-C, on May 2, 2006 and incorporated herein by reference.
- (a)(12) Guide to Reading the Participant Statement, previously filed with the SEC on the Tender Offer Statement filed on Schedule TO-C, on May 2, 2006 and incorporated herein by reference.
- (a)(13) Form of Participant Statement, previously filed with the SEC on the Tender Offer Statement filed on Schedule TO-C, on May 2, 2006 and incorporated herein by reference.
- (a)(14) Letter to Employees Holding Options, dated May 2, 2006, previously filed with the SEC on the Tender Offer Statement filed on Schedule TO-C, on May 2, 2006 and incorporated herein by reference.
- (a)(15) CBS's Annual Report of Form 10-K for the fiscal year ended December 31, 2005 (File No. 001-09553), previously filed with the SEC on March 16, 2006 and incorporated herein by reference.
- (a)(16) CBS's Proxy Statement for the 2006 Annual Meeting of Stockholders (file No. 001-09553) previously filed with the SEC on April 14, 2006 and incorporated herein by reference.
- (a)(17) Workshop Materials for CBS Voluntary Exchange Offer, May 2006, including Slides, Speaker Notes and Appendices.**
- (a)(18) Telephone Script distributed to VEO Information Line representatives.***
- (a)(19) Voluntary Exchange Offer Frequently Asked Questions, dated May 11, 2006.†
- (a)(20) Letter to Employees Holding Options, dated May 11, 2006.†
- (a)(21) Workshop Materials for CBS Voluntary Exchange Offer (International Version), May 2006, including Slides, Speaker Notes and Appendices.††

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- (a)(22) Pages 27-29 of CBS's Registration Statement on Form S-3, previously filed with the SEC on February 1, 2006 (File No. 333-131438) and incorporated herein by reference.
- (a)(23) CBS's Current Report on Form 8-K, previously filed with the SEC on March 17, 2006 and incorporated herein by reference.
- (a)(24) CBS's Current Report on Form 8-K, previously filed with the SEC on April 5, 2006 and incorporated herein by reference.
- (a)(25) CBS's Current Report on Form 8-K, previously filed with the SEC on April 26, 2006 and incorporated herein by reference.
- (a)(26) CBS's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2006, previously filed with the SEC on May 9, 2006 and incorporated herein by reference (File No. 001-09553).
- (a)(27) Form of Letter of Transmittal.†††
- (a)(28) VEO Reminder Memo to All Employees Holding Options, dated May 17, 2006†††
- (a)(29) CBS's Current Report on Form 8-K, previously filed with the SEC on May 22, 2006 and incorporated herein by reference.
- (d)(1) CBS's 2004 Long-Term Management Incentive Plan (as amended and restated as of December 31, 2005) incorporated by reference to the Annual Report on Form 10-K of CBS for the fiscal year ended December 31, 2005 (File No. 001-09553), previously filed with the SEC on March 16, 2006.
- (d)(2) CBS's 2004 Long-Term Management Incentive Plan (as amended and restated through May 25, 2006) incorporated by reference to CBS's Proxy Statement, filed with the SEC on April 14, 2006 (File No. 001-09553).
- (d)(3) Former Viacom 2000 Long-Term Management Incentive Plan (as amended and restated through January 31, 2001) (incorporated by reference to Exhibit 10(d) to the Annual Report on Form 10-K of Former Viacom for the fiscal year ended December 31, 2001) (File No. 001-09553) (as amended effective October 10, 2002 by the Amendment to Former Viacom Stock Option Plans) (incorporated by reference to Exhibit 10(bb) to the Annual Report on Form 10-K of Former Viacom for the fiscal year ended December 31, 2002) (File No. 001-09553) previously filed on March 27, 2003.
- (d)(4) Former Viacom 1997 Long-Term Management Incentive Plan (as amended and restated through May 25, 2000) (incorporated by reference to Exhibit B to Former Viacom's Proxy Statement dated June 5, 2000) (as amended effective October 10, 2002 by the Amendment to Former Viacom Stock Option Plans) (incorporated by reference to Exhibit 10(bb) to the Annual Report on Form 10-K of Former Viacom for the fiscal year ended December 31, 2002) (File No. 001-09553) previously filed on March 27, 2003.
- (d)(5) Former Viacom 1994 Long-Term Management Incentive Plan (as amended and restated through November 1, 1996) (incorporated by reference to Exhibit 10(b) to the Annual Report on Form 10-K of Former Viacom for the fiscal year ended December 31, 1996) (File No. 001-09553) (as amended effective October 10, 2002 by the Amendment to Former Viacom Stock Option Plans) (incorporated by reference to Exhibit 10(bb) to the Annual Report on Form 10-K of Former Viacom for the fiscal year ended December 31, 2002) (File No. 001-09553) previously filed on March 27, 2003.
- (d)(6) CBS Corporation 1993 Long-Term Incentive Plan (as amended as of July 28, 1999) (incorporated by reference to Exhibit 10.16 to the Quarterly Report of

Form 10-Q of Infinity Broadcasting Corporation for the quarter ended September 30, 1999 (File No. 001-14599) previously filed November 15, 1999.

- (d)(7) CBS Corporation 1991 Long-Term Incentive Plan (as amended as of July 28, 1999) (incorporated by reference to Exhibit 10.15 to the Quarterly Report of Form 10-Q of Infinity Broadcasting Corporation for the quarter ended September 30, 1999) (File No. 001-14599) previously filed November 15, 1999.

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- (d)(8) Infinity Broadcasting Corporation 1999 Long-Term Incentive Plan (incorporated by reference to Exhibit 4.5 to Form S-8 filed by Former Viacom on February 21, 2001 (Registration No. 333-55346)).
- (d)(9) Infinity Broadcasting Corporation 1998 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.16 to Form 10-K filed by Infinity Broadcasting Corporation for the year ended December 31, 1999 (File No. 1-14599)).
- (d)(10) Amended and Restated Infinity Broadcasting Corporation Stock Option Plan (incorporated by reference to Exhibit 4.4 to CBS Corporation's Registration Statement on Post-Effective Amendment No. 1 on Form S-8 to Form S-4 by CBS Corporation on January 2, 1997 (Registration No. 333-13219)).
- (d)(11) King World 1996 Amended and Restated Stock Option and Restricted Stock Purchase Plan (incorporated by reference to Exhibit 10.11 to the Annual Report on Form 10-K of King World Productions, Inc. for the fiscal year ended August 31, 1997 (File No. 001-09244)).
- (d)(12) King World Salesforce Bonus Plan (incorporated by reference to Exhibit 10.2 to King World Production, Inc.'s Registration Statement on Form S-8 filed by King World Productions, Inc. on April 22, 1997 (Registration No. 333-11363)).
- (d)(13) King World Productions, Inc. Stock Option Agreements with Oprah Winfrey and Jeffrey D. Jacobs dated as of September 15, 1997 (incorporated by reference to Exhibits 99.9 and 99.10 to the Schedule 13D, Amendment No. 2, filed by Oprah Winfrey and Jeffrey D. Jacobs, with respect to King World Productions, Inc. on October 27, 1997 (File No. 005-35700)).
- (d)(14) King World Productions, Inc. Stock Option Agreements with Oprah Winfrey, Jeffrey D. Jacobs, Timothy Bennett, Dianne Hudson and Douglas Pattison dated as of September 16, 1998 (incorporated by reference to Exhibits 4.9, 4.10, 4.11, 4.12, and 4.13 to Form S-8 by Viacom Inc. on August 20, 2003 (Registration No. 333-108105)).
- (d)(15) Outdoor Systems, Inc. 1996 Omnibus Plan (incorporated by reference to Exhibit 99.3 to Form S-8 filed by Outdoor Systems, Inc. on October 23, 1997 (Registration No. 333-38589)).
- (d)(16) Form of Award Certificate for Restricted Shares (incorporated herein by reference to Schedule C of the Offer to Exchange which is attached hereto as

- Exhibit (a)(1)).
- (d)(17) Form of Award Certificate Restricted Share Units (incorporated herein by reference to Schedule D of the Offer to Exchange which is attached hereto as Exhibit (a)(1)).
- (d)(18) Form of Award Certificate for Restricted Shares for Certain Executive Officers.*
- (d)(19) Ernst & Young Disclosure Letter to Participants.*

*Previously filed with the Securities and Exchange Commission on the Tender Offer Statement on Schedule TO filed by CBS on May 3, 2006.

**Previously filed with the Securities and Exchange Commission on the Tender Offer Statement (Amendment No. 1) on Schedule TO filed by CBS on May 5, 2006.

***Previously filed with the Securities and Exchange Commission on the Tender Offer Statement (Amendment No. 2) on Schedule TO filed by CBS on May 9, 2006

†Previously filed with the Securities and Exchange Commission on the Tender Offer Statement (Amendment No. 3) on Schedule TO filed by CBS on May 11, 2006.

††Previously filed with the Securities and Exchange Commission on the Tender Offer Statement (Amendment No. 4) on Schedule TO filed by CBS on May 16, 2006.

†††Previously filed with the Securities and Exchange Commission on the Tender Offer Statement (Amendment No. 5) on Schedule TO filed by CBS on May 19, 2006.

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%"	bgColor=#c0c0c0>\$	0	\$315,000	50,000	\$0	\$149,643	Paul A. Lopez, 2006	\$229,193	\$	84,006	\$			
0	0	\$0	\$	6,777	Vice President, 2005	\$	56,374	\$	14,250	\$380,700	100,000	\$0	\$	0
President, 2004	\$	0	\$	0	\$	0	\$0	0	Ophthalmology	Division	Steven J.			
Keough, 2006	\$208,276	\$	64,651	\$181,850	0	\$0	6,248	Senior Vice President 2005	\$194,030	\$				
0(4)	\$149,450	59,000	\$0	4,257	and General Manager, 2004	\$139,389	\$	0(4)	\$106,800	35,000	\$0	\$		
0	Orthopedics and Chief				Intellectual Property			Counsel	Philip D.					
Ankeny, 2006	\$193,906	\$	62,998	\$272,775	0	\$0	5,817	Senior Vice President 2005	\$168,535	\$				
42,562	\$298,900	60,000	\$0	5,056	and Chief Financial 2004	\$149,004	\$	0	\$					
0	15,000	\$0	4,470	Officer	Dale R. Olseth, 2006	\$187,603	\$	0	\$	0	\$0	4,311	Former	
Executive 2005	\$213,217	\$	43,875	\$	0	50,000	\$0	4,263	Chairman(5) 2004	\$192,612	\$	0	\$	
0	25,000	\$0	3,954	Brian L. Robey, 2006	\$159,817	\$	56,239	\$169,600	3,500	\$0	15,050	Vice President		
and 2005	\$	69,105	\$	12,418	\$	79,940	20,000	\$0	22,073	General Manager, Drug 2004	\$	0	\$	
0	\$	0	\$0	0	Delivery									

(1) Amounts in 2006 represent compensation earned in fiscal 2006 (i) under a bonus plan for the Company's officers enabling them to receive a cash payout of up to 40% of their base salary and (ii) the dollar value of amounts paid in shares of common stock pursuant to performance share awards granted under the Company's Amended and Restated 2003 Equity Plan. The dollar value of the shares was calculated by multiplying the number of shares awarded by the closing market price on the date the shares vested. Mr. Barclay received a cash bonus of \$39,000 and 12,500 shares, Mr. Lopez \$26,676 and 1,800 shares, Mr. Keough \$24,838 and 1,250 shares, Mr. Ankeny \$23,185 and 1,250 shares, and Mr. Robey received \$16,426 in cash and 1,250 shares. Mr. Lopez was granted a performance share award for a total of 10,000 shares to be vested over a five-year period. One-fifth of the award was vested in fiscal 2006, and Mr. Lopez was paid 1,800 shares under such award. See description of the performance share award under the LTIP Table. 2005 amounts represent compensation earned under a cash bonus plan only enabling them to receive a payout of up to 26.67% of their base salary. The

amount of the cash bonus and performance shares vested is determined based on the achievement of certain revenue and profit goals for the year. The Company did not achieve the goals set for officers for the 2004 plan, and therefore no officer received a bonus in 2004 under the plan.

- (2) Represents the dollar value of the restricted stock award calculated by multiplying the number of shares awarded by the closing market price on the date of the grant. In 2006, Mr. Barclay was awarded 7,500 shares, Mr. Keough 5,000 shares, Mr. Ankeny 7,500 shares, and Mr. Robey's award was for 5,000 shares. In 2005, Mr. Barclay was awarded 25,000 shares, Mr. Lopez 10,000 shares, Mr. Keough 5,000 shares, Mr. Ankeny 10,000 shares and Mr. Robey 2,000 shares. In 2004, Mr. Barclay's award was for 15,000 shares and Mr. Keough's award was for 5,000 shares. All 2006 awards vest ratably each year for 3 years after the date of grant. All 2005 (except Mr. Lopez's) and 2004 awards will cliff vest five years after the date of grant. Mr. Lopez's 2005 award vests ratably each year for 5 years after the date grant. The holder of a restricted stock award is entitled to receive all dividends attributable to the shares.
- (3) Represents contributions made by the Company under its 401(k) plan. Mr. Barclay's 2004 All Other Compensation included a one-time \$90,000 relocation payment and a \$56,250 payment related to his acceptance of employment. Mr. Robey's 2006 All Other Compensation included a \$10,000 payment related to his completing one year of employment. Mr. Robey's 2005 All Other Compensation included a \$20,000 payment related to his acceptance of employment.
- (4) The Organization and Compensation Committee provided for the granting of options for 9,000 shares to Mr. Keough in fiscal year 2005 rather than bonuses under the annual cash bonus plan for fiscal year 2005 and fiscal year 2004. Such options are included in the third to last column of the above table for 2005.
- (5) Mr. Olseth retired as the Executive Chairman of the Company on July 31, 2006.

Option/SAR Grants During 2006 Fiscal Year

The following table sets forth information regarding stock options granted to Named Executive Officers during the fiscal year ended September 30, 2006. The Company has not granted stock appreciation rights.

Name	Number of Securities		% of Total	Potential Realizable Value At Assumed Annual Rates Of Stock Price Appreciation For		
	Options/SARs Granted (#) (1)	Options/SARs Granted to Employees in Fiscal Year		Exercise or Base Price (\$/Sh)	Expiration Date	5% (\$)
Bruce J Barclay	NA	NA	NA	NA	\$ 0	\$ 0
Paul A. Lopez	NA	NA	NA	NA	\$ 0	\$ 0
Steven J. Keough	NA	NA	NA	NA	\$ 0	\$ 0
Philip D. Ankeny	NA	NA	NA	NA	\$ 0	\$ 0
Dale R. Olseth	NA	NA	NA	NA	\$ 0	\$ 0

Brian L. Robey	3,500	1.3%	\$39.13	11/14/12	\$55,755	\$129,920
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- (1) Such options vest annually as to 20% of the total number of shares commencing one year after the date of grant.

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Aggregated Option/SAR Exercises during 2006 Fiscal Year and Fiscal Year End Option/SAR Values

The following table provides information related to the exercise of stock options during fiscal 2006 by the Named Executive Officers and the number and value of options held at fiscal year end by such persons:

Name	Shares Acquired on Exercise	Value Realized(2)	Number of Unexercised Securities Underlying Options at 9/30/06		Value of Unexercised In-the- Money Options at 9/30/06(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Bruce J Barclay	NA	NA	35,000	90,000	\$368,650	\$768,600
Paul A. Lopez	NA	NA	20,000	80,000	\$ 0	\$ 0
Steven J. Keough	NA	NA	25,800	68,200	\$253,590	\$532,760
Philip D. Ankeny	NA	NA	24,000	61,000	\$151,560	\$399,840
Dale R. Olseth	30,000	\$806,025	42,280	0	\$523,903	\$ 0
Brian L. Robey	NA	NA	4,000	19,500	\$ 0	\$ 0

- (1) Value of exercisable/unexercisable in-the-money options is equal to the difference between the market price of the Common Stock at fiscal year end and the option exercise price per share multiplied by the number of shares subject to options. The closing sale price as of September 29, 2006 on the Nasdaq market was \$35.12.
- (2) Value is equal to the difference between the closing price as quoted on the Nasdaq market on the date of exercise and the option exercise price per share multiplied by the number of shares to which the exercise relates.

Long -Term Incentive Plans-Awards in Last Fiscal Year

The following table provides information related to the long term incentive plan awarded during fiscal 2006:

Name	Number of shares, units or other rights (#)	Performance or other period until maturation or payout	Estimated future payouts under non-stock price-based plans		
			Threshold (#)	Target (#)	Maximum (#)
Bruce J Barclay	NA	NA	NA	NA	NA
Paul A. Lopez(1)	8,000	Fiscal 2007-2010	0	NA	8,000
	20,000	Fiscal 2006-2010	0	NA	20,000
Steven J. Keough	NA	NA	NA	NA	NA
Philip D. Ankeny	NA	NA	NA	NA	NA
Dale R. Olseth	NA	NA	NA	NA	NA
Brian L. Robey	NA	NA	NA	NA	NA

- (1) Mr. Lopez was granted two performance share awards in fiscal 2006, for 10,000 and 20,000 shares, respectively. The 10,000 share award will vest over a five-year period, from fiscal 2006 to fiscal 2010. One-fifth of the award will vest annually depending on the performance of the Ophthalmology division of the Company in meeting performance goals for that fiscal year set by the Organization and Compensation Committee. One-fifth of the award was earned by Mr. Lopez in fiscal 2006 and reported under the Bonus column in the Summary Compensation Table as that portion was granted, vested and earned within one year. The 20,000 share award will vest over a five-year period, from fiscal 2006 to fiscal 2010. Mr. Lopez is entitled to a certain number of shares, if any, under this award depending on the achievement of certain performance objectives by the Ophthalmology division.

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Equity Compensation Plan Information

The following table provides information related to the Company's equity compensation plans in effect as of September 30, 2006:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders	1,431,380(1)	\$ 30.72(1)	1,084,593(2)
Equity compensation plans not approved by shareholders	79,400	\$ 11.00	0
TOTAL	1,510,780	\$ 29.69	1,084,593

(1) Excludes shares that may be issued under the Company's 1999 Employee Stock Purchase Plan.

(2) Includes 991,630 shares available for future issuance under the amended and restated 2003 Equity Incentive Plan and 92,963 shares available under the 1999 Employee Stock Purchase Plan.

Nonqualified Stock Option Plan. The Nonqualified Stock Option Plan was adopted by the Board of Directors prior to the Company's initial public offering in March 1998 and it was not approved by shareholders. Under the Company's Nonqualified Stock Option Plan, 1,944,480 shares of Common Stock were reserved for issuance to outside directors, executive officers and employees. The options were granted at 100% of the fair market value of our common stock on the date of the grant. Options expire seven to ten years from the date of grant, and are exercisable at a rate of 20% per year from the date of grant or 20% per year commencing one year after the date of grant. There are approximately 79,400 shares of Common Stock to be issued upon the exercise of outstanding options, but no further options will be granted from the *Nonqualified Stock Option Plan*.

Restricted Stock Plan. The Restricted Stock Plan was adopted by the Board of Directors prior to the Company's initial public offering in March 1998, and it has not been approved by shareholders. Under the Company's Restricted Stock Plan, 200,000 shares of Common Stock were reserved for issuance to executive officers and key employees. Under the Restricted Stock Plan, grants of restricted stock vest in full five years from the date of grant. No further stock awards will be granted from the *Restricted Stock Plan*.

Change of Control Arrangements

The Company entered into Change of Control Agreements (the "Agreements") with Bruce J Barclay, President and Chief Executive Officer, and Philip D. Ankeny, Senior Vice President and Chief Financial Officer, in April 2006 and with Paul A. Lopez, Vice President and President, Ophthalmology Division, in November 2006 (each, the "Executive"), which Agreements were approved by the Organization and Compensation Committee of the Board of Directors.

The Agreements will be in effect for a term of three years unless a "change of control" (as such term is defined in the Agreements) occurs within such three-year period, in which case, the Agreements will terminate twelve months following the occurrence of such a change of control. Each Agreement provides that the Company may terminate the employment of the Executive, for any reason or no reason, at any time prior to the earlier of a change of control or the third anniversary of the Agreement without obligation for severance benefits.

If within twelve months following the occurrence of a change of control, the Executive's employment with the Company is terminated either by the Company without cause or by the Executive for good reason, then the Executive is entitled to receive a severance payment equal to three times (in the case of Mr. Barclay), two times (in the case of Mr. Ankeny) or one times (in the case of Mr. Lopez) the average cash compensation paid to the Executive during the three most recent taxable years and to continue coverage under life, health, dental and disability benefit plans for up to eighteen months. In addition, any unvested portions of the Executive's outstanding options or stock appreciation rights will immediately vest and become exercisable, any remaining forfeiture provisions on his outstanding restricted

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stock awards will immediately lapse, and a portion of the shares subject to his outstanding performance awards will immediately vest and become payable. If any change of control benefit payable to the Executive would constitute an excess parachute payment under Section 280G of the Internal Revenue Code, the Executive will receive a tax gross-up payment sufficient to pay the initial excise tax applicable to such excess parachute payment.

Effective August 1, 2006, the Board accepted the resignation of Mr. Olseth as Executive Chairman of the Board. The Board approved certain retirement benefits and other arrangements for Mr. Olseth as follows: (a) the Company provided Mr. Olseth with his salary compensation due for the remainder of fiscal year 2006; (b) during the period between August 1, 2006, and August 31, 2007, the Company will provide reimbursement of 100% of all reasonable and customary office expenses incurred by Mr. Olseth for his personal and business use, including in connection with his service as a director to the Company; (c) during the period between September 1, 2007 and August 31, 2008, the Company will provide reimbursement of 50% of such reasonable and customary office expenses; and (d) during the period between the August 1, 2006, and February 29, 2008, the Company will provide salary compensation and make available certain of its standard employee benefits to an administrative assistant to work with and support Mr. Olseth in his personal and business matters, including in connection with his service as a director to the Company.

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Stock Performance Chart

The following chart compares the cumulative total shareholder return on the Company's Common Stock with the cumulative total return on the Nasdaq Stock Market and the Nasdaq Medical Industry Index (Medical Devices, Instruments and Supplies). The comparison assumes \$100 was invested on September 28, 2001 and assumes reinvestment of dividends.

Comparison of Cumulative Total Return Among SurModics, the Nasdaq Stock Market (U.S.) and the Nasdaq Medical Industry Index (Medical Devices, Instruments and Supplies)

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors and persons who own more than 10 percent of the Company's Common Stock, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than 10% shareholders (Insiders) are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based on a review of the copies of such reports furnished to the Company, during the fiscal year ended September 30, 2006, all Section 16(a) filing requirements applicable to Insiders were complied with.

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AUDIT COMMITTEE REPORT

The Board of Directors maintains an Audit Committee comprised of three of the Company's outside directors. The Board of Directors and the Audit Committee believe that the Audit Committee's current member composition satisfies the rule of the National Association of Securities Dealers, Inc. (NASD) that governs audit committee composition, including the requirement that audit committee members all be independent directors as that term is defined by NASD rules.

In accordance with the written charter adopted by the Board of Directors, the Audit Committee assists the Board of Directors with fulfilling its oversight responsibility regarding the quality and integrity of the accounting, auditing and financial reporting practices of the Company. In discharging its oversight responsibilities regarding the audit process, the Audit Committee:

- (1) reviewed and discussed the audited financial statements with management;
- (2) discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61; and
- (3) reviewed the written disclosures and the letter from the independent auditors required by the Independence Standards Board's Standard No. 1, and discussed with the independent auditors any relationships that may impact their objectivity and independence.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2006, as filed with the Securities and Exchange Commission.

Members of the Audit Committee:

Gerald B. Fischer, Chairman
Kenneth H. Keller, Ph.D.
David A. Koch

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP has acted as the Company's independent auditors for the past two fiscal years ended September 30, 2005 and September 30, 2006, and it is expected that at an Audit Committee meeting to be held prior to the Annual Meeting, such firm will be formally selected by the Audit Committee to serve as the Company's independent auditors for the current fiscal year ending September 30, 2007. Representatives of Deloitte & Touche LLP are expected to be present at the meeting, will be given an opportunity to make a statement regarding financial and accounting matters of the Company if they so desire, and will be available to respond to appropriate questions from the Company's shareholders.

Audit Fees. The aggregate fees billed by Deloitte & Touche LLP for professional services rendered in connection with the audit of the Company's annual financial statements and reviews of the financial statements included in the Company's Forms 10-Q for fiscal years 2006 and 2005 were \$257,552 and \$189,214, respectively.

Audit-Related fees. The aggregate fees billed by Deloitte & Touche LLP for audit-related services rendered to the Company during fiscal 2006 and 2005 were \$17,840 and \$47,125, respectively. The audit-related fees in 2006 were related to accounting consultations. The fees in 2005 were associated with due diligence and accounting consultations related to the Company's acquisition of InnoRx, Inc.

Tax Fees. Deloitte & Touche LLP did not bill for tax-related services (tax compliance, tax planning, and tax advice) in fiscal 2006 or 2005.

All Other Fees. Deloitte & Touche LLP did not bill any other fees in fiscal 2006 or fiscal 2005.

The Company's Audit Committee pre-approved all of the services described in each of the items above. In addition, the Audit Committee considered whether provision of the above non-audit services was compatible with maintaining Deloitte & Touche LLP's independence and determined that such services did not adversely affect Deloitte & Touche LLP's independence. However, the Audit Committee approved the appointment of PricewaterhouseCoopers LLC to provide tax-related services in fiscal 2005 to avoid any questions of independence in the future.

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Pre-Approval Policies and Procedures

Pursuant to its written charter, the Audit Committee is required to pre-approve the audit and non-audit services performed by the Company's independent auditors in order to assure that the provision of such services does not impair the auditor's independence. A pre-approval policy was approved by the Audit Committee on October 25, 2004. Unless a particular service has received general pre-approval by the Audit Committee, each service provided must be specifically pre-approved. Any proposed services exceeding pre-approved costs levels will require specific pre-approval by the Audit Committee or the Chairman of the Audit Committee. The Audit Committee may delegate pre-approval authority to the Chairman of the Audit Committee, who will then report any pre-approval decisions to the Audit Committee at its next scheduled meeting.

OTHER BUSINESS

Management knows of no other matters to be presented at the meeting. If any other matter properly comes before the meeting, the appointees named in the Proxies will vote the Proxies in accordance with their best judgment.

SHAREHOLDER PROPOSALS

Any appropriate proposal submitted by a shareholder of the Company and intended to be presented at the 2008 annual meeting of shareholders must be received by the Company by August 17, 2007, to be considered for inclusion in the Company's Proxy Statement and related Proxy for the 2008 annual meeting.

Also, if a shareholder proposal intended to be presented at the 2008 Annual Meeting but not included in the Company's Proxy Statement and Proxy is received by the Company after October 31, 2007, then management named in the Company's Proxy for the 2008 Annual Meeting will have discretionary authority to vote shares represented by such Proxies on the shareholder proposal, if presented at the meeting, without including information about the proposal in the Company's proxy materials.

ANNUAL REPORT

A copy of the Company's Annual Report to Shareholders, including its Annual Report on Form 10-K containing financial statements for the fiscal year ended September 30, 2006, accompanies this Notice of Meeting and Proxy Statement. No part of the Annual Report, including any portion of the Annual Report on Form 10-K, is

incorporated herein and no part thereof is to be considered proxy soliciting material.

EXHIBITS TO FORM 10-K

The Company will furnish to each person whose Proxy is being solicited, upon written request of any such person, a copy of any exhibit described in the exhibit list accompanying the Form 10-K, upon the payment, in advance, of reasonable fees related to the Company's furnishing such exhibit(s). Requests for copies of such report and/or exhibit(s) should be directed to Mr. Philip D. Ankeny, Chief Financial Officer, at the Company's principal address.

BY ORDER OF THE BOARD OF DIRECTORS

Bruce J Barclay
President and Chief Executive Officer

Dated: December 15, 2006
Eden Prairie, Minnesota

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Appendix A

CHARTER FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF SURMODICS, INC.

I. PURPOSE

The Audit Committee (the "Committee") of the Board of Directors of SurModics, Inc. (the "Company"), shall provide assistance to the Board in its oversight of (a) the quality and integrity of the Company's financial reports; (b) the Company's compliance with legal and regulatory requirements; (c) the independence, qualifications and performance of the Company's independent auditor; and (d) the performance of the Company's internal audit function, and accounting and reporting processes. In addition, the Committee shall cause the preparation of the report required by the Securities and Exchange Commission's (the "SEC") proxy rules to be included in the Company's annual proxy statement and shall have the further duties and responsibilities as set forth in this Charter. In achieving these purposes, it is the Committee's responsibility to foster free and open means of communication between the Company's directors, independent public accountants, internal auditors (if any), outside legal counsel, and management.

II. MEMBERSHIP

The Committee shall consist of three or more directors elected by the Board, each of whom shall meet the independence requirements of the Nasdaq Stock Market, Inc. ("Nasdaq") and federal securities laws. Committee members shall serve until their successors are duly elected and qualified, or until such member's resignation or removal by the Board. The Chair of the Committee shall be elected by the Board, or if not elected by the Board, then by the majority of the members of the Committee. In addition, no member of the Committee shall receive any compensation whatsoever from the Company other than compensation paid to such member as a director of the Company and member of one or more committees of the Company's Board of Directors.

All Committee members shall have a working familiarity with basic finance and accounting practices and shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement either at the time of their election to the Committee, or within a reasonable period of time after their election. At least one member of the Committee shall be an "audit committee financial expert", as interpreted in the business judgment of the Board, in accordance with such regulations as may be applicable to the Company from time to time.

III. RESPONSIBILITIES

The Committee's function is not to replace the Company's management, internal auditors or independent auditors, but rather one of oversight, recognizing that the Company's financial management, and the internal and independent auditors have more knowledge and information about the Company than do Committee members. Consequently, the Committee further recognizes that (a) the Company's management is responsible for preparing the Company's financial statements, for developing and maintaining adequate systems of internal controls and for ensuring compliance with laws and regulations and the Company's Code of Business Conduct, and (b) the independent auditor is responsible for auditing or reviewing, as applicable, the financial statements, and for attesting to management's internal control reports. In carrying out its oversight responsibilities, the Committee shall undertake the following activities (in addition to any others that the Board may from time to time delegate to the Committee):

Independent Auditors

1. The Committee shall be directly responsible for the appointment, compensation, termination, oversight and evaluation of the work of the Company's independent auditors performed for the purpose of preparing or issuing an audit report or related work. The Company's independent auditors shall report directly to the Committee.
2. The Committee shall pre-approve all audit services and non-audit services rendered to the Company by its independent auditors in accordance with any pre-approval policies and procedures established by the Committee.
3. The Committee shall, at least annually,

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(a) obtain and review a report by the independent auditors describing (i) the independent auditors' internal quality control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, with respect to any independent audit carried out by the independent auditors, and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditor and the Company, including the matters covered by Independence Standards Board Standard No. 1; and

(b) review and discuss with the independent auditors their periodic disclosures regarding independence, and any relationships or services that may impact the objectivity and independence of the independent auditors.

After reviewing the foregoing reports/disclosures and the independent auditors' work throughout the year, the Committee shall evaluate the independent auditors' qualifications, performance and independence. In making its evaluation, the Committee should take into account the opinions of management, and shall present its conclusions with respect to the independent auditor to the Board.

4. The Committee shall periodically meet with, but no less than once a year, the internal auditors (if any), and the independent auditors without other representatives of the Company present to discuss internal controls and the accuracy and completeness of the Company's financial statements.

Financial Reporting

5. The Committee shall meet and review with the independent auditors and the Company's financial management the proposed scope, fees, and plan for the annual audit of the Company's financial statements.

6. The Committee shall review and discuss with management and the independent auditors prior to their respective release (a) the audited financial statements to be included in the Company's Annual Report on Form 10-K, and any other reports or other financial information submitted to any governmental body or the public, and (b) the quarterly financial statements to be included in the Company's Quarterly Reports on Form 10-Q. This review may be conducted through a designated representative member of the Committee.

7. The Committee shall review and discuss the type and presentation of information to be included in earnings press releases, as well as review any financial information and earnings guidance provided to analysts and rating agencies. This may be done generally and does not require the Committee to discuss in advance each earnings

release or each instance in which the Company may provide earnings guidance.

8. In connection with the annual audit and the reviews of quarterly financial information by the independent auditors, the Committee shall, prior to the filing of the Form 10-K or Form 10-Q, as applicable, discuss with the independent auditors, to the extent applicable, (a) the results of the annual audit examination or the independent auditors' review of the quarterly financial statements, (b) any audit or review problems or difficulties encountered in the course of the audit work or review, including any restrictions on the scope of the independent auditors' activities or on access to requested information and any significant disagreements with management, and management's response and (c) any other matters required to be discussed by Statement on Auditing Standards No. 61, as amended or supplemented. The Committee shall be responsible for the resolution of disagreements between the Company's management and the independent auditors regarding financial reporting.

9. With respect to any financial statements audited or reviewed by the Company's independent auditors, including the Company's annual reports on Form 10-K and quarterly reports on Form 10-Q, the Committee shall receive from the Company's independent auditors prior to the public release or filing with the SEC of such financial statements, a timely oral or written report with respect to (a) all critical accounting policies and practices; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the management of the Company, the ramifications of the use of such alternative disclosures and treatments and the disclosure and treatment preferred by the independent auditors; and (c) other material written communications between the independent auditors and the management of the Company (such as any management or internal control letter or schedule of unadjusted differences).

10. The Committee shall review and discuss with the internal auditors (if any), the independent auditors and management, as appropriate, the reports of the independent auditors referred to in paragraph 9 above as well as (a) any significant judgments or estimates taken into account in the preparation of the Company's financial statements;

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(b) any significant accounting accruals, reserves contingencies and estimates made by management that have a material impact on the financial statements; (c) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; and (d) any proposed accounting and financial reporting standards or rules promulgated by the Financial Accounting Standards Board, SEC, or other regulatory bodies, that may have a material impact on the Company's financial statements.

11. The Committee shall determine whether to recommend to the Board, based on the Committee's review and discussions with management and the independent auditors as required under this Charter, that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K.

12. The Committee shall prepare and approve the report of the audit committee required by the rules and regulations of the SEC to be included in the Company's annual proxy statement.

Other Committee Responsibilities

13. The Committee shall review and approve all related-party transactions to which the Company may be a party prior to their implementation for which Committee approval is required by applicable law, or required to be disclosed in the Company's financial statements or SEC filings.

14. The Committee shall review with the independent auditors, internal auditors (if any), and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the Company. The Committee shall discuss with management any significant deficiencies in the design and operation of the Company's internal controls or material weaknesses in the Company's internal controls, as well as any fraud involving management or other employees who have a significant role in the Company's internal controls, including any recommendations for the improvement of such internal controls or particular areas where new or more detailed controls are desirable. The Committee shall monitor management's response to such reports.

15. The Committee shall discuss with the Company's legal counsel any legal matters that may have a material impact on the Company's financial statements.

16. The Committee shall review the adequacy of the Company's financial and accounting staff.

17. The Committee shall periodically review (a) the Company's risk management program; (b) the Company's investor relations program; (c) the status of the Company's information systems hardware, software, processing procedures, and controls regarding accounting, internal accounting controls and auditing; and (d) any other area seemed to be significant to the Company's financial statements (i.e., investments).

18. The Committee shall review periodically the Company's policies relating to business conduct and review management's monitoring and enforcement of the Company's Code of Business Conduct as it relates to the Company's financial reporting process and internal control system.

19. The Committee shall review and reassess, on at least an annual basis, its own performance and the adequacy of this Charter, and recommend any proposed changes to the Board for approval.

20. The Committee shall establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, auditing or internal accounting control matters, and (b) the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

IV. AUTHORITY

The Committee shall have the authority, as and when it shall determine to be necessary or appropriate to carry out its responsibilities to:

- (a) appoint, discharge and authorize compensation of the Company's independent auditors;
- (b) retain, at the expense of the Company, internal or external legal, accounting or other advisors to assist in carrying out its responsibilities; or

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- (b) request from the Chief Executive Officer, the Chief Financial Officer, and such other members of the Company's management as the Committee shall deem appropriate, advice and information, orally or in writing, concerning the Company's business operations and financial condition relevant to the functions of the Committee.

V. MEETING/MINUTES

The Committee shall meet as often as may be deemed necessary or appropriate, but not less frequently than four times annually, either in person or telephonically, and at such times and places as they shall determine. A majority of the members will constitute a quorum and will be able to conduct the business of the Committee. The Committee should meet at least annually with management and the head of the internal audit department (if any) in separate executive sessions to discuss any matters that the Committee or each these groups believe should be discussed privately. The Committee should meet with the independent auditors and the Company's management quarterly to review the Company's financials consistent with this Charter. The Committee will maintain written minutes of its meetings and the Chair shall report to the Board after each meeting. Such minutes shall be promptly made available to the members of the Board of Directors, and filed with the minutes of the meetings of the Board of Directors.

VI. COOPERATION OF MANAGEMENT

All members of management of the Company are requested to cooperate with the Committee, and to render assistance to it as it shall request in carrying out its functions.

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**CHARTER FOR THE CORPORATE GOVERNANCE
AND NOMINATING COMMITTEE OF THE BOARD OF DIRECTORS
OF
SURMODICS, INC.**

I. PURPOSE

The Corporate Governance and Nominating Committee (the "Committee") of the Board of Directors of SurModics, Inc. (the "Company") shall be responsible for matters relating to (a) identifying individuals qualified to become Board members, and recommending to the Board the director nominees for the next annual meeting of shareholders; (b) recommending to the Board corporate governance guidelines applicable to the Company; and (c) leading the Board in its annual review of the Board's performance.

II. MEMBERSHIP

The Committee shall consist of two or more directors elected by the Board, each of whom shall meet the independence requirements of the Nasdaq Stock Market, Inc. The Chair of the Committee shall be elected by the Board or, if not elected by the Board, then by the majority of the members of the Committee.

III. RESPONSIBILITIES

The functions of the Committee, on behalf of the Board, shall include having responsibility to:

- (a) Periodically review the composition of the Board and its committees and their respective members' skills and qualifications, and report to the Board regarding suggested changes in size or composition of the Board or any committee, and any succession planning for the Board chairperson and other Board members.
- (b) Meet as necessary to determine a process and criteria for identifying new directors and nominees for the Board, consider individuals qualified to become board members for recommendation to the Board to be voted upon at shareholder meetings and/or to fill vacancies.
- (c) Evaluate the performance of Board members whose term is expiring, and recommend to the Board those Directors who should stand for reelection.
- (d) Review and reassess, on at least an annual basis, the adequacy of the corporate governance guidelines of the Company and recommend any proposed changes to the Board for approval.
- (e) Review and reassess, on at least an annual basis, its own performance and the adequacy of this Charter, and recommend any proposed changes to the Board for approval.

IV. AUTHORITY

The Committee shall have the authority, as and when it shall determine to be necessary or appropriate to carry out its responsibilities to:

- (a) retain, at the expense of the Company, (1) internal or external legal, accounting or other advisors to assist in carrying out its responsibilities, or (2) one or more search firms to assist in the identification and recruitment of director candidates.
- (b) request from the Chief Executive Officer, the Chief Financial Officer, and such other members of the Company's management as the Committee shall deem appropriate, advice and information, orally or in writing, concerning the Company's business operations and financial condition relevant to the functions

of the Committee.

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V. MEETING/MINUTES

The Committee shall meet as often as may be deemed necessary or appropriate, but not less frequently than once annually, either in person or telephonically, and at such times and places as they shall determine. The Committee will maintain written minutes of its meetings and the Chair shall report to the Board after each meeting. Such minutes shall be promptly made available to the members of the Board of Directors, and filed with the minutes of the meetings of the Board of Directors.

VI. COOPERATION OF MANAGEMENT

All members of management of the Company are requested to cooperate with the Committee, and to render assistance to it as it shall request in carrying out its functions.

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**AMERICAN STOCK TRANSFER
6201 15TH AVENUE
BROOKLYN, NY 11219**

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER COMMUNICATIONS

If you would like to reduce the costs incurred by SurModics, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to SurModics, Inc., c/o ADP, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK
 INK AS FOLLOWS: SRMDC1

KEEP THIS PORTION FOR YOUR
 RECORDS
 DETACH AND RETURN THIS
 PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

SURMODICS, INC.

The Board of Directors recommends that you vote

FOR each proposal below.

Vote on Directors

2. Elect Class II directors: 1 John W. Benson

2 Gerald B. Fischer
 3 Kendrick B. Melrose

For All **Withhold All** **For All Except**

0 0 0

To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.

Vote on Proposal

1. Set the number of directors at nine (9).

For **Against** **Abstain**

0 0 0

This Proxy also authorizes the Proxies to vote in their discretion upon such other business as may properly come before the Annual Meeting or any adjournment thereof.

PLEASE DATE AND SIGN BELOW exactly as name appears at the right indicating, where appropriate, official position or representative capacity. For stock held in joint tenancy, each joint tenant should sign.

For address changes, please check this box and write them on the back where indicated. 0

Yes **No**

0 0

HOUSEHOLDING ELECTION - Please indicate if you consent to receive certain future investor communications in a single package

per household.

Signature [PLEASE SIGN
WITHIN BOX]

Date

Signature (Joint Owners)

Date

SURMODICS, INC.

PROXY FOR ANNUAL MEETING OF SHAREHOLDERS

To Be Held On

January 29, 2007

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS.

The undersigned hereby appoints BRUCE J BARCLAY and PHILIP D. ANKENY, and each of them, with full power of substitution, as Proxies to represent and vote, as designated on the reverse side, all shares of Common Stock of SurModics, Inc. registered in the name of the undersigned at the Annual Meeting of Shareholders of the Company to be held at the Hotel Sofitel, 5601 West 78th Street, Bloomington, Minnesota, at 4:00 p.m. (Minneapolis time) on January 29, 2007, and at any adjournment thereof, and the undersigned hereby revokes all Proxies previously given with respect to the meeting.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED. IF NO DIRECTION IS GIVEN FOR A PARTICULAR PROPOSAL THIS PROXY WILL BE VOTED FOR¹ SUCH PROPOSAL.

Address Changes:

(If you noted any Address Changes above, please mark corresponding box on the reverse side.)

DETACH ABOVE AND RETURN USING THE ENVELOPE PROVIDED

