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**Southern Research Institute Spinout, Brookwood
Pharmaceuticals, Acquired by SurModics for \$62 Million**

BIRMINGHAM, Ala. (Aug. 1, 2007)—Southern Research Institute officials today announced that the wholly-owned drug delivery company it created in 2005, Brookwood Pharmaceuticals, has been sold to SurModics, Inc. for a package worth up to \$62 million—\$40 million in cash at closing and up to an additional \$22 million in cash upon the successful achievement of specified milestones.

Brookwood provides proprietary polymer-based technologies to companies developing improved pharmaceutical products. The company's operations and its approximately 70 employees will remain in Birmingham.

"We have been very impressed by the success Art Tipton and the entire Brookwood team has achieved in its short history as an independent company," said John A. "Jack" Secrist, III, Ph.D., president and CEO of Southern Research Institute. "While we will miss having Brookwood as part of our extended organization, we are convinced that these two combined companies will be much more successful than they would apart. The Birmingham community has benefited from Brookwood's growth and presence, and we are very pleased that SurModics plans to retain Brookwood in Birmingham."

Secrist added that even in the very early discussions with SurModics, Southern Research officials asked that the acquisition be favorable to Brookwood employees, provide a real opportunity for Brookwood to grow, and that there was an opportunity for Brookwood to remain in Birmingham.

"This is a wonderful development for Southern Research, Brookwood, and Birmingham," said Carol Z. Garrison, Ph.D., chairman of the Southern Research board and president of the University of Alabama at Birmingham (UAB). "It speaks to the quality of the research pioneered at Southern Research Institute, as well as the Institute's fiscal health and strategic acumen."

"The support that Brookwood received from Southern Research, UAB and the business community was consistent and enthusiastic," said Arthur J. Tipton, Ph.D., Brookwood president and CEO. "Our roots are here in Birmingham and I am excited about this transaction because it allows us to deepen those roots for Brookwood and its employees. I am equally excited that the moneys to Southern Research generated from this transaction—the most significant one-time payment in its 65 year history—will allow Southern Research to fund other bold initiatives to further its phenomenal history of innovation."

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In a press release issued earlier today by SurModics, Bruce Barclay, president and CEO said, "We are very excited to welcome the employees of Brookwood Pharmaceuticals to SurModics . . . The combination of broader technology platforms and a broader customer base in several large markets helps fulfill several of our strategic objectives, including achieving greater diversification in our business."

Late in 2005, Southern Research spun out the organization's 30-year old in-house Pharmaceutical Formulations group which focused on the development of time-release formulations for pharmaceutical delivery. At the same time, Brookwood acquired the Ohio-based external polymer manufacturing business of Alkermes, Inc., and began operating that business as a Brookwood subsidiary called Lakeshore Biomaterials, Inc. In the second quarter of 2007, Brookwood helped to create a new company, Aeon Biosciences, also based in Birmingham and included in this deal, which is working to develop a new cardiac stent.

"Our primary focus, since forming Brookwood, has been to use strong technologies and the skills of a talented staff to develop improved drug delivery products," said Tipton. "Our enthusiasm for this transaction is that it furthers what we in the combined entity can offer clients and expands opportunities to develop novel products."

Brookwood Pharmaceuticals will operate as a separate business unit of SurModics. Tipton will lead the team as Vice President of SurModics and President of Brookwood Pharmaceuticals, Inc. The company will remain in Birmingham. An important piece of Brookwood's business has been to supply biodegradable polymers through its subsidiary, Lakeshore Biomaterials, which will remain an important business focus in Birmingham.

Brookwood generates revenue from research and development fees, polymer sales and royalty generating licenses. The company generated \$12.7 million of revenue in calendar year 2006, more than tripling the 2004 revenue earned while it operated as an in-house department within Southern Research. Since its spinout, Brookwood has achieved strong year-over-year growth and, furthermore, Brookwood is profitable and cash flow positive.

Brookwood's strength is in proprietary injectable microparticles and implant technology, both based on biodegradable polymer technology, to provide sustained drug delivery. The company currently has nearly 30 customer paid development projects in progress from top pharmaceutical and medical device clients as well as smaller public and private companies. Customer projects target a number of key clinical indications in the diabetes, oncology, ophthalmology, cardiovascular, orthopedics, central nervous system and alcoholism markets, in addition to other fields.

About Southern Research

Southern Research Institute is an independent 501-(c)-3, not-for-profit center for scientific research. Founded in 1941, Southern Research is known for innovative leadership in preclinical drug discovery and development, environment and energy research, and advanced engineering. Public and private sector clients include the National Institutes for Health, the U.S. Departments of Justice, Defense, and Energy; the Environmental Protection Agency, and NASA, as well as major private and public companies in pharmaceutical, biotechnology, energy, manufacturing and more. For more information, visit www.SouthernResearch.org.