SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

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

For the fiscal year ended June 30, 2001

OR

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

For the transition period from _____to _____

Commission File Number: 0-17272

TECHNE CORPORATION
(Exact name of Registrant as specified in its charter)

Minnesota	41-1427402
(State of Incorporation)	(IRS Employer Identification No.)

614 McKinley Place N.E., Minneapolis, MN	55413
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: (612) 379-8854

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 par value.

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

The aggregate market value of the Common Stock held by non-affiliates of the Registrant, based upon the closing sale price on September 11, 2001 as reported on The Nasdaq Stock Market was approximately $1,166,747,000. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded.

Shares of $.01 par value Common Stock outstanding at September 11, 2001: 41,443,688

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for its 2001 Annual Meeting of Shareholders are incorporated by reference into Part III.

PART I

ITEM 1. BUSINESS

OVERVIEW

Techne Corporation (the Company) is a holding company which has two wholly-owned operating subsidiaries: Research and Diagnostic Systems, Inc. (R&D Systems) located in Minneapolis, Minnesota and R&D Systems Europe Ltd. (R&D Europe) located in Abingdon, England. R&D Systems is a specialty manufacturer

of biological products. Its two major operating segments are hematology controls, which are used in hospital and clinical laboratories to check the accuracy of blood analysis instruments, and biotechnology products, including purified proteins (cytokines) and antibodies which are sold exclusively to the research market and assay kits which are sold to the research and clinical diagnostic markets. R&D Europe distributes R&D Systems' biotechnology products in Europe. R&D Europe has a German sales subsidiary, R&D Systems GmbH (R&D GmbH). The Company also has a foreign sales corporation, Techne Export Inc.

R&D Systems was founded and incorporated in 1976 in Minneapolis, Minnesota and was acquired by the Company in 1985. In 1977 R&D Systems introduced its first product, a Platelet-Rich-Plasma control. In 1981 R&D Systems was the second manufacturer in the world to release a Whole Blood Control with Platelets, thereby establishing itself as one of the leaders in the field of hematology control products manufacturing. Subsequently, R&D Systems has developed several types of hematology controls designed to keep pace with the technology of the newest models of hematology instruments. These products are sold throughout the United States directly by R&D Systems and in many foreign countries through distributors.

In 1985 R&D Systems entered the research reagent market with its first cytokine, TGF-beta. Cytokines are specialized protein molecules that stimulate or suppress various cell functions in the body. Cytokines are in demand by biomedical researchers who want to learn more about their diverse effects. Encouraged by its success in the cytokine market, R&D Systems formed a biotechnology division in 1986 with the goal of producing and marketing a wide range of human cytokines through genetic engineering. Recombinant DNA technology offers several advantages over extraction of these proteins from natural sources, including lower production cost and potentially unlimited supply.

In 1991 R&D Systems purchased Amgen Inc.'s research reagent and diagnostic assay kit business. With this purchase, R&D Systems obtained Amgen's Erythropoietin (EPO) kit, the Company's first enzyme-linked immunosorbent assay kit for a cytokine that had been cleared by the U.S. Food and Drug Administration (FDA) for clinical diagnostic use.

In 1993 the Company acquired its European biotechnology distributor, British Bio-technology Products Ltd. (renamed R&D Systems Europe Ltd.) from British Bio-technology Group plc. R&D Europe distributes biotechnology products developed by R&D Systems.

During fiscal 1998, 1999, and 2000, the Company made equity investments in the preferred stock of ChemoCentryx, Inc. (CCX), a technology and drug development company. The Company currently holds approximately 26% of the outstanding stock of CCX. In addition to the equity investment and joint research efforts, the Company obtained research and diagnostic market rights to all products discovered or developed by CCX.

On July 1, 1998, R&D Systems purchased Genzyme Corporation's research products business. This acquisition established R&D Systems as the world's leading supplier of research and diagnostic cytokine products.

On August 2, 2001, the Company made an equity investment of $3 million and entered into a research and license agreement with Discovery Genomics, Inc. (DGI). DGI holds licenses from the University of Minnesota to develop technologies used for functional genomics and the discovery of druggable targets. The Company currently holds a 39% equity interest in DGI and also received the rights to develop antibodies and immunoassay kits for proteins discovered by DGI and the rights to sell such products to the research market.

THE MARKET

The Company, through its two operating subsidiaries, manufactures and sells products for the clinical diagnostics market (hematology controls and calibrators) and the biotechnology research and clinical diagnostics market (cytokines, assays and related products). In fiscal 2001, R&D Systems' Hematology Division revenues accounted for approximately 13% of consolidated revenues of $115,356,562. Revenues from R&D Systems' Biotechnology Division and R&D Europe were 64% and 23% of consolidated revenues, respectively.

Biotechnology Products

R&D Systems is the world's leading supplier of cytokines and cytokine-related reagents to the biotechnology research community. These valuable proteins exist in minute amounts in different types of cells and can be extracted from these cells or made through recombinant DNA technology. In 1985, R&D Systems introduced its first cytokine and continues to add to this product line. The first cytokines were extracted from natural sources (human and porcine platelets and bovine brain). Currently almost all of cytokines are produced by recombinant DNA technology. R&D Systems also sells antibodies for specific cytokines, cytokine assay kits, clinical diagnostic kits, kits for cytokine receptor binding studies, and related research reagents.

The growing interest by researchers in cytokines exists because of the profound effect a tiny amount of a cytokine can have on the cells and tissues of the body. Cytokines are intercellular messengers. They act as signals by interacting with specific receptors on the effected cells. They carry vital signals to the cell's genetic machinery that can trigger events that can lead to significant changes in a cell, tissue or organism. For example, cytokines can signal a cell to differentiate, i.e., to acquire the features necessary for it to take on a more specialized task. Another example of cytokine action is the key role they play in stimulating cells surrounding a wound to grow and divide and to attract migratory cells to the injury site.

R&D Systems' Biotechnology Division was formed in response to a growing need for highly purified biologically active proteins. R&D Systems believes that its cytokines are addressing the growing demand for these products within the scientific research community.

During fiscal 1990, the Biotechnology Division released its first cytokine assay kits under the tradename Quantikine. These kits are used by researchers to quantify the level of a specific cytokine in a sample of blood, serum, or other biological fluid. In fiscal 1996, the Biotechnology Division expanded its Quantikine line by introducing a line of assay kits for mouse cytokines. These kits are used extensively by research scientists doing cytokine studies using animal models, such as those used in pharmaceutical discovery and development programs.

Current Biotechnology Products

Cytokines and Related Antibodies. Cytokines, extracted from natural sources or produced using recombinant DNA technology, are manufactured to the highest purity. Polyclonal antibodies are produced by injecting purified cytokines into animals (primarily goats and rabbits). The animals' immune systems recognize the cytokines as foreign and develop antibodies to these cytokines. The polyclonal antibodies are then extracted from the animals' blood and purified. Monoclonal antibodies are produced by injecting purified cytokines into mice. The B cells of a mouse's immune system are then isolated and fused with immortalized mouse cells that will produce the desired antibody. Purified cytokines and antibodies are made available both as research reagents and as parts of assay kits (below).

Assay Kits. This product line includes R&D Systems' human and murine (mouse and rat) Quantikine kits which allow research scientists to quantify the amount of a specific cytokine in a sample of blood or tissue. Also included in this product line are assay kits, developed by R&D Europe, to quantify adhesion molecules. These kits are used by research scientists to measure cellular adhesion molecules in serum, plasma, or cell culture media. Cellular adhesion molecules facilitate the movement of infection fighting cells out of the blood stream to the site of infections.

Clinical Diagnostic Kits. The EPO kit, acquired from Amgen Inc. in fiscal 1992, was the first diagnostic assay for which R&D Systems had FDA marketing clearance. R&D Systems also has received FDA marketing clearance for its transferrin receptor (TfR) and Beta2-microglobulin kits.

Flow Cytometry Products. This product line includes R&D Systems' Fluorokine kits which are used to measure the presence or absence of receptors for specific cytokines on the surface of cells.

DNA and Related Products. Designer genes and designer probes are synthetic DNAs used in the study of gene function.

Hematology Controls and Calibrators

Hematology controls and calibrators, manufactured and marketed through the Hematology Division of R&D Systems, are products made up of the various cellular components of blood. Proper diagnosis of many illnesses requires a thorough and accurate analysis of the patient's blood cells, which is usually done with automatic or semiautomatic hematology instruments. Controls and calibrators ensure that these instruments are performing accurately and reliably.

Blood is composed of plasma, the fluid portion of which is mainly water, and blood cells, which are suspended in the plasma. There are three basic types of blood cells: red cells, white cells and platelets. Red cells transport oxygen from the lungs throughout the body, which they do by being rich in hemoglobin. White cells defend the body against foreign invaders. Platelets serve as a "plug" to stem blood flow at the site of an injury by initiating a complex series of biochemical reactions that lead to the formation of a clot.

The formed elements of blood (red cells, white cells and platelets) differ a great deal in size and concentration. The white cells are the largest in size and platelets the smallest. The red cells are the most numerous and constitute 95 percent of all blood cells. The average adult has from 20 to 30 trillion red cells. For every 500 red cells there are approximately one white cell and about 20 platelets. As noted above, hematology controls are used in automatic and semiautomatic cell counting analyzers to make sure these instruments are counting blood cells accurately. One of the most frequently performed laboratory tests on a blood sample is called a complete blood count, or CBC for short. Doctors use this test in disease screening and diagnosis. More than a billion of these tests are done every year, the great majority with cell counting instruments. In most laboratories the CBC consists of the white cell count, the red cell count, the hemoglobin reading, and the hematocrit reading or the percent of red cells in a volume of whole blood after it has been centrifuged. Also included in a CBC test is the differential which numbers and classifies the different types of white cells.

These and other characteristics or "parameters" of a blood sample can be measured by automatic or semiautomatic cell counters. Cell counters can read the parameters of blood either by impedance, in which a cell interrupts an electrical current and is counted, or by a laser, in which a cell interrupts a laser beam and is counted. The number of parameters measurable in a blood control product depends on the type and sophistication of the instrument for which the control is designed. Ordinarily, a hematology control is used once to several times a day to make sure the instrument is reading accurately. Some instruments need to be calibrated periodically. Hematology calibrators are similar to controls but go through additional processing and testing to ensure that the calibration values assigned are extremely accurate and can be used to adjust the instrument.

The Hematology Division of R&D Systems offers a complete line of hematology controls and calibrators for both impedance and laser type cell counters. R&D Systems believes its products have improved stability and versatility and a longer shelf life than most of those of its competitors. The Hematology Division supplies hematology control products for use as proficiency testing materials by laboratory certifying authorities of a number of states and countries. All products are priced competitively and come with an unconditional money back guarantee. R&D Systems recognizes that developing technologies for cell counting instruments will require increasingly sophisticated and high-quality controls and is prepared to meet this challenge.

Current Retail Hematology Products

Impedance-Type Whole Blood Controls/Calibrators. The Hematology Division of R&D Systems currently produces controls and calibrators for the following impedance-type instruments: Abbott Cell-Dyn, ABX, Beckman Coulter, Danam, Hycel, Roche and TOA Sysmex instruments.

Laser-Type Whole Blood Controls/Calibrators. Currently produced controls and calibrators for laser-type instruments include products for the following: Beckman Coulter MAXM, STKS and GENS; Abbott Cell-Dyn 3000, 3200, 3500 and 4000 instruments; ABX instruments; Bayer Technicon ADVIA

and H series instruments; and the TOA Sysmex NE-8000 and NE-5500 instruments.

Linearity Control. This product provides a means of assessing the linearity of hematology analyzers for white blood cells, red blood cells, hemoglobin and platelets.

Whole Blood Reticulocyte Control. This control is designed for manual and automated counting of reticulocytes (immature red blood cells).

Whole Blood Flow Cytometry Control. This product is a control for flow cytometry instruments. These instruments are used to identify and quantify white blood cells by their surface antigens.

Whole Blood Glucose/Hemoglobin Control. This product is designed to monitor instruments for measuring glucose and hemaglobin.

Erythrocyte Sedimentation Rate Control. This product is designed to monitor erythrocyte sedimentation rate tests.

Multi-Purpose Platelet Reference Control. This product, Platelet-Trol II, is designed for use by automatic and semi-automatic impedance and laser instruments and is the successor to Platelet-Rich-Plasma which R&D Systems introduced in 1977.

PRODUCTS UNDER DEVELOPMENT

R&D Systems is engaged in ongoing research and development in all of its major product lines: hematology controls and calibrators, biotechnology cytokines, antibodies, assays and related products. The Company believes that its future success depends, to a large extent, on the ability to keep pace with changing technologies and markets. At the same time, the Company continues to examine its production processes to ensure high quality and maximum economy.

R&D Systems' Biotechnology Division is planning to release new cytokines, antibodies and cytokine assay kits in the coming year. All of these products will be for research purposes only and therefore do not require FDA clearance. R&D Systems' Hematology Division has developed several new control products in fiscal 2001 and is continuously working on product improvements and enhancements. However, there is no assurance that any of the products in the research and development phase can be developed or, if developed, can be successfully introduced into the marketplace.

Expenditures for research and development activities were $14,522,233, $11,198,309 and $12,004,798 for fiscal years 2001, 2000 and 1999, respectively.

BUSINESS RELATIONSHIPS

During fiscal 1998, 1999, and 2000, the Company purchased a total of $5 million of convertible preferred stock of ChemoCentryx, Inc. (CCX), which gave the Company a 49% interest in CCX through January 2001. In February 2001, CCX obtained $23 million in financing through the issuance of 8,846,154 shares of additional preferred stock. The Company currently holds approximately 26% of the outstanding voting stock of CCX. CCX is a technology and drug development company working in the area of chemokines. Chemokines are cytokines which regulate the trafficking patterns of leukocytes, the effector cells of the human immune system. In conjunction with the equity investment and joint research efforts, the Company obtained exclusive worldwide research and diagnostic marketing rights to chemokine proteins, antibodies and receptors discovered or developed by CCX or R&D Systems. The Company accounts for the investment under the equity method of accounting and, through January 2001, recognized 100% of the losses of CCX due to the limited amount of cash consideration provided by the holders of the common shares of CCX. Subsequent to January 2001, the Company is including CCX operating results in its consolidated financial statements based on its ownership percentage. The Company's net investment in CCX was $6,441,481 and $3,553,516 at June 30, 2001 and 2000, respectively.

On August 2, 2001, the Company made an equity investment of $3 million and

entered into a research and license agreement with Discovery Genomics, Inc. (DGI) of Minneapolis, Minnesota. DGI was recently organized and holds licenses from the University of Minnesota to develop technologies used for functional genomics and the discovery of druggable targets. The Company acquired a 39% equity interest in DGI and warrants to acquire additional equity. The Company also received the rights to develop antibodies and immunoassay kits for proteins discovered by DGI and an exclusive, royalty free license to sell such products in the research market. The Company's investment will be accounted for under the equity method of accounting.

Original Equipment Manufacturers (OEM) agreements represent the largest market for hematology controls and calibrators made by R&D Systems. In fiscal year 2001, OEM contracts accounted for $7,096,901 or 48% of Hematology Division revenues and 6% of total consolidated revenues.

GOVERNMENT REGULATION

All manufacturers of hematology controls and calibrators are regulated under the Federal Food, Drug and Cosmetic Act, as amended. All of R&D Systems' hematology control products are classified as "In Vitro Diagnostic Products" by the FDA. The entire hematology control manufacturing process, from receipt of raw materials to the monitoring of control products through their expiration date, is strictly regulated and documented. FDA inspectors make periodic site inspections of the Hematology Division's control operations and facilities. Hematology control manufacturing must comply with Good Manufacturing Practices (GMP) as set forth in the FDA's regulations governing medical devices.

Three of R&D Systems' immunoassay kits, EPO, TfR and Beta2-microglobulin, have FDA clearance to be sold for clinical diagnostic use. R&D Systems must comply with GMP for the manufacture of these kits. Biotechnology products manufactured in the United States and sold for use in the research market do not require FDA clearance.

Some of R&D Systems' research groups use small amounts of radioactive materials in the form of radioisotopes in their product development activities. Thus, R&D Systems is subject to regulation by the US Nuclear Regulatory Commission (NRC) and has been granted an NRC license due to expire in April 2002. The license is renewable annually. R&D Systems is also subject to regulation and inspection by the Department of Health of the State of Minnesota for its use of radioactive materials. It has been granted a certificate of registration, which is renewable annually, by the Minnesota Department of Health. The current certificate expires April 1, 2002. R&D Systems has had no difficulties in renewing these licenses in prior years and has no reason to believe they will not be renewed in the future. If, however, the licenses were not renewed, it would have minimal effect on R&D Systems' business since there are other technologies the research groups could use to replace radioisotopes.

AVAILABILITY OF RAW MATERIALS

The primary raw material for the Company's hematology controls is whole blood. Human blood is purchased from commercial blood banks and porcine and bovine blood is purchased from nearby meat processing plants. After raw blood is received, it is separated into its components, processed and stabilized. Although the cost of human blood has increased owing largely to the requirement that it be tested for HIV (AIDS) antibodies and hepatitis, the higher cost of these materials has not had a serious adverse effect on the Company's business. R&D Systems does not perform its own testing for the AIDS antibodies as the supplier tests all human blood purchased. R&D Systems' Biotechnology Division develops and manufactures the majority of its cytokines from synthetic genes developed in-house, thus significantly reducing its reliance on outside resources. R&D Systems typically has several outside sources for all critical raw materials necessary for the manufacture of products.

PATENTS AND TRADEMARKS

R&D Systems owns patent protection for certain hematology controls. R&D Systems may seek patent protection for new or existing products it

manufactures. No assurance can be given that any such patent protection will be obtained. No assurance can be given that R&D Systems' products do not infringe upon patents or proprietary rights owned or claimed by others, particularly for genetically engineered products. R&D Systems has not conducted a patent infringement study for each of its products.

R&D Systems and R&D Europe have a number of licensing agreements with patent holders under which they have the non-exclusive right to patented technology or the non-exclusive right to manufacture and sell certain patented cytokine and cytokine related products to the research market. For fiscal 2001, total royalties expensed under these licenses were approximately $1,563,000.

R&D Systems has obtained federal trademark registration for certain of its hematology controls and biotechnology product groups. R&D Systems believes it has common law trademark rights to certain marks in addition to those which it has registered.

SEASONALITY OF BUSINESS

Sales of the products manufactured by R&D Systems and R&D Europe are not seasonal, although R&D Europe historically experiences a slowing of sales during the summer months.

SIGNIFICANT CUSTOMERS

No single customer accounted for more than 10% of total revenues during fiscal 2001, 2000 or 1999.

BACKLOG

There was no significant backlog of orders for the Company's products as of the date of this report or as of a comparable date for fiscal 2000.

COMPETITION

The worldwide market for cytokines and research diagnostic assay kits is being supplied by a number of biotechnology companies, including BD Biosciences, BioSource International, Sigma Chemical Co., Amersham Pharmacia and CN Biosciences. R&D Systems believes that it is the leading worldwide supplier of cytokine related products in the research marketplace. R&D Systems believes that the expanding line of its products, their recognized quality, and the growing demand for these rare and versatile proteins, antibodies and assay kits, will allow the Company to remain competitive in the growing biotechnology research and diagnostic market.

Competition is intense in the hematology control business. The first control products were developed in response to the rapid advances in electronic instrumentation used in hospital and clinical laboratories for blood cell counting. Historically, most of the instrument manufacturing companies made controls for use in their own instruments. With rapid expansion of the instrument market, however, a need for more versatile controls enabled non-instrument manufacturers to gain a foothold. Today the market is comprised of manufacturers of laboratory reagents, chemicals and coagulation products and independent control manufacturers in addition to instrument manufacturers. The principal hematology control competitors of R&D Systems' retail products are Beckman Coulter, Inc., TOA Sysmex, Streck Laboratories, Abbott Diagnostics and Hematronix, Inc. R&D Systems believes it is the third largest supplier of hematology controls in the marketplace behind Beckman Coulter and Streck Laboratories.

EMPLOYEES

R&D Systems had 447 full-time and 47 part-time employees as of June 30, 2001. R&D Europe had 47 full-time and 10 part-time employees as of June 30, 2001, including 9 full-time and 1 part-time at R&D Europe's sales subsidiary in Germany.

ENVIRONMENT

Compliance with federal, state and local environmental protection laws in the United States, England and Germany had no material effect on R&D Systems or R&D Europe in fiscal 2001.

FOREIGN AND DOMESTIC OPERATIONS

The following table represents certain financial information relating to foreign and domestic operations for the fiscal years ended June 30 (all amounts are in thousands of US dollars):

	2001	2000	1999
Net Sales to External Customers			
Hematology Division:			
US	$ 12,357	$ 11,140	$ 10,549
Other	2,353	2,435	2,125
Biotechnology Division:			
US	58,661	51,788	43,712
Other	14,995	12,443	11,249
R&D Europe:			
Other	26,990	26,032	23,266
Gross Margin			
R&D Systems (US)	76,578	66,125	52,791
R&D Europe (England)	8,731	9,373	9,490
R&D GmbH (Germany)	1,623	1,590	1,296
Net Earnings (Loss)			
Parent and R&D Systems (US)	31,006	22,418	15,230
R&D Europe (England)	3,310	3,269	2,835
R&D GmbH (Germany)	229	253	8
ChemoCentryx (US)	(500)	643	(1,417)
Identifiable Assets			
Parent and R&D Systems (US)	194,355	165,834	112,327
R&D Europe (England)	17,029	13,546	10,213
R&D GmbH (Germany)	753	1,030	1,261

CAUTIONARY STATEMENTS

The Company wishes to caution investors that the following important factors, among others, in some cases have affected and in the future could affect the Company's actual results of operations and cause such results to differ materially from those anticipated in forward-looking statements made in this document and elsewhere by or on behalf of the Company:

Risk of Technological Obsolescence and Competition

The biotechnology industry is subject to rapid and significant technological change. While the hematology controls industry historically has been subject to less rapid change, it too is evolving and is impacted significantly by changes in the automated testing equipment offered by hardware manufacturers. Competitors of the Company in the United States and abroad are numerous and include, among others, specialized biotechnology firms, medical laboratory instrument and equipment manufacturers and disposables suppliers, major pharmaceutical companies, universities and other research institutions. There can be no assurance that the Company's competitors will not succeed in developing technologies and products that are more effective than any which have been or are being developed by the Company or that would render the Company's technologies and products obsolete or noncompetitive. Many of these competitors have substantially greater resources and product development, production and marketing capabilities than the Company. With regard to diagnostic kits, which constitute a relatively minor portion of the Company's business, many of the Company's competitors have significantly greater experience than the Company in undertaking preclinical testing and clinical trials of new or improved diagnostic kits and obtaining FDA and other regulatory approvals of such products.

Patents and Proprietary Rights

The Company's success will depend, in part, on its ability to obtain licenses and patents, maintain trade secret protection and operate without infringing the proprietary rights of others. The Company has filed a very limited number of United States and foreign patent applications for products in which it believes it has a proprietary interest. The Company has obtained and is negotiating licenses to produce a number of cytokines and related products claimed to be owned by others. The Company has not conducted a patent infringement study for each of its products. It is possible that products of the Company may unintentionally infringe patents of third parties or that the Company may have to alter its products or processes, pay licensing fees or cease certain activities because of patent rights of third parties, thereby causing additional unexpected costs and delays which may have a material adverse effect on the Company. The patenting of hematology and biotechnology processes and products involves complex legal and factual questions and, to date, there has emerged no consistent policy regarding the breadth of claims in biotechnology patents. Protracted and costly litigation may be necessary to enforce rights of the Company and defend against claims of infringement of rights of others.

Financial Impact of Expansion Strategy

The Company engages in an expansion strategy which includes internal development of new products, collaboration with manufacturers of automated instruments which may use the Company's products, investment in joint ventures and companies developing new products related to the Company's business and acquisition of companies for new products or additional customer base. Each of the strategies carries risks that objectives will not be achieved and future earnings will be adversely affected. During the early development stage, a percentage of the operating losses of certain companies in which the Company may invest will be reported as losses of the Company, as is the case with ChemoCentryx, Inc. and Discovery Genomics, Inc.

Government Regulation

Ongoing research and development activities, including preclinical and clinical testing, and the production and marketing of the Company's products are subject to regulation by numerous governmental authorities in the United States and other countries. Some of the Company's products and manufacturing processes and facilities require governmental approval prior to commercial use. The approval process applicable to clinical diagnostic products of the type which may be developed by the Company usually takes a number of years and typically requires substantial expenditures. Delays in obtaining regulatory approvals would adversely affect the marketing of products developed by the Company and the Company's ability to receive product revenues or royalties. There can be no assurance that regulatory approvals for such products will be obtained without lengthy delays, if at all.

Attraction and Retention of Key Employees

Recruiting and retaining qualified scientific and production personnel to perform research and development work and product manufacturing is critical to the Company's success. Although the Company believes it has been and will be able to attract and retain such personnel, there can be no assurance that the Company will be successful. In addition, the Company's anticipated growth and expansion into areas and activities requiring additional expertise, such as clinical testing, government approvals, production and marketing, will require the addition of new management personnel and the development of additional expertise by existing management personnel. The failure to attract and retain such personnel or to develop such expertise would adversely affect the Company's business.

Litigation

On September 19, 2000, the Company brought a declaratory judgement action in United States District Court for the District of Minnesota (the Court) seeking to have the Court declare that no amount is owed by the Company to Amgen, Inc. (Amgen) in connection with invoices in the amount of $31.9 million rendered by Amgen in June 2000 for materials provided to the Company in past years. The Company also claimed damages for breach of contract and unfair business practices in violation of applicable statutes. Amgen subsequently acknowledged error and reduced the amount of its invoices by $3.9 million to $28 million. Amgen filed a counterclaim seeking the $28 million plus interest and attorneys fees. The Company believes that it has

strong defenses to Amgen's claims and that it owes no material amount. The ultimate outcome of litigation, however, cannot be predicted with certainty. An unfavorable outcome to the litigation with Amgen would not adversely impair the operations of the Company or its financial condition, but would have a material effect on net income for the period in which realized. See "Financial Statements, Note E. Commitments and contingencies."

ITEM 2. PROPERTIES

On July 1, 1999, the Company purchased, for approximately $28 million, the facilities R&D Systems had been leasing in Minneapolis, Minnesota. The R&D complex currently includes 365,000 square feet of administrative, research and manufacturing space. The Hematology Division manufacturing and shipping operations are located at 640 McKinley Place N.E. (47,000 square feet). Biotechnology Division manufacturing and research operations are located at 600 McKinley Place NE (85,000 square feet) and 2201 Kennedy Street (200,000 square feet). Administrative, sales and marketing functions are also located at the 2201 Kennnedy Street building. The Company also occupies an additional 20,000 square feet in space connecting the three buildings. This area houses a lunchroom, a library and additional warehouse space. In addition, the Company constructed a 13,000 square foot entrance to the facility. The Company has entered into two option agreements for real estate adjacent to the current facility. The options are exercisable through November 2001 and January 2005 on the two properties, respectively. The Company plans to exercise its option on the first property during fiscal 2002 and plans to build an infill to connect this property with its current facility.

R&D Europe sub-leased approximately 12,500 square feet in one building in Abingdon, England. The lease on the building expired in June 2001. In May 2001 R&D Europe began leasing approximately 17,000 square feet in a building less than one mile from its previous location. Rental rates for the new facility are expected to be slightly higher than rates under the previous sub-lease. Base rent was $195,000 in fiscal 2001.

R&D GmbH leases approximately 2,300 square feet as a sales office in Wiesbaden-Nordenstadt, Germany. Base rent was $32,000 in fiscal 2001.

The Company believes the acquired property, purchase options and leased property discussed above are adequate to meet its occupancy needs in the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

On September 19, 2000, the Company brought a declaratory judgement action in United States District Court for the District of Minnesota (the Court) seeking to have the Court declare that no amount is owed by the Company to Amgen, Inc. (Amgen) in connection with invoices in the amount of $31.9 million rendered by Amgen in June 2000 for materials provided to the Company in past years. The Company also claimed damages for breach of contract and unfair business practices in violation of applicable statutes. Amgen subsequently acknowledged error and reduced the amount of its invoices by $3.9 million to $28 million. Amgen filed a counterclaim seeking the $28 million plus interest and attorneys fees. The Company believes that it has strong defenses to Amgen's claims and that it owes no material amount. The ultimate outcome of litigation, however, cannot be predicted with certainty. An unfavorable outcome to the litigation with Amgen would not adversely impair the operations of the Company or its financial condition, but would have a material effect on net income for the period in which realized. See "Financial Statements, Note E. Commitments and contingencies."

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of the Company's security holders during the fourth quarter of the Company's 2001 fiscal year.

EXECUTIVE OFFICERS OF THE COMPANY

(a) The names, ages and positions of each executive officer of the Company are as follows:

Name	Age	Position	Officer Since
Thomas E. Oland	60	Chairman of the Board, President, Treasurer and Director	1985
Dr. Monica Tsang	56	Vice President, Research	1995
Marcel Veronneau	46	Vice President, Hematology Operations	1995
Timothy M. Heaney	55	Vice President, Secretary, General Counsel and Director	1999

The term of office of each executive officer is from one annual meeting of directors until the next annual meeting of directors or until a successor is elected. There are no arrangements or understandings among any of the executive officers and any other person (not an officer or director acting as such) pursuant to which any of the executive officers was selected as an officer of the Company.

(b) The business experience of the executive officers during the past five years is as follows:

Thomas E. Oland has been Chairman of the Board, President and Treasurer of the Company since December 1985.

Dr. Monica Tsang was elected a Vice President of the Company in March 1995. Prior thereto, she served as Executive Director of Cell Biology for R&D Systems' Biotechnology Division and has been an employee of R&D Systems since 1985.

Marcel Veronneau was elected a Vice President of the Company in March 1995. Prior thereto, he served as Director of Operations for R&D Systems' Hematology Division since joining the Company in 1993.

Timothy M. Heaney was elected a Vice President of the Company in October 1999. Prior thereto, he was a partner at Fredrikson and Byron, P.A., the Company's outside legal counsel and had served as the managing partner on the Company's account.

An additional officer, Dr. James A. Weatherbee, who served as Vice President and Chief Scientific Officer since 1995, is on medical leave. Dr. Weatherbee and Dr. Tsang are husband and wife.

Dr. Thomas Detwiler, Vice President of the Company since March 1995, retired from the Company in July 2000.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock trades on The NASDAQ Stock Exchange under the symbol "TECH." The following table sets forth for the periods indicated the range of the closing price per share for the Company as reported by NASDAQ.

	FISCAL 2001 PRICE		FISCAL 2000 PRICE	
	HIGH	LOW	HIGH	LOW
1st Quarter	$ 74.00	$ 36.50	$ 16.38	$ 12.38
2nd Quarter	62.66	32.00	27.53	15.88
3rd Quarter	33.69	22.50	44.19	25.99
4th Quarter	38.41	24.81	70.00	30.00

As of September 11, 2001, there were approximately 300 shareholders of record. As of September 11, 2001, there were over 14,000 beneficial shareholders of the Company's common stock. TECHNE Corporation has never paid cash dividends on its common stock. Payment of dividends is within the discretion of TECHNE's Board of Directors, although the Board of Directors plans to retain earnings for the foreseeable future for operating the Company's business.

ITEM 6. SELECTED FINANCIAL DATA

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

REVENUE, EARNINGS AND CASH FLOW DATA FOR THE YEARS ENDED JUNE 30	2001	2000	1999(1)	1998	1997
Net sales	$115,357	$103,838	$ 90,901	$67,291	$60,924
Gross margin	75.4%	74.2%	69.9%	70.3%	68.7%
Selling, general and administrative expense	15.4%	16.7%	18.6%	22.8%	23.9%
Research and development expenses	12.6%	10.8%	13.2%	15.8%	19.2%
Interest expense	1,381	1,441	--	--	29
Earnings before income taxes	47,808	39,412	26,054	22,411	15,988
Net earnings	34,045	26,583	16,656	15,183	10,882
Diluted earnings per share(3)	0.80	0.63	0.40	0.39	0.28
Capital expenditures	6,815	30,368	5,564	2,780	4,243
Depreciation and amortization	12,737	12,651	11,890	2,303	2,322
Change in net working capital	34,560	36,352	(12,544)	15,033	6,639
Net cash provided by operating activities	46,372	38,739	28,422	20,875	12,477
Return on sales	29.5%	25.6%	18.3%	22.6%	17.9%
Return on average equity	21.4%	22.3%	20.7%	27.1%	25.0%

BALANCE SHEET, COMMON STOCK AND EMPLOYEE DATA AS OF JUNE 30	2001	2000	1999(1)	1998	1997
Cash, cash equivalents and short-term investments	$ 97,072	$ 59,824	$ 29,114	$41,436	$24,752
Receivables	18,322	15,601	13,520	10,002	9,114
Inventories	5,438	4,652	5,715	3,811	4,087
Working capital	108,300	73,740	37,388	49,932	34,899
Total assets	215,525	180,410	123,801	72,785	53,922
Long-term debt, less current portion	18,050	18,935	--	--	--
Stockholders' equity	177,660	141,145	96,838	63,831	48,081
Average common and common Equivalent shares (in thousands)(3)	42,668	42,206	41,373	39,215	38,925
Book value per share(2)(3)	4.29	3.41	2.41	1.67	1.27
Share price:(3)					
High	74.00	70.00	14.75	10.00	7.63
Low	22.50	12.38	6.13	6.72	5.06
Price to earnings ratio	41	103	31	25	27
Current ratio	7.81	6.87	3.78	7.84	8.12
Quick ratio	7.26	6.00	3.17	7.05	6.91
Full-time employees	494	440	402	356	326

(1) The Company acquired the research products business of Genzyme Corporation on July 1, 1998.

(2) Total stockholders' equity divided by total shares outstanding at June 30.

(3) The Company declared a two-for-one stock split with a record date of November 24, 2000. All prior year share and per share amounts have been restated to reflect the stock split.

The Company has not declared any cash dividends in the past, and it is not anticipated that it will declare any dividends in the foreseeable future.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMPANY STRUCTURE

TECHNE (the Company) has two operating subsidiaries: Research and Diagnostic

Systems, Inc. (R&D Systems) and R&D Systems Europe Ltd. (R&D Europe). R&D Systems, located in Minneapolis, Minnesota, has two operating segments: its Biotechnology Division and its Hematology Division. The Biotechnology Division develops and manufactures purified cytokines (proteins), antibodies and assay kits which are sold to biomedical researchers and clinical research laboratories. The Hematology Division develops and manufactures whole blood hematology controls and calibrators which are sold to hospitals and clinical laboratories to check the performance of hematology instruments to assure the accuracy of hematology test results. R&D Europe, the Company's third operating segment, located in Abingdon, England, is the European distributor of R&D Systems' biotechnology products. R&D Europe has a German sales subsidiary, R&D Systems GmbH. The Company also has a foreign sales corporation, Techne Export Inc.

RESULTS OF OPERATIONS

Net sales for fiscal 2001 were $115,356,562, an increase of $11,518,407 (11%) from fiscal 2000. Net sales by R&D Systems' Biotechnology Division for the period increased $9,426,085 (15%). Net sales by R&D Systems' Hematology Division increased $1,135,001 (8%) and net sales by R&D Europe increased $957,321 (4%). The increase in consolidated net sales for the fiscal year was due largely to increased sales of proteins and antibodies. R&D Europe's net sales for fiscal 2001 were affected by changes in foreign currency exchange rates. In British pounds, R&D Europe's net sales increased 14% from the prior year and, adjusted for all changes in exchange rates, R&D Europe's net sales for fiscal 2001 would have been approximately $2.9 million higher than reported.

Net sales for fiscal 2000 were $103,838,155, an increase of $12,937,458 (14%) from fiscal 1999. Net sales by R&D Systems' Biotechnology Division for the period increased $9,269,504 (17%). Net sales by R&D Systems' Hematology Division increased $901,919 (7%) and net sales by R&D Europe increased $2,766,035 (12%). The increase in consolidated net sales for the fiscal year was due largely to increased sales of proteins and antibodies.

Net sales for fiscal 1999 were $90,900,697, an increase of $23,609,259 (35%) from fiscal 1998. Net sales by R&D Systems' Biotechnology Division for the period increased $17,247,069 (46%). Net sales by R&D Systems' Hematology Division increased $889,451 (8%) and net sales by R&D Europe increased $5,472,739 (31%). The increase in consolidated net sales for the fiscal year was due, in part, to the acquisition of Genzyme Corporation's research products business on July 1, 1998. In addition, the increase in consolidated net sales was due to increased sales of R&D Systems products to both R&D Systems customers and to former Genzyme customers as they were converted from Genzyme products to R&D Systems products.

Gross margins, as a percentage of sales, increased from 74.2% in fiscal 2000 to 75.4% in fiscal 2001. Biotechnology Division gross margins increased from 76.9% in fiscal 2000 to 78.6% in fiscal 2001. Margins in the first half of fiscal 2000 were affected by higher cost inventory acquired from Genzyme. R&D Europe gross margins decreased from 41.9% in fiscal 2000 to 38.3% in fiscal 2001 mainly as a result of changes in exchange rates. Hematology Division gross margins decreased from 48.4% in fiscal 2000 to 46.7% in fiscal 2001 as a result of changes in product mix.

Gross margins, as a percentage of sales, increased from 69.9% in fiscal 1999 to 74.2% in fiscal 2000. Biotechnology Division gross margins increased from 70.8% in fiscal 1999 to 76.9% in fiscal 2000. Margins in fiscal 1999 were affected by higher cost inventory acquired from Genzyme. R&D Europe gross margins decreased from 46.0% in fiscal 1999 to 41.9% in fiscal 2000 mainly as a result of changes in exchange rates. Hematology Division gross margins did not change significantly from the prior year.

Gross margins, as a percentage of sales, decreased slightly from 70.3% in fiscal 1998 to 69.9% in fiscal 1999. Biotechnology Division gross margins decreased from 72.9% in fiscal 1998 to 70.8% in fiscal 1999 as a result of lower gross profit levels on inventory acquired from Genzyme and the write-off of obsolete Genzyme packaging and kit components due to conversion of customers to R&D Systems labeled product. R&D Europe and Hematology Division gross margins did not change significantly from the prior year.

Selling, general and administrative expenses increased $399,084 (2%) in

fiscal 2001. The increase was the result of increased wages and benefits partially offset by exchange rate changes.

Selling, general and administrative expenses increased $452,914 (3%) in fiscal 2000. The increase was the result of increased wages and benefits and exchange rate losses partially offset by decreased rent expense due to the purchase of R&D Systems' Minneapolis facilities on July 1, 1999.

Selling, general and administrative expenses increased $1,494,457 (10%) in fiscal 1999. The majority of the increase in consolidated selling, general and administrative expenses was due to additional sales personnel added in the U.S. and Europe as a result of the Genzyme acquisition and associated advertising and promotion activities.

Research and development expenses increased $3,323,924 in fiscal 2001, decreased $806,489 in fiscal 2000 and increased $1,366,994 in fiscal 1999. The decrease in consolidated research and development expenses in fiscal 2000 was a result of research grant money received in fiscal 2000 by ChemoCentryx, Inc. (CCX), which offset CCX's research expenses. CCX is a technology and drug development company in which the Company has invested. Research and development expenses by R&D Systems increased $2.4, $1.6 and $.6 million in fiscal 2001, 2000 and 1999, respectively. These increases were primarily the result of the development and release of new cytokines, antibodies and assay kits by R&D Systems' Biotechnology Division and the development and release of several new Hematology Division control products. Management of the Company believes that R&D Systems will continue to develop new products.

Earnings before taxes increased from $39,411,797 in fiscal 2000 to $47,808,376 in fiscal 2001. The increase in earnings was primarily the result of a $8,543,176 increase in R&D Systems' Biotechnology Division earnings, a $573,280 increase in R&D Systems' Hematology Division earnings and a $270,873 increase in R&D Europe earnings. The increases were due mainly to increased sales and improved Biotechnology Division gross margins. The increases in consolidated earnings were partially offset by a $1,142,272 increase in operating losses by CCX as a result of increased research spending.

Earnings before taxes increased from $26,054,010 in fiscal 1999 to $39,411,797 in fiscal 2000. The increase in earnings was primarily the result of a $10,803,845 increase in R&D Systems' Biotechnology Division earnings, a $777,379 increase in R&D Systems' Hematology Division earnings and a $804,885 increase in R&D Europe earnings. The increases were due mainly to increased sales and improved Biotechnology Division gross margins. In addition, as a result of the research grant money received by CCX in fiscal 2000, CCX's losses decreased $2,059,224 from fiscal 1999. The above were partially offset by increased interest expense related to financing of the building acquisition.

Earnings before taxes increased from $22,410,961 in fiscal 1998 to $26,054,010 in fiscal 1999, despite $9.54 million in intangible asset amortization in fiscal 1999 related to the Genzyme acquisition. The increase in earnings was primarily the result of a $3,073,439 increase in R&D Systems' Biotechnology Division earnings, a $583,237 increase in R&D Systems' Hematology Division earnings and a $942,983 increase in R&D Europe earnings, all as a result of increased sales. These increases were offset by increased net losses by CCX of $744,209.

Income taxes for fiscal 2001, 2000 and 1999 were provided at rates of approximately 29%, 33% and 36%, respectively. The decrease in the tax rate in fiscal 2001 is due primarily to increased tax exempt interest income and a one-time $1.2 million credit as a result of the close-out of pending issues related to a state income tax examination for fiscal years 1996 through 1999. In fiscal 2000, CCX losses were offset by grant money received, resulting in a decrease in the tax rate from fiscal 1999. The higher tax rate in fiscal 1999 was due to the net losses of CCX for which no tax benefit was provided. U.S. federal and state taxes have been reduced as a result of tax-exempt interest income, the benefit of the foreign sales corporation, and the federal and state credit for research and development expenditures. Foreign income taxes have been provided at rates which approximate the tax rates in the United Kingdom and Germany.

LIQUIDITY AND CAPITAL RESOURCES

Cash, cash equivalents and short-term investments at June 30, 2001, were $97,071,868, an increase of 62% from the prior year. At June 30, 2000, cash, equivalents and short-term investments were $59,824,291 compared to $29,114,124 at June 30, 1999, an increase of 105%. The Company has an unsecured line of credit of $750,000 available at June 30, 2001. The interest rate on the line of credit is at the prime rate of 6.75% at June 30, 2001. There were no borrowings on the line outstanding as of June 30, 2001 and 2000.

Management of the Company expects to be able to meet its future cash and working capital requirements for operations, debt repayment, facility expansion and capital additions through currently available funds, cash generated from operations and maturities of short-term investments.

Cash flows from operating activities

The Company generated cash from operations of $46,371,711, $38,739,403 and $28,421,859 in fiscal 2001, 2000 and 1999, respectively. The majority of cash generated from operating activities in all three years resulted from an increase in net earnings after adjustment for noncash expenses.

Cash flows from investing activities

The Company's net investment in short-term investments in fiscal 2001, 2000 and 1999 was $33,335,894, $26,123,527 and $1,022,721, respectively. The Company's investment policy is to place excess cash in tax-exempt bonds with the objective of obtaining the highest possible return with the lowest risk, while keeping funds accessible.

Capital additions (excluding the building purchase discussed below) were $6,814,953, $8,505,709 and $5,564,033 in fiscal 2001, 2000 and 1999, respectively. Included in fiscal 2001 capital additions is $1.9 million for the construction of a $7.9 million parking ramp. The ramp is currently under construction and is expected to be completed in fiscal 2002. Also included in fiscal 2001, 2000 and 1999 capital additions are building improvements of $2.3, $5.1 and $3.5 million related to R&D Systems' remodeling and expansion. The remaining capital additions were for laboratory, manufacturing and computer equipment. Total capital additions planned for fiscal 2002 for equipment, building improvements and the completion of the parking ramp are expected to be approximately $8.8 million. All capital additions are expected to be financed through currently available cash, cash generated from operations and maturities of short-term investments.

On July 1, 1999, the Company purchased the facilities it occupies in Minneapolis, Minnesota for approximately $28 million. Cash of $4 million and 200,000 shares of common stock valued at $2.16 million were placed in escrow during fiscal 1999. The remainder of the purchase price was financed through cash on hand and a $20.4 million 15-year mortgage.

On July 1, 1999, the Company paid $2 million and issued warrants to purchase 120,000 shares of common stock as a deposit on an option to purchase additional property adjacent to its Minneapolis facility. The balance due on the purchase is approximately $6 million. The Company plans to exercise its option to purchase this property during fiscal 2002. Costs to renovate the buildings are estimated at approximately $12 million, with renovation expected to be completed early in fiscal 2003. The Company also plans to build an infill to connect this property with its current facility. The construction of the infill is expected to begin in the spring of 2002 with completion in late fall 2002 and costs are estimated at approximately $5.5 million.

On July 1, 1998 the Company acquired the research products business of Genzyme Corporation for $24.76 million cash, $17 million common stock and royalties on the Company's biotechnology sales for five years. Cash and equivalents at June 30, 1998 and maturities of short-term investments were used to finance the cash portion of the acquisition.

Cash flows from financing activities

The Company received $814,892, $6,470,910 and $1,136,633 for the exercise of options for 89,616, 1,052,046 and 385,704 shares of common stock in fiscal 2001, 2000 and 1999, respectively.

In fiscal 2001 and 1999, the Company purchased and retired 40,000 and 427,200 shares of Company common stock at a market value of $1,163,768 and $3,941,950, respectively. In May 1995, the Company announced a plan to purchase and retire up to $5 million of its common stock. In April 1997 and January 2001 this was increased an additional $5 and $10 million, respectively. Through June 30, 2001, $9,917,882 of common stock had been purchased under the plan. Any additional purchases will be funded from currently available cash.

The Company has never paid cash dividends and has no plans to do so in fiscal 2002. The Company's earnings will be retained for reinvestment in the business.

NEW ACCOUNTING PRONOUNCEMENTS

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "REVENUE RECOGNITION IN FINANCIAL STATEMENTS," which provides guidance in applying generally accepted accounting principles to revenue recognition in financial statements. The application of this SAB did not have a material impact on the Company's operating results or financial position.

On July 1, 2000, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES", as amended by SFAS No. 138, "ACCOUNTING FOR CERTAIN DERIVATIVE INSTRUMENTS AND CERTAIN HEDGING ACTIVITIES". SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivatives, including those embedded in other contracts, be recognized as either assets or liabilities and that those financial instruments be measured at fair value. The accounting for changes in the fair value of derivatives depends on their intended use and designation. Management has reviewed the requirements of SFAS No. 133 and has determined that they have no free-standing or embedded derivatives. All contracts that contain provisions meeting the definition of a derivative also meet the requirements of, and have been designated as, normal purchases or sales. The Company's policy is to not use free-standing derivatives and to not enter into contracts with terms that cannot be designated as normal purchases or sales.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "BUSINESS COMBINATIONS" and SFAS No. 142, "GOODWILL AND OTHER INTANGIBLE ASSETS". SFAS No. 141 applies to all business combinations initiated after June 30, 2001 and prohibits the use of the pooling-of-interests method of accounting. There are also transition provisions provided that apply to business combinations completed before July 1, 2001 that were accounted for using the purchase method. Under SFAS No. 142, goodwill as well as other intangibles determined to have an infinite life will no longer be amortized; however, these assets will be reviewed for impairment on a periodic basis. SFAS No. 142 also includes provisions for the reclassification of certain existing recognized intangibles as goodwill, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. The Company plans to adopt SFAS No. 142 on July 1, 2002. The Company is currently assessing, but has not yet determined, the impact of these statements on its financial position and results of operations. As of June 30, 2001, the Company had net goodwill and other intangibles assets of approximately $18.8 million and $8.6 million, respectively. Amortization expense recorded during fiscal 2001, 2000, and 1999 was approximately $8.9 million, $9.2 million and $9.6 million, respectively.

FORWARD-LOOKING INFORMATION

Statements in this Annual Report, and elsewhere, that are forward-looking involve risks and uncertainties which may affect the Company's actual results of operations. Certain of these risks and uncertainties which have affected and, in the future, could affect the Company's actual results are discussed below.

The biotechnology industry is subject to rapid and significant technological change. While the hematology controls industry historically has been subject to less rapid change, it too is evolving and is impacted significantly by

changes in the automated testing equipment offered by hardware manufacturers. Competitors of the Company are numerous and include, among others, specialized biotechnology firms, medical laboratory instrument and equipment manufacturers and disposables suppliers, major pharmaceutical companies, universities and other research institutions. There can be no assurance that the Company's competitors will not succeed in developing technologies and products that are more effective than any which have been or are being developed by the Company or that would render the Company's technologies and products obsolete or noncompetitive.

The Company's success will depend, in part, on its ability to obtain licenses and patents, maintain trade secret protection and operate without infringing the proprietary rights of others. The Company has obtained and is negotiating licenses to produce a number of cytokines and related products claimed to be owned by others. Since the Company has not conducted a patent infringement study for each of its products, it is possible that products of the Company may unintentionally infringe patents of third parties or that the Company may have to alter its products or processes, pay licensing fees or cease certain activities because of patent rights of third parties, thereby causing additional unexpected costs and delays which may have a material adverse effect on the Company.

The Company's expansion strategies, which include internal development of new products, collaborations, investments in joint ventures and companies developing new products related to the Company's business, and the acquisition of companies for new products and additional customer base, carry risks that objectives will not be achieved and future earnings will be adversely affected.

Ongoing research and development activities, including preclinical and clinical testing, and the production and marketing of the Company's products are subject to regulation by numerous governmental authorities in the United States and other countries. The approval process applicable to clinical diagnostic products of the type that may be developed by the Company usually takes a number of years and typically requires substantial expenditures. Delays in obtaining approvals could adversely affect the marketing of new products developed by the Company.

Recruiting and retaining qualified scientific and production personnel to perform research and development work and product manufacturing are critical to the Company's success. The Company's anticipated growth and its expected expansion into areas and activities requiring additional expertise will require the addition of new personnel and the development of additional expertise by existing personnel. The failure to attract and retain such personnel could adversely affect the Company's business.

On September 19, 2000, the Company brought a declaratory judgement action in United States District Court for the District of Minnesota (the Court) seeking to have the Court declare that no amount is owed by the Company to Amgen, Inc. (Amgen) in connection with invoices in the amount of $31.9 million rendered by Amgen in June 2000 for materials provided to the Company in past years. The Company also claimed damages for breach of contract and unfair business practices in violation of applicable statutes. Amgen subsequently acknowledged error and reduced the amount of its invoices by $3.9 million to $28 million. Amgen filed a counterclaim seeking the $28 million plus interest and attorneys fees. The Company believes that it has strong defenses to Amgen's claims and that it owes no material amount. The ultimate outcome of litigation, however, cannot be predicted with certainty. An unfavorable outcome to the litigation with Amgen would not adversely impair the operations of the Company or its financial condition, but would have a material effect on net income for the period in which realized. See "Financial Statements, Note E. Commitments and contingencies."

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At the end of fiscal 2001, the Company had an investment portfolio of fixed income securities, excluding those classified as cash and cash equivalents, of $75,804,077 (see Note A of Notes to Consolidated Financial Statements). These securities, like all fixed income instruments, are subject to interest rate risk and will decline in value if market interest rates increase. However, the Company has the ability to hold its fixed income investments

until maturity and therefore the Company would not expect to recognize an adverse impact in income or cash flows.

The Company operates internationally, and thus is subject to potentially adverse movements in foreign currency rate changes. The Company does not enter into foreign exchange forward contracts to reduce its exposure to foreign currency rate changes on intercompany foreign currency denominated balance sheet positions.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF EARNINGS
TECHNE CORPORATION AND SUBSIDIARIES

	YEAR ENDED JUNE 30,		
	2001	2000	1999
Net sales	$115,356,562	$103,838,155	$90,900,697
Cost of sales	28,424,906	26,750,650	27,323,211
Gross margin	86,931,656	77,087,505	63,577,486
Operating expenses:			
Selling, general and administrative	17,714,215	17,315,131	16,862,217
Research and development	14,522,233	11,198,309	12,004,798
Amortization of intangible assets (Note A)	8,889,254	9,229,250	9,578,646
Interest expense	1,381,276	1,441,272	--
Interest income	(3,383,698)	(1,508,254)	(922,185)
	39,123,280	37,675,708	37,523,476
Earnings before income taxes	47,808,376	39,411,797	26,054,010
Income taxes (Note G)	13,763,000	12,829,000	9,398,000
Net earnings	$ 34,045,376	$ 26,582,797	$16,656,010
Earnings per share:(1)			
Basic	$ 0.82	$ 0.65	$ 0.41
Diluted	$ 0.80	$ 0.63	$ 0.40
Weighted average common shares outstanding:(1)			
Basic	41,438,670	40,625,482	40,234,734
Diluted	42,668,236	42,206,042	41,373,350

(1) All earnings per share and share amounts for the periods presented have been restated for the two-for-one stock split declared on November 9, 2000 and paid December 1, 2000.

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS
TECHNE CORPORATION AND SUBSIDIARIES

	JUNE 30,	
	2001	2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,267,791	$ 17,356,108
Short-term available-for-sale investments (Note A)	75,804,077	42,468,183
Trade accounts receivable, less allowance for doubtful accounts of $126,000 and $162,000, respectively	15,894,048	14,056,481
Interest receivable	2,428,240	1,544,387

Inventories (Note B)	5,437,594	4,651,615
Deferred income taxes (Note G)	2,720,000	2,440,000
Prepaid expenses	639,759	494,117
Income taxes receivable	--	3,290,314
Total current assets	124,191,509	86,301,205
Property and equipment (Note C)	49,193,972	46,266,177
Intangible assets (Note A)	27,446,246	36,335,500
Deferred income taxes (Note G)	4,128,000	3,938,000
Other long-term assets (Note E)	10,565,386	7,568,699
	$215,525,113	$180,409,581

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Trade accounts payable	$ 3,477,072	$ 2,630,164
Salaries, wages and related accounts	2,302,553	2,998,696
Other accounts payable and accrued expenses	6,155,189	6,107,979
Income taxes payable	3,071,982	--
Current portion of long-term debt (Note D)	884,760	824,315
Total current liabilities	15,891,556	12,561,154
Royalty payable	3,923,000	7,768,000
Long-term debt, less current portion (Note D)	18,050,289	18,935,049
Commitments and contingencies (Note E)	--	--
Stockholders' equity (Note F):		
Undesignated capital stock, no par; authorized 5,000,000 shares; none issued or outstanding	--	--
Common stock, par value $.01 a share; authorized 100,000,000 shares; issued and outstanding 41,432,390 and 41,381,998 shares, respectively	414,324	413,820
Additional paid-in capital	57,382,636	52,857,444
Retained earnings	121,209,686	88,336,230
Accumulated other comprehensive loss	(1,346,378)	(462,116)
Total stockholders' equity	177,660,268	141,145,378
	$215,525,113	$180,409,581

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
TECHNE CORPORATION AND SUBSIDIARIES

<TABLE>
<CAPTION>

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUM. OTHER COMPRE-HENSIVE INCOME (LOSS)	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at June 30, 1998	38,099,966	$381,000	$13,523,945	$ 49,446,319	$ 479,503	$ 63,830,767
Comprehensive income:						
Net earnings	--	--	--	16,656,010	--	16,656,010
Other comprehensive income, net of tax:						
Foreign currency trans-lation adjustments	--	--	--	--	(426,903)	(426,903)
Comprehensive income						16,229,107

Common stock issued:						
Exercise of options (Note F)	427,740	4,277	1,236,040	--	--	1,240,317
Acquisition	1,974,412	19,744	16,980,256	--	--	17,000,000
Real estate deposit	200,000	2,000	2,158,830	--	--	2,160,830
Surrender and retirement of stock to exercise options (Note J)	(9,608)	(96)	48	(103,636)	--	(103,684)
Repurchase and retirement of common stock	(427,200)	(4,272)	2,136	(3,939,814)	--	(3,941,950)
Tax benefit from exercise of stock options	--	--	423,000	--	--	423,000
Balances at June 30, 1999	40,265,310	402,653	34,324,255	62,058,879	52,600	96,838,387
Comprehensive income:						
Net earnings	--	--	--	26,582,797	--	26,582,797
Other comprehensive income, net of tax:						
Foreign currency translation adjustments	--	--	--	--	(514,716)	(514,716)
Comprehensive income						26,068,081
Common stock issued:						
Exercise of options (Note F)	1,129,630	11,296	6,765,125	--	--	6,776,421
Fair value of warrants issued (Note F)	--	--	858,000	--	--	858,000
Surrender and retirement of stock to exercise options (Note J)	(12,942)	(129)	64	(305,446)	--	(305,511)
Tax benefit from exercise of stock options	--	--	10,910,000	--	--	10,910,000
Balances at June 30, 2000	41,381,998	413,820	52,857,444	88,336,230	(462,116)	141,145,378
Comprehensive income:						
Net earnings	--	--	--	34,045,376	--	34,045,376
Other comprehensive income, net of tax:						
Foreign currency translation adjustments	--	--	--	--	(884,262)	(884,262)
Comprehensive income						33,161,114
Common stock issued:						
Exercise of options (Note F)	90,616	906	822,540	--	--	823,446
Surrender and retirement of stock to exercise options (Note J)	(224)	(2)	--	(8,552)	--	(8,554)
Repurchase and retirement of common stock	(40,000)	(400)	--	(1,163,368)	--	(1,163,768)
Sale of stock by equity method investee (Note A)	--	--	3,387,652	--	--	3,387,652
Tax benefit from exercise of stock options	--	--	315,000	--	--	315,000
Balances at June 30, 2001	41,432,390	$414,324	$57,382,636	$121,209,686	$ (1,346,378)	$177,660,268

</TABLE>

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (NOTE J)
TECHNE CORPORATION AND SUBSIDIARIES

YEAR ENDED JUNE 30,
2001 2000 1999

Cash flows from operating activities:			
Net earnings	$ 34,045,376	$ 26,582,797	$ 16,656,010
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	12,737,448	12,651,350	11,890,384
Deferred income taxes	(508,000)	(1,157,000)	(1,902,000)
Deferred rent	--	--	308,400
Other	919,722	(404,042)	2,081,435
Change in current assets and current liabilities, net of acquisition:			
(Increase) decrease in:			
Trade accounts and interest receivable	(3,036,047)	(2,141,023)	(3,764,422)
Inventories	(846,902)	986,120	3,754,942
Prepaid expenses	(153,452)	(9,850)	(14,113)
Increase (decrease) in:			
Trade and other accounts payable	(2,867,638)	(2,898,880)	(2,434,625)
Salaries, wages and related accounts	(680,839)	695,184	314,777
Income taxes payable/receivable	6,762,043	4,434,747	1,531,071
Total adjustments	12,326,335	12,156,606	11,765,849
Net cash provided by operating activities	46,371,711	38,739,403	28,421,859
Cash flows from investing activities:			
Acquisition	--	--	(24,989,542)
Real estate deposits	--	(2,001,000)	(4,000,000)
Additions to property and equipment	(6,814,953)	(30,367,862	(5,564,033)
Purchase of short-term available-for-sale investments	(57,177,268)	(39,569,406)	(15,025,991)
Proceeds from sale of short-term available-for-sale investments	23,841,374	13,445,879	14,003,270
Increase in other long-term assets	(500,000)	(1,552,160)	(3,060,826)
Net cash used in investing activities	(40,650,847)	(60,044,549)	(38,637,122)
Cash flows from financing activities:			
Issuance of common stock	814,892	6,470,910	1,136,633
Repurchase of common stock	(1,163,768)	--	(3,941,950)
Proceeds from issuance of long-term debt	--	20,400,000	--
Payments on long-term debt	(824,315)	(640,636)	--
Net cash (used in) provided by financing activities	(1,173,191)	26,230,274	(2,805,317)
Effect of exchange rate changes on cash and cash equivalents	(635,990)	(338,488)	(323,559)
Net increase (decrease) in cash and cash equivalents	3,911,683	4,586,640	(13,344,139)
Cash and cash equivalents at beginning of year	17,356,108	12,769,468	26,113,607
Cash and cash equivalents at end of year	$ 21,267,791	$ 17,356,108	$ 12,769,468

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
TECHNE CORPORATION AND SUBSIDIARIES

Years Ended June 30, 2001, 2000 and 1999

A. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF BUSINESS: Techne Corporation and Subsidiaries (the Company) are engaged domestically in the development and manufacture of biotechnology products and hematology calibrators and controls. These activities are primarily conducted through its wholly owned subsidiary, Research and Diagnostic (R&D) Systems, Inc. Through its wholly owned English subsidiary, R&D Systems Europe Ltd., the Company distributes biotechnology products throughout Europe. R&D Systems Europe Ltd. has a sales subsidiary, R&D Systems GmbH, in Germany. The Company also has a foreign sales corporation, Techne Export Inc.

ESTIMATES: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RISKS AND UNCERTAINTIES: There are no concentrations of business transacted with a particular customer or supplier nor concentrations of revenue from a particular product or geographic area that would severely impact the Company in the near term.

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated.

TRANSLATION OF FOREIGN FINANCIAL STATEMENTS: Assets and liabilities of the Company's foreign operations are translated at year end rates of exchange and the foreign statements of earnings are translated at the average rate of exchange for the year. Gains and losses resulting from translating foreign currency financial statements are not included in operations but are accumulated in other comprehensive income. Foreign currency transaction gains and losses are included in operations.

REVENUE RECOGNITION: The Company recognizes revenues upon shipment of products. Revenues are reduced to reflect estimated returns. Freight charges to customers are included in net sales and freight costs are included in cost of sales in accordance with Emerging Issues Task Force No. 00-10, "ACCOUNTING FOR SHIPPING AND HANDLING FEES AND COSTS."

RESEARCH AND DEVELOPMENT: Research and development expenditures are expensed as incurred. Development activities generally relate to creating new products, improving or creating variations of existing products, or modifying existing products to meet new applications.

EARNINGS PER SHARE: The number of shares used to calculate earnings per share are as follows:

	YEAR ENDED JUNE 30,		
	2001	2000	1999
Weighted average common shares outstanding (basic)	41,438,670	40,625,482	40,234,734
Dilutive stock options and warrants outstanding	1,229,566	1,580,560	1,138,616
Weighted average common shares outstanding (diluted)	42,668,236	42,206,042	41,373,350

CASH AND CASH EQUIVALENTS: Cash and cash equivalents include cash on hand and highly liquid investments with original maturities less than three months.

SHORT-TERM INVESTMENTS: Short-term investments consist of tax-exempt bonds with original maturities of generally three months to three years.

The Company reports marketable securities at fair market value. Unrealized gains and losses on available-for-sale securities are excluded from income, but are included in other comprehensive income. The Company considers all of its marketable securities available-for-sale. Fair market values are based on quoted market prices.

Proceeds from sales of available-for-sale securities were $23,841,374, $13,445,879 and $14,003,270 during fiscal 2001, 2000 and 1999, respectively. There were no material gross realized gains or losses on these sales. Realized gains and losses are determined on the specific identification method. Unrealized gains and losses at June 30, 2001, 2000 and 1999 were not material.

INVENTORIES: Inventories are stated at the lower of cost (first-in, first-out method) or market.

DEPRECIATION AND AMORTIZATION: Equipment is being depreciated using the straight-line method over an estimated useful life of five years. Buildings, building improvements and leasehold improvements are being amortized over estimated useful lives of five to forty years.

INTANGIBLES: Intangible assets, related to the acquisition of Genzyme Corporation's research products business in fiscal 1999 and Amgen Inc.'s research reagent and diagnostic kit business in fiscal 1992 are being amortized on a straight-line basis over the estimated useful lives and consist of the following:

		JUNE 30,	
	USEFUL LIFE	2001	2000
Customer list	10 years	$18,010,000	$18,010,000
Technology licensing agreements	16 years	500,000	500,000
Goodwill	6 years	39,075,089	39,075,089
		57,585,089	57,585,089
Less accumulated amortization		30,138,843	21,249,589
		$27,446,246	$36,335,500

IMPAIRMENT OF LONG-LIVED ASSETS: Management periodically reviews the carrying value of long-term assets based on the estimated undiscounted future cash flows expected to result from the use of these assets. Should the sum of the expected future net cash flows be less than the carrying value, an impairment loss would be recognized. An impairment loss would be measured by the amount by which the carrying value of the asset exceeds the fair value of the asset based on discounted estimated future cash flows. To date, management has determined that no impairment exists.

INVESTMENTS: The Company's accounting policy is to recognize gains arising from issuances of stock by subsidiaries or equity method investees as a component of stockholders' equity for all issuances that meet the conditions of SEC Staff Accounting Bulletin (SAB) No. 51., "ACCOUNTING FOR THE SALE OF STOCK BY A SUBSIDIARY."

The Company has an interest in the issued and outstanding voting shares of ChemoCentryx, Inc. (CCX), a technology and drug development company. The Company accounts for this investment under the equity method of accounting and through January 2001 had a 49% interest in CCX. Through January 2001, the Company included 100% of the operating results of CCX in its consolidated financial statements due to the limited amount of cash consideration provided by the holders of the common shares of CCX. In February 2001, CCX obtained $23 million in financing through the issuance of 8,846,154 shares of preferred stock. The Company currently holds approximately 26% of the outstanding voting stock of CCX and is including CCX operating results in its consolidated financial statements based on its ownership percentage. The Company's net investment in CCX was $6,441,481 and $3,553,516 at June 30, 2001 and 2000, respectively.

STOCK OPTIONS: As permitted by SFAS No. 123, the Company has elected to continue following the guidance of Accounting Principles Board (APB) Opinion No. 25 for measurement and recognition of stock-based transactions with employees. No compensation cost has been recognized for stock options granted to employees under the plans because the exercise price of all options granted was at least equal to the fair value of the common stock at the date of grant.

RECLASSIFICATIONS: Certain reclassifications have been made to prior years'

consolidated financial statements to conform to the current year presentation. These reclassifications had no impact on net earnings or stockholders' equity as previously reported.

NEW ACCOUNTING PRONOUNCEMENTS: In December 1999, the Securities and Exchange Commission issued SAB No. 101, "REVENUE RECOGNITION IN FINANCIAL STATEMENTS," which provides guidance in applying generally accepted accounting principles to revenue recognition in financial statements. The application of this SAB did not have a material impact on the Company's operating results or financial position.

On July 1, 2000, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES", as amended by SFAS No. 138, "ACCOUNTING FOR CERTAIN DERIVATIVE INSTRUMENTS AND CERTAIN HEDGING ACTIVITIES". SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivatives, including those embedded in other contracts, be recognized as either assets or liabilities and that those financial instruments be measured at fair value. The accounting for changes in the fair value of derivatives depends on their intended use and designation. Management has reviewed the requirements of SFAS No. 133 and has determined that they have no free-standing or embedded derivatives. All contracts that contain provisions meeting the definition of a derivative also meet the requirements of, and have been designated as, normal purchases or sales. The Company's policy is to not use free-standing derivatives and to not enter into contracts with terms that cannot be designated as normal purchases or sales.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "BUSINESS COMBINATIONS" and SFAS No. 142, "GOODWILL AND OTHER INTANGIBLE ASSETS". SFAS No. 141 applies to all business combinations initiated after June 30, 2001 and prohibits the use of the pooling-of-interests method of accounting. There are also transition provisions provided that apply to business combinations completed before July 1, 2001 that were accounted for using the purchase method. Under SFAS No. 142, goodwill as well as other intangibles determined to have an infinite life will no longer be amortized; however, these assets will be reviewed for impairment on a periodic basis. SFAS No. 142 also includes provisions for the reclassification of certain existing recognized intangibles as goodwill, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. The Company plans to adopt SFAS No. 142 on July 1, 2002. The Company is currently assessing, but has not yet determined, the impact of these statements on its financial position and results of operations. As of June 30, 2001, the Company had net goodwill and other intangibles assets of approximately $18.8 million and $8.6 million, respectively. Amortization expense recorded during fiscal 2001, 2000, and 1999 was approximately $8.9 million, $9.2 million and $9.6 million, respectively.

B. INVENTORIES:

Inventories consist of:

	JUNE 30,	
	2001	2000
Raw materials	$2,552,179	$2,288,719
Finished goods	2,749,820	2,238,164
Supplies	135,595	124,732
	$5,437,594	$4,651,615

C. PROPERTY AND EQUIPMENT:

Property and equipment consist of:

	JUNE 30,	
	2001	2000

Cost:		
Land	$ 871,000	$ 871,000
Buildings and improvements	48,906,991	43,965,312
Laboratory equipment	15,023,754	14,114,039
Office and computer equipment	3,833,730	3,535,164
Leasehold improvements	459,191	180,770
	69,094,666	62,666,285
Less accumulated depreciation and amortization	19,900,694	16,400,108
	$49,193,972	$46,266,177

D. DEBT:

The Company's short-term line of credit facility consists of an unsecured line of credit of $750,000 at June 30, 2001. The interest rate charged on the line of credit is at the prime rate of 6.75% at June 30, 2001. There were no borrowings on the line outstanding as of June 30, 2001 and 2000.

Long-term debt consists of:

	JUNE 30, 2001	2000
Mortgage note, payable in monthly installments of $183,631 including interest	$18,935,049	$19,759,364
Less current portion	884,760	824,315
	$18,050,289	$18,935,049

The interest rate on the mortgage note is fixed at 7% for the first seven years and is thereafter adjusted based on U.S. Treasury rates.

Principal maturities of long-term debt as of June 30, 2001 are as follows:

YEAR ENDING JUNE 30:	
2002	$ 884,760
2003	949,637
2004	1,016,017
2005	1,093,772
2006	1,173,975
Thereafter	13,816,888
	$18,935,049

E. COMMITMENTS AND CONTINGENCIES:
The Company leases buildings, vehicles and various data processing, office and laboratory equipment under operating leases. These leases provide for renewal or purchase options during or at the end of the lease periods. At June 30, 2001, aggregate net minimum rental commitments under noncancelable leases having an initial or remaining term of more than one year are payable as follows:

YEAR ENDING JUNE 30:	
2002	$ 425,990
2003	408,373
2004	399,361
2005	389,445
2006	388,537
Thereafter	3,612,468
	$5,624,174

Total rent expense was approximately $337,000, $305,000 and $2,587,000 for the years ended June 30, 2001, 2000 and 1999, respectively.

In fiscal 1999, the Company entered into two option agreements for real estate adjacent to its R&D Systems' facility. The purchase price for the property under the first option is $7,951,000 and six-year warrants to purchase 120,000 shares of the Company's common stock at $11.89 per share. This purchase option expires on November 15, 2001. On July 1, 1999, the Company paid $2 million cash and issued the warrants as a nonrefundable deposit on the option purchase price. The fair market value of the warrants was $858,000. The deposit is included in other long-term assets at June 30, 2001 and 2000.

The purchase price for the property under the second option is $7 million plus capital improvement costs. This option expires on January 1, 2005 and requires a nonrefundable deposit of $2 million. A deposit of $1,000 was made on this option in fiscal 2000 with the remainder of the deposit due on the earlier of January 15, 2002 or sixty days after exercise of the first option.

A party has presented invoices in the amount of $28 million for materials provided to the Company over past years, allegedly pursuant to a contract under which no accounting or invoices were rendered for nine years. The Company has brought a declaratory judgement action seeking to have the court declare that no amount is owed. The party filed a counterclaim seeking the $28 million plus interest and attorney's fees. The Company's management believes that no material amount is owed, that it has strong defenses against the other party's claims, and that the ultimate resolution of the matter will not adversely impair the operations of the Company or its financial condition.

The Company is routinely subject to claims and involved in legal actions which are incidental to the business of the Company. Although it is difficult to predict the ultimate outcome of these matters, management believes that any ultimate liability will not materially affect the consolidated financial position or operations of the Company.

F. STOCKHOLDERS' EQUITY:

STOCK SPLIT: On November 9, 2000, the Company declared a two-for-one stock split in the form of a 100% stock dividend payable to shareholders of record on November 24, 2000. All earnings per share and share amounts for the periods presented have been restated to reflect the stock split.

STOCK OPTION PLANS: The Company has stock option plans which provide for the granting of stock options to employees (the TECHNE Corporation 1997 and 1987 Incentive Stock Option Plans) and to employees, officers, directors and consultants (the TECHNE Corporation 1998 and 1988 Nonqualified Stock Option Plans). The plans are administered by the Board of Directors, or a committee designated by the Board, which determines the persons who are to receive awards under the plans, the number of shares subject to each award and the term and exercise price of each option. The maximum term of options granted under all plans is ten years. The number of shares of common stock authorized to be issued is 3,200,000, 3,200,000, 1,600,000 and 2,000,000 under the TECHNE Corporation 1997 Incentive Stock Option Plan, the TECHNE Corporation 1987 Incentive Stock Option Plan, the TECHNE Corporation 1998 Nonqualified Stock Option Plan and the TECHNE Corporation 1988 Nonqualified Stock Option Plan, respectively.

Stock option activity during the three years ended June 30, 2001 consists of the following:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at June 30, 1998	2,510,116	$ 4.71
Granted	233,290	8.55
Exercised	(427,740)	2.90
Outstanding at June 30, 1999	2,315,666	5.43
Granted	231,304	17.93
Exercised	(1,129,630)	6.00
Outstanding at June 30, 2000	1,417,340	7.02
Granted	593,098	38.23
Canceled	(15,348)	37.44
Exercised	(90,616)	9.09

Outstanding at June 30, 2001	1,904,474	16.40

Options exercisable at June 30:

1999	1,871,666	5.43
2000	1,298,338	6.55
2001	1,804,328	15.76

Currently outstanding and exercisable stock options at June 30, 2001 consist of the following:

	OPTIONS OUTSTANDING		
EXERCISE PRICES	OUTSTANDING	WEIGHTED AVG. CONTRACTUAL LIFE (YRS.)	WEIGHTED AVG. EXERCISE PRICE
$ 2.69-10.00	1,128,574	3.92	$ 5.05
10.01-20.00	205,498	6.92	18.02
36.50	508,972	6.08	36.50
50.00-65.00	61,430	9.25	52.94
	1,904,474	5.00	16.40

	OPTIONS EXERCISABLE	
EXERCISE PRICES	EXERCISABLE	WEIGHTED AVG. EXERCISE PRICE
$ 2.69-10.00	1,128,574	$ 5.05
10.01-20.00	163,830	18.57
36.50	450,494	36.50
50.00-65.00	61,430	52.94
	1,804,328	15.76

If compensation cost for employee options granted under the Company's stock option plans had been determined based on the fair value at the grant dates, consistent with the methods provided in SFAS No. 123, "ACCOUNTING FOR STOCK-BASED COMPENSATION," the Company's net earnings and earnings per share would have been as follows:

	YEAR ENDED JUNE 30,		
	2001	2000	1999
Net earnings:			
As reported	$34,045,376	$26,582,797	$16,656,010
Pro forma	16,624,096	24,817,402	15,071,990
Basic earnings per share:			
As reported	$ 0.82	$ 0.65	$ 0.41
Pro forma	0.40	0.61	0.37
Diluted earnings per share:			
As reported	$ 0.80	$ 0.63	$ 0.40
Pro forma	0.39	0.59	0.36

The fair value of options granted under the Company's stock option plans were estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used: no dividend yield, expected volatility of between 35% and 99%, risk-free interest rates between 4.6% and 6.4% and expected lives between 7 and 10 years.

WARRANTS: In fiscal 2000, the Company issued warrants to purchase 120,000 shares of the Company's common stock at $11.89 per share as a nonrefundable deposit on an option to purchase property adjacent to its R&D Systems' facility. The fair market value of the warrants was $858,000.

G. INCOME TAXES:

The provisions for income taxes consist of the following:

	YEAR ENDED JUNE 30,		
	2001	2000	1999
Earnings before income taxes consist of:			
Domestic	$42,480,134	$34,354,428	$21,801,526
Foreign	5,328,242	5,057,369	4,252,484
	$47,808,376	$39,411,797	$26,054,010
Taxes (benefits) on income consist of:			
Currently payable:			
Federal	$13,578,000	$ 1,358,000	$ 9,122,000
State	(1,173,000)	305,000	355,000
Foreign	1,513,000	1,396,000	1,355,000
Tax benefit from exercise of stock options	315,000	10,910,000	423,000
Net deferred	(470,000)	(1,140,000)	(1,857,000)
	$13,763,000	$12,829,000	$ 9,398,000

The following is a reconciliation of the federal tax calculated at the statutory rate of 35% to the actual income taxes provided:

	YEAR ENDED JUNE 30,		
	2001	2000	1999
Computed expected federal income tax expense	$16,733,000	$13,794,000	$ 9,119,000
State income taxes, net of federal benefit	(1,138,000)	335,000	377,000
Foreign sales corporation	(697,000)	(566,000)	(444,000)
Research and development credits	(563,000)	(605,000)	(334,000)
Tax-exempt interest	(887,000)	(318,000)	(165,000)
Other	315,000	189,000	845,000
	$13,763,000	$12,829,000	$ 9,398,000

State income taxes for the year ended June 30, 2001 were affected by a one-time $1.2 million credit as a result of the close-out of pending issues related to a state income tax examination for fiscal years 1996 through 1999.

Deferred income taxes are provided to record the income tax effect of temporary differences between the tax basis and financial reporting basis of assets and liabilities. Temporary differences comprising deferred taxes on the consolidated balance sheets are as follows:

	JUNE 30,	
	2001	2000
Inventory	$ 1,564,000	$ 1,335,000
Inventory costs capitalized	735,000	619,000
Foreign net operating loss carryforward	--	81,000
Unrealized profit on intercompany sales	306,000	293,000
Other	115,000	112,000
Current asset	2,720,000	2,440,000
Excess of book over tax intangible asset amortization	3,491,000	2,613,000
Excess of book over tax research expense	361,000	382,000
Excess of book over tax depreciation	503,000	870,000
Other	(227,000)	73,000
Noncurrent asset	4,128,000	3,938,000
	$ 6,848,000	$ 6,378,000

The Company's tax returns are subject to audit by various governmental entities in the normal course of business. The Company does not believe that such audits will have a material impact on the Company's financial position or results of operations.

H. SEGMENT INFORMATION:

The Company has three reportable operating segments based on the nature of products and geographic location: Hematology Division, Biotechnology Division and R&D Systems Europe. The Hematology Division develops and manufactures hematology controls and calibrators for sale world-wide. The Biotechnology Division develops and manufactures biotechnology research and diagnostic products for sale world-wide. R&D Systems Europe distributes Biotechnology Division products throughout Europe. No customer accounted for more than 10% of the Company's revenues for the years ended June 30, 2001, 2000 and 1999.

The accounting policies of the segments are the same as those described in Note A. In evaluating segment performance, management focuses on sales and income before taxes. Sales between segments are made at prices which would approximate transfers to unaffiliated distributors.

Following is financial information relating to the operating segments:

	YEAR ENDED JUNE 30,		
	2001	2000	1999
External sales			
Hematology	$ 14,710,464	$ 13,575,463	$ 12,673,544
Biotechnology	73,656,405	64,230,320	54,960,816
R&D Systems Europe	26,989,693	26,032,372	23,266,337
Total external sales	$115,356,562	$103,838,155	$ 90,900,697
Intersegment sales			
Hematology	$ --	$ --	$ --
Biotechnology	15,010,487	13,422,813	11,578,230
R&D Systems Europe	77,237	135,106	187,054
Total intersegment sales	$ 15,087,724	$ 13,557,919	$ 11,765,284
Earnings before taxes			
Hematology	$ 5,057,119	$ 4,483,839	$ 3,706,460
Biotechnology	39,766,406	31,223,230	20,419,385
R&D Systems Europe	5,328,242	5,057,369	4,252,484
Corporate and other	(2,343,391)	(1,352,641)	(2,324,319)
Total earnings before taxes	$ 47,808,376	$ 39,411,797	$ 26,054,010
Interest income			
Hematology	$ 508,149	$ 322,166	$ 289,105
Biotechnology	2,032,596	751,720	313,373
R&D Systems Europe	552,245	376,405	213,589
Corporate and other	290,708	57,963	106,118
Total interest income	$ 3,383,698	$ 1,508,254	$ 922,185
Depreciation and amortization			
Hematology	$ 239,909	$ 187,077	$ 170,105
Biotechnology	11,028,893	11,135,442	11,109,795
R&D Systems Europe	174,940	221,272	239,277
Corporate and other	1,293,706	1,107,559	371,207
Total depreciation and amortization	$ 12,737,448	$ 12,651,350	$ 11,890,384
Capital purchases			
Hematology	$ 313,936	$ 437,057	$ 174,844
Biotechnology	3,472,146	4,122,418	3,940,127
R&D Systems Europe	655,430	150,471	287,413
Corporate and other	2,373,441	25,657,916	1,161,649

Total capital purchases	$ 6,814,953	$ 30,367,862	$ 5,564,033

Corporate and other reconciling items include the results of unallocated corporate expenses and assets, the elimination of profit on intersegment sales and the operations of the Company's equity investment in ChemoCentryx, Inc.

Following is financial information relating to geographic areas:

	YEAR ENDED JUNE 30,		
	2001	2000	1999
External sales			
United States	$ 71,018,421	$ 62,927,628	$ 54,261,592
Other areas	44,338,141	40,910,527	36,639,105
Total external sales	$115,356,562	$103,838,155	$ 90,900,697
Long-lived assets			
United States	$ 51,404,348	$ 48,928,147	$ 20,923,992
Other areas	815,851	374,325	462,898
Total long-lived assets	$ 52,220,199	$ 49,302,472	$ 21,386,890

External sales are attributed to countries based on the location of the customer/distributor. Long-lived assets are comprised of land, buildings and improvements, equipment and deposits on real estate.

I. BENEFIT PLANS:

PROFIT SHARING PLAN: The Company has a Profit Sharing and Savings Plan for non-union U.S. employees, which conforms to IRS provisions for 401(k) plans. The Company may make profit sharing contributions at the discretion of the Board of Directors. Operations have been charged for contributions to the plan of $810,000, $787,500 and $651,000 for the years ended June 30, 2001, 2000 and 1999, respectively.

STOCK BONUS PLANS: The Company also has Stock Bonus Plans covering non-union employees. The Company may make contributions to the plans in the form of common stock, cash or other property at the discretion of the Board of Directors. The Company purchases its common stock at market value for contribution to the plans for the years ended June 30, 2001, 2000 and 1999 and operations have been charged $851,000, $832,000 and $684,000, respectively.

PERFORMANCE INCENTIVE PROGRAM: Under certain employment agreements with executive officers, the Company recorded bonuses of $101,000, $126,000 and $80,000 for the years ended June 30, 2001, 2000 and 1999, respectively. In addition, options for 1,938, 6,304 and 8,290 shares of common stock were granted to the executive officers during fiscal 2001, 2000 and 1999, respectively.

J. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION AND NONCASH INVESTING AND FINANCING ACTIVITIES:

The Company paid and received cash for the following items:

	YEAR ENDED JUNE 30,		
	2001	2000	1999
Income taxes paid	$ 7,508,196	$ 9,561,485	$ 9,763,600
Interest paid	1,386,085	1,326,009	--
Interest received	3,748,696	1,626,260	1,019,630

Noncash transactions during the years ended June 30, 2001, 2000 and 1999 consisted of:

In fiscal 2001, stock options for 1,000 shares of common stock were exercised

by surrender of 224 shares of common stock at fair market value of $8,554. In fiscal 2000, stock options for 77,584 shares of common stock were exercised by surrender of 12,942 shares of common stock at fair market value of $305,511. In fiscal 1999, stock options for 42,036 shares of common stock were exercised by surrender of 9,608 shares of common stock at fair market value of $103,684.

K. SUBSEQUENT EVENT:

On August 2, 2001, the Company made an equity investment of $3 million and entered into a research and license agreement with Discovery Genomics, Inc. (DGI) of Minneapolis, Minnesota. DGI was recently organized and holds licenses from the University of Minnesota to develop technologies used for functional genomics and the discovery of druggable targets. The Company acquired a 39% equity interest in DGI and warrants to acquire additional equity. The Company also received the rights to develop antibodies and immunoassay kits for proteins discovered by DGI and an exclusive, royalty free license to sell such products in the research market. The Company's investment in DGI will be accounted for under the equity method of accounting.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
TECHNE Corporation and Subsidiaries
Minneapolis, Minnesota

We have audited the accompanying consolidated balance sheets of TECHNE Corporation and Subsidiaries (the Company) as of June 30, 2001 and 2000, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of TECHNE Corporation and Subsidiaries at June 30, 2001 and 2000 and the results of their operations and cash flows for each of the three years in the period ended June 30, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota
August 14, 2001

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

Other than "Executive Officers of the Company" which is set forth at the end of Part I of this Form 10-K, the information required by Item 10 is incorporated herein by reference to the sections entitled "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's proxy statement for its 2001 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year for which this report is filed.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated herein by reference to the section entitled "Executive Compensation" in the Company's proxy statement for its 2001 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year for which this report is filed.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 12 is incorporated by reference to the sections entitled "Principal Shareholders" and "Management Shareholdings" in the Company's proxy statement for its 2001 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the close of the fiscal year for which this report is filed.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

A. (1) List of Financial Statements.

The following Consolidated Financial Statements are filed as part of this Report:

Consolidated Statements of Earnings for the Years Ended June 30, 2001, 2000 and 1999

Consolidated Balance Sheets as of June 30, 2001 and 2000

Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2001, 2000 and 1999

Consolidated Statements of Cash Flows for the Years Ended June 30, 2001, 2000 and 1999

Notes to Consolidated Financial Statements for the Years Ended June 30, 2001, 2000 and 1999

Independent Auditors' Report

(2) Financial Statement Schedules.

None.

(3) Exhibits.

See Exhibit Index immediately following signature page.

B. Reports on Form 8-K:

No report on Form 8-K was filed during the quarter ended June 30, 2001.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

TECHNE CORPORATION

Date: September 27, 2001 Thomas E. Oland

By: Thomas E. Oland
Its: President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date	Signature and Title
September 27, 2001	Thomas E. Oland --- Thomas E. Oland President, Treasurer and Director (principal executive officer and principal financial and accounting officer)
September 27, 2001	Roger C. Lucas, Ph.D. --- Dr. Roger C. Lucas, Director
September 27, 2001	Howard V. O'Connell --- Howard V. O'Connell, Director
September 27, 2001	G. Arthur Herbert --- G. Arthur Herbert, Director
September 27, 2001	Randolph C. Steer, Ph.D., M.D. --- Dr. Randolph C. Steer, Director
September 27, 2001	Lowell E. Sears --- Lowell E. Sears, Director
September 27, 2001	Christopher S. Henney, Ph.D., D.Sc. --- Dr. Christopher S. Henney, Director
September 27, 2001	Timothy M. Heaney --- Timothy M. Heaney, Director

EXHIBIT INDEX
for Form 10-K for the 2001 Fiscal Year

Exhibit Number	Description
3.1	Restated Articles of Incorporation of Company, as amended to date --incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q for the quarter ended September 30, 2000*
3.2	Restated Bylaws, as amended to date--incorporated by reference to Exhibit 3.2 of the Company's Form 10, dated October 27, 1988*
10.1	Employee Agreement with Respect to Inventions, Proprietary Information, and Unfair Competition with Thomas E. Oland-- incorporated by reference to Exhibit 10.2 of the Company's Form 10, dated October 27, 1988*
10.2**	Company's Profit Sharing Plan--incorporated by reference to Exhibit 10.6 of the Company's Form 10, dated October 27, 1988*
10.3**	Company's Stock Bonus Plan--incorporated by reference to Exhibit 10.7 of the Company's Form 10, dated October 27, 1988*
10.4**	1987 Incentive Stock Option Plan--incorporated by reference to Exhibit 10.14 of the Company's Form 10, dated October 27, 1988*
10.5	Form of Stock Option Agreement for 1987 Incentive Stock Option Plan--incorporated by reference to Exhibit 10.15 of the Company's Form 10, dated October 27, 1988*
10.6**	1988 Nonqualified Stock Option Plan--incorporated by reference to Exhibit 10.16 of the Company's Form 10, dated October 27, 1988*
10.7	Form of Stock Option Agreement for Nonqualified Stock Option Plan incorporated by reference to Exhibit 10.17 of the Company's Form 10, dated October 27, 1988*
10.8	International Distributor Agreement dated October 1, 1991 between Research and Diagnostic Systems, Inc. and Hycel, S.A.-- incorporated by reference to Exhibit 28.2 of the Company's Form 8-K dated September 30, 1991, as amended by Forms 8 dated November 1, 1991 and November 25, 1991*
10.9**	Employment Agreement, dated March 6, 1996, with Monica Tsang-- incorporated by reference to Exhibit 10.25 of the Company's Form 10-K for the year ended June 30, 1996*
10.10**	1997 Incentive Stock Option Plan--incorporated by reference to Exhibit 10.24 of the Company's Form 10-K for the year ended June 30, 1997*
10.11	Form of Stock Option Agreement for 1997 Incentive Stock Option Plan --incorporated by reference to Exhibit 10.25 of the Company's Form 10-K for the year ended June 30, 1997*
10.12	Investment Agreement between ChemoCentryx, Inc. and Techne Corporation dated November 18, 1997--incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended December 31, 1997*
10.13	Purchase and Sale Agreement dated as of June 22, 1998 among Techne Corporation, Research and Diagnostic Systems, Inc. and Genzyme Corporation--incorporated by reference to Exhibit 2.1 of the Company's Form 8-K dated July 1, 1998, as amended by Form 8-K/A dated September 14, 1998*
10.14**	1998 Nonqualified Stock Option Plan--incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended September 30, 1998*
10.15	Form of Stock Option Agreement for 1998 Nonqualified Stock Option Plan--incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended September 30, 1998*
10.16	Purchase Agreement dated January 22, 1999, between R&D Systems, Inc.

and Hillcrest Development, relating to the purchase of property as 614 and 640 McKinley Place NE and 2201 Kennedy Street in Minneapolis, Minnesota and First amendment dated February 5, 1999--incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended December 31, 1998*

10.17** Extension, dated March 31, 1999, to Employment Agreement with Monica Tsang, Ph.D.--incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended March 31, 1999*

10.18** Extension, dated March 31, 1999, to Employment Agreement with Marcel Veronneau--incorporated by reference to Exhibit 10.3 of the Company's Form 10-Q for the quarter ended March 31, 1999*

10.19 Second Amendment, dated February 2, 1999, to Purchase Agreement dated January 22, 1999 between R&D Systems, Inc. and Hillcrest Development--incorporated by reference to Exhibit 10.4 of the Company's Form 10-Q for the quarter ended March 31, 1999*

10.20 Third Amendment, dated April 3, 1999, to Purchase Agreement dated January 22, 1999 between R&D Systems, Inc. and Hillcrest Development--incorporated by reference to Exhibit 10.5 of the Company's Form 10-Q for the quarter ended March 31, 1999*

10.21 Phase I Option Agreement, dated February 10, 1999, between R&D Systems, Inc. and Hillcrest Development and form of Purchase Agreement relating to the purchase of property at 2101 Kennedy Street in Minneapolis, Minnesota-- incorporated by reference to Exhibit 10.6 of the Company's Form 10-Q for the quarter ended March 31, 1999*

10.22 First Amendment, dated April 10, 1999, to Phase I Option Agreement dated February 10, 1999-- incorporated by reference to Exhibit 10.7 of the Company's Form 10-Q for the quarter ended March 31, 1999*

10.23 Phase II Option Agreement, dated February 10, 1999, between R&D Systems, Inc. and Hillcrest Development and form of Purchase Agreement relating to the purchase of property at 2001 Kennedy Street in Minneapolis, Minnesota-- incorporated by reference to Exhibit 10.8 of the Company's Form 10-Q for the quarter ended March 31, 1999*

10.24 Second Amendment, dated June 9, 1999, to Phase I Option Agreement dated February 10, 1999-- incorporated by reference to Exhibit 10.33 of the Company's Form 10-K for the year ended June 30, 1999*

10.25 Second Amendment, dated June 10, 1999, to Phase II Option Agreement dated February 10, 1999-- incorporated by reference to Exhibit 10.34 of the Company's Form 10-K for the year ended June 30, 1999*

10.26 Warrant to purchase 60,000 shares of Common Stock issued to Hillcrest Development on July 1, 1999--incorporated by reference to Exhibit 10.35 of the Company's Form 10-K for the year ended June 30, 1999*

10.27 Combination Mortgage, Security Agreement and Fixture Financing Statement dated July 1, 1999 between the Company and TCF National Bank Minnesota (TCF)--incorporated by reference to Exhibit 10.36 of the Company's Form 10-K for the year ended June 30, 1999*

10.28 Promissory Note from the Company to TCF dated July 1, 1999 in the principal amount of $20,400,000-- incorporated by reference to Exhibit 10.37 of the Company's Form 10-K for the year ended June 30, 1999*

10.29** Employment Agreement, dated October 1, 1999, with Timothy M. Heaney --incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended September 30, 1999*

10.30 Investment Agreement between the Company and Discovery Genomics,

Inc. dated August 2, 2001.

10.31 Research and License Agreement between R&D Systems and Discovery Genomics, Inc. dated August 2, 2001.

10.32 Investors Rights Agreement dated February 2, 2001 among ChemoCentryx, Inc., the Company and certain investors amending the Investment Agreement between ChemoCentryx, Inc. and the Company dated November 18, 1997.

10.33 Letter Agreement dated February 2, 2001 between ChemoCentryx, Inc. and the Company amending the terms of warrants held by the Company.

10.34 Third Amendment, dated October 4, 2000, to Phase I Option Agreement dated February 10, 1999.

10.35** Extension, dated August 28, 2001, to Employment Agreement with Monica Tsang, Ph.D.

10.36** Extension, dated August 28, 2001, to Employment Agreement with Marcel Veronneau.

11 Calculation of Earnings Per Share

21 Subsidiaries of the Company:

Name	State/Country of Incorporation
Research and Diagnostic Systems, Inc.	Minnesota
Techne Export Inc.	Barbados
R&D Systems Europe Ltd.	Great Britain
R&D Systems GmbH	Germany

23 Independent Auditors' Consent

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*Incorporated by reference; SEC File No. 0-17272
**Management contract or compensatory plan or arrangement

DISCOVERY GENOMICS, INC.

TECHNE CORPORATION

INVESTMENT AGREEMENT

August 2, 2001

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INVESTMENT AGREEMENT

THIS INVESTMENT AGREEMENT is made and entered into as of the 2nd day of August, 2001, by and between Discovery Genomics, Inc., a Minnesota corporation and Techne Corporation, a Minnesota corporation ("Techne"), and Roger Lucas.

1. Definitions.

1.1 Specific Definitions. As used in this Agreement, the following terms shall have the meanings set forth or as referenced below:

"Additional Shares of Common Stock" shall mean all shares of Common Stock of the Company issued by the Company on or after the Closing Date, except the Conversion Stock.

"Articles of Incorporation" shall mean the Company's Articles of Incorporation, including the Statement of Designation, in effect as of the date hereof.

"Bylaws" shall mean the Company's Bylaws in effect as of the date hereof.

"Closing" is defined in Section 2.2.

"Closing Date" is defined in Section 2.2.

"Commission" shall mean the U.S. Securities and Exchange Commission.

"Common Stock" shall mean the Company's authorized common stock, par value $0.01 per share, any additional common shares which may be authorized in the future by the Company, and any stock into which such common shares may hereafter be changed, and shall also include stock of the Company of any other class which is not preferred as to dividends or as to distributions of assets on liquidation, dissolution or winding up of the Company over any other class of stock of the Company, and which is not subject to redemption.

"Company" shall mean Discovery Genomics, Inc., a Minnesota corporation.

"Conversion Price" shall mean such price at which the Preferred Shares are convertible into Common Stock pursuant to Section 11 hereof and the Statement of Designation.

"Conversion Stock" shall mean the shares of Common Stock issuable upon conversion of the Preferred Shares and all securities issued in exchange or substitution therefore.

"Convertible Securities" shall mean evidences of indebtedness, shares of stock or other securities which are at any time directly or indirectly convertible into or exchangeable for Additional Shares of Common Stock.

"Co-Sale Agreement" shall mean the Co-Sale Agreement, substantially in the form attached as Exhibit 5 hereto, dated of even date herewith, by and between the Company, the Investors, Hackett, Ekker, McIvor and Largaespada.

"Ekker" shall mean Stephen C. Ekker.

"GAAP" shall mean United States generally accepted accounting principles, applied on a consistent basis.

"Hackett" shall mean Perry B. Hackett.

"Indebtedness for Borrowed Money" shall include only indebtedness of the Company and its Subsidiaries incurred as the result of a direct borrowing of money and shall not include any other indebtedness including, but not limited to, indebtedness incurred with respect to trade accounts.

"Investors" shall mean Techne and Lucas, collectively.

"Largaespada" shall mean David A. Largaespada.

"Lucas" shall mean Roger Lucas.

"McIvor" shall mean R. Scott McIvor.

"Permitted Liens" shall mean (a) liens for taxes and assessments or governmental charges or levies not at the time due or in respect of which the validity thereof shall currently be contested in good faith by appropriate proceedings; and (b) liens in respect of pledges or deposits under worker's compensation laws or similar legislation, carriers', warehousemen's, mechanics', laborers' and materialmen's, landlord's and statutory and similar liens, if the obligations secured by such liens are not then delinquent or are being contested in good faith, and (c) liens and encumbrances incidental to the conduct of the business of the Company or any Subsidiary which were not incurred in connection with the borrowing of money or the obtaining of advances or credits and which do not in the

aggregate materially detract from the value of its property or materially impair the use thereof in the operation of its business.

"Preferred Shares" is defined in Section 2.1.

"Public Offering" shall mean a firm underwritten public offering of the Company's Common Stock pursuant to a registration filed under the Securities Act and through NASD member firms.

"Purchased Stock" shall mean the Preferred Shares, the Conversion Stock, the Warrant Stock and the stock or other securities of the Company issued in a stock split or reclassification of, or a stock dividend or other distribution on or in substitution or exchange for, or otherwise in connection with, any of the foregoing securities, or in a merger or consolidation involving the Company or a sale of all or substantially all of the Company's assets.

"Qualified Public Offering" shall mean a firm commitment, underwritten public offering registered under the Securities Act (other than a registration relating solely to a transaction under Rule 145 under such Act (or any successor thereto) or to an employee benefit plan of the Company), in which the public offering price per share of Common Stock is at least $10.00 (appropriately adjusted to reflect splits or reverse splits of the Common Stock and dividends or distributions of additional shares of Common Stock made with respect to the Common Stock after the date hereof) and the aggregate public offering price of the securities sold for cash by the Corporation in the offering is at least $30 million.

"Registrable Shares" are defined in Section 8.1.

"Research and License Agreement" shall mean the Research and License Agreement, substantially in the form attached hereto as Exhibit 6, dated of even date herewith, by and between the Company and R&D Systems.

"R&D Systems" shall mean Research & Diagnostic Systems, Inc., a subsidiary of the Techne.

"Securities" shall mean the Preferred Shares, Warrants, Conversion Stock and Warrant Stock.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Senior Indebtedness" shall mean (a) the principal of all Indebtedness for Borrowed Money of the Company and its Subsidiaries to banks, insurance companies or other financial institutions, (b) the present value of net minimum lease payments of all leases under which the Company or any of its Subsidiaries is the lessee and which are required to be capitalized under generally accepted accounting principles, (c) the principal of all indebtedness of the Company or any of its Subsidiaries under installment purchase agreements, and (d) the principal of all indebtedness of the Company or any of its Subsidiaries to the owners of any real property leased by the Company for leasehold improvements financed by such owners.

"Series A Preferred Stock" shall mean the Company's authorized Series A Preferred Stock, par value $0.01 per share, and any stock into which such preferred shares may hereafter be changed.

"Statement of Designation" shall mean the Series A Preferred Stock Statement of Designation attached hereto at Exhibit 1C.

"Subsidiary" shall mean any corporation, association or other business entity more than a majority (by number of votes) of the voting stock of which is owned or controlled, directly or indirectly, by the Company or by one or more of its Subsidiaries or both.

"Transaction Agreements" shall mean this Agreement, the Research and License Agreement and the Co-Sale Agreement.

"Warrants" are defined in Section 2.1.

"Warrant Stock" shall mean the shares of Series A Preferred Stock issuable upon exercise of the Warrants and all shares of Series A

Preferred Stock or Common Stock issued in exchange or substitution therefor.

1.2 Definitional Provisions.

(a) The words "hereof," "herein," and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provisions of this Agreement.

(b) Terms defined in the singular shall have a comparable meaning when used in the plural, and vice-versa.

(c) References to an "Exhibit" or to a "Schedule" are, unless otherwise specified, to one of the Exhibits or Schedules attached to or referenced in this Agreement, and references to a "Section" or "paragraph" are, unless otherwise specified, to one of the Sections or paragraphs of this Agreement.

(d) All accounting terms defined below shall, except as otherwise expressly provided, be determined by reference to the Company's books of account and in conformity with generally accepted accounting principles as applied to such books of account in the opinion of the independent certified public accountants selected by the Board of Directors of the Company as required under the provisions of Section 6.3(b) hereof.

(e) The term "person" includes any individual, partnership, joint venture, corporation, trust, unincorporated organization or government or any department or agency thereof.

(f) Terms not defined in this Section 1 shall have the meanings set forth herein for such terms.

2. Purchase and Sale of Stock.

2.1 Sale and Purchase of Shares; Grant of Warrants. Subject to and in accordance with the terms and conditions hereof, (i) the Company agrees to sell to the Techne, and the Techne agrees to purchase from the Company, 1,500,000 shares of Series A Preferred Stock at $2.00 per share, and (ii) the Company agrees to sell to Lucas, and Lucas agrees to purchase from the Company, 100,000 shares of Series A Preferred Stock at $2.00 per share. The term "Preferred Shares" as used herein shall mean the 1,600,000 shares of Series A Preferred Stock purchased in accordance with this Agreement and all shares of the Company issued in a stock split or reclassification of, or a stock dividend or other distribution on, such Preferred Shares or in exchange, conversion or substitution therefor. Furthermore, the Company agrees to issue to Techne and Lucas Warrants to purchase 1,500,000 and 100,000 shares of Series A Preferred Stock, respectively, pursuant to and in accordance with the terms of this Agreement, in the form attached hereto as Exhibit 2. The term "Warrants" as used herein shall mean the warrants so issued.

2.2 Closing. The closing of the sale to, and purchase by, the Investors of the Preferred Shares (the "Closing") and the issuance of the Warrants shall occur at the offices of the Techne, at 10:00 A.M., Minneapolis time, on August 2, 2001 or on such other day or at such other time or place as the Investors and the Company shall agree upon (the "Closing Date").

At the Closing, the Company will deliver to the Investors certificates representing the Preferred Shares being purchased by the Investors and the Warrants to be granted to the Investors, registered in their respective names, against delivery to the Company of checks or wire transfers in the aggregate amount of $3,200,000 in payment of the total purchase price of the Preferred Shares being purchased by the Investors, of which $3,000,000 shall be tendered by Techne and $200,000 shall be tendered by Lucas.

3. Representations and Warranties by Company. Except as disclosed in Exhibit 3 hereto (specifying the Section or Sections making reference to certain disclosures), the Company represents and warrants to the Investors that:

3.1 Organization, Standing, etc. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Minnesota, and has the requisite corporate power and authority to own its properties and to carry on its business in all material respects as it is now being conducted. The Company has the requisite corporate power and authority to

issue the Preferred Shares, the Warrants, the Conversion Stock and the Warrant Stock, and to otherwise perform its obligations under the Transaction Agreements. The certified copies of the Articles of Incorporation, Bylaws and Statement of Designation of the Company, attached hereto as Exhibits 1A, 1B and 1C, respectively, are true and complete copies of the duly authorized Articles of Incorporation and Bylaws of the Company in effect as of the date of this Agreement. The Company does not have any direct or indirect equity interest in any other firm, corporation, partnership, joint venture association or other business organization except as set forth in Exhibit 3 hereto. If the Company has any Subsidiary, the representations and warranties set forth in this Section 3 are being hereby restated with respect to such Subsidiary.

3.2 Qualification. The Company is duly qualified or licensed as a foreign corporation in good standing in each jurisdiction wherein the nature of its activities or of its properties owned or leased makes such qualification or licensing necessary and failure to be so qualified or licensed would have a material adverse impact on its business.

3.3 Capital Stock. The authorized capital stock of the Company consists of 75,000,000 shares of Common Stock (of which 2,293,300 shares are issued and outstanding as of the date hereof) and 3,200,000 shares of Series A Preferred Stock (of which no shares are issued and outstanding as of the date hereof) and 21,800,000 undesignated shares. The rights and preferences of the Company's Common Stock and Series A Preferred Stock are as provided in the Company's Articles of Incorporation. All of the Company's outstanding shares of capital stock were duly authorized and validly issued and are fully paid and nonassessable. There are no outstanding subscriptions, options, warrants, calls, contracts, demands, commitments, Convertible Securities or other agreements or arrangements of any character or nature whatever, except as disclosed in Exhibit 3 hereto or as contemplated by this Agreement, under which the Company is or may be obligated to issue capital stock or other securities of any kind representing an ownership interest or contingent ownership interest in the Company. Except as otherwise disclosed in Exhibit 3 hereto, neither the offer nor the issuance or sale of the Securities, constitutes an event, under any anti-dilution provisions of any securities issued or issuable by the Company or any agreements with respect to the issuance of securities by the Company, which will either increase the number of shares issuable pursuant to such provisions or decrease the consideration per share to be received by the Company pursuant to such provisions. No holder of any security of the Company is entitled to any preemptive or similar rights to purchase securities from the Company which has not been irrevocably waived, in writing, a copy of which waiver has been delivered to the Investors; provided, however, that nothing in this Section 3 shall affect, alter or diminish any right granted to the Investors in this Agreement. All outstanding securities of the Company have been issued in full compliance with an exemption or exemptions from the registration and prospectus delivery requirements of the Securities Act and from the registration and qualification requirements of all applicable state securities laws.

3.4 Financial Statements; Absence of Changes. The Company has delivered to the Investors an unaudited balance sheet as at June 30, 2001 and a statement of operations for the six-month period ended June 30, 2001. Such financial statements and notes thereto fairly present the financial condition and the results of operations of the Company, all in accordance with GAAP. Such financial statements accurately set out and describe the financial condition and operating results of the Company as of the dates, and during the periods, indicated therein. The Company has no liabilities except for liabilities reflected or reserved against in the balance sheets of such financial statements and current liabilities incurred in the ordinary course of business since the respective dates thereof. Since June 30, 2001 (the date of the latest financial statements) there has not been:

(a) any change in the assets, liabilities, financial condition or operating results of the Company from that reflected in such financial statements;

(b) any damage, destruction or loss, whether or not covered by insurance, affecting the assets, properties, financial condition, operating results, prospects or business of the Company as such business is presently conducted;

(c) any waiver by the Company of a valuable right or of a debt owed to it;

(d) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by the Company;

(e) any change or amendment to a contract or arrangement by which the Company or any of its assets or properties are bound or subject;

(f) any sale, assignment or transfer of any patents, trademarks, copyrights, trade secrets or other intangible assets of the Company;

(g) any resignation or termination of employment of any key officer or key employee of the Company, and the Company is not aware of any impending resignation or termination of employment of any such officer or key employee;

(h) any mortgage, pledge, transfer of a security interest in, or lien, created by the Company, with respect to any of its properties or assets, except liens for taxes not yet due or payable;

(i) any loans or guarantees made by the Company to or for the benefit of its employees, officers or directors, or any members of their immediate families;

(j) any declaration, setting aside or payment or other distribution in respect of any of the Company's capital stock, or any direct or indirect redemption, purchase or other acquisition of any of such stock by the Company; or

(k) any event or condition of any character that might adversely affect the assets, properties, financial condition, operating results or business of the Company as such business is presently conducted.

3.5 Title to Properties and Encumbrances. The Company has good and marketable title to all its owned properties and assets, and the properties and assets used in the conduct of its business, which properties and assets are not subject to any mortgage, pledge, lease, lien, charge, security interest, encumbrance or restriction, except (a) those which are shown and described in the financial statements delivered to the Investors or the notes thereto and (b) Permitted Liens.

3.6 Litigation; Governmental Proceedings. There are no legal actions, suits, arbitrations or other legal, administrative or governmental proceedings or investigations pending or, to the knowledge of the Company, threatened against the Company, its properties, assets or business, and the Company is not aware of any facts which are likely to result in or form the basis for any such action, suit or other proceeding. The Company is not in default with respect to any judgment, order or decree of any court or any governmental agency or instrumentality.

3.7 Compliance with Applicable Laws and Other Instruments. The business and operations of the Company have been and are being conducted in accordance with all applicable laws, rules and regulations of all governmental authorities, the violation of which could reasonably be expected to have a material adverse impact on the Company. Neither the execution nor delivery of, nor the performance of or compliance with, the Transaction Agreements nor the consummation of the transactions contemplated hereby will conflict with, or, with or without the giving of notice or passage of time, result in any breach of, or constitute a default under, or result in the imposition of any lien or encumbrance upon any asset or property of the Company pursuant to, any applicable law, administrative regulation or judgment, order or decree of any court or governmental body, any material agreement or other instrument to which the Company is a party or by which it or any of its properties, assets or rights is bound or affected, and will not violate the Company's Articles of Incorporation or Bylaws. The Company is not in violation of its Articles of Incorporation or its Bylaws nor in violation of, or in default under, any lien, indenture, mortgage, lease, material agreement, instrument, commitment or arrangement in any material respect. There are no consents required to consummate the transactions contemplated hereby, which have not been obtained, under any lien, indenture, mortgage, lease, material agreement, instrument, commitment or arrangement to which the Company is a party.

3.8 Preferred Shares, Warrants, Conversion Stock and Warrant Stock. The Preferred Shares, when issued and paid for pursuant to the terms of this Agreement, will be duly authorized, validly issued and outstanding, fully

paid and non-assessable, free and clear of all pledges, liens and encumbrances. The Warrants, when issued and delivered pursuant to this Agreement, will constitute valid and binding obligations of the Company in accordance with their terms. The Conversion Stock and the Warrant Stock have been reserved for issuance based upon the initial Conversion Price and initial Warrant Exercise Price and when issued upon conversion or exercise thereof in accordance with the Articles of Incorporation and the terms of the Warrants will be duly authorized, validly issued and outstanding, fully paid, nonassessable and free and clear of all pledges, liens and encumbrances. The certificates representing the Preferred Shares and Warrants to be delivered by the Company hereunder, and the certificates representing the Conversion Stock to be delivered upon the conversion of the Preferred Shares and Warrant Stock and the certificates representing the Warrant Stock to be delivered upon exercise of the Warrants, will be genuine, and the Company has no knowledge of any fact which would impair the validity thereof.

3.9 Securities Laws. Based in part upon the representations and warranties contained in Section 4 hereof, no consent, authorization, approval, permit or order of or filing with any governmental or regulatory authority is required under current laws and regulations in connection with the execution and delivery of the Transaction Agreements or the offer, issuance, sale or delivery of the Securities other than the qualification thereof, if required, under applicable state securities laws, which qualification has been or will be effected as a condition of this sale. The Company has not, directly or through an agent, offered the Securities, or any similar securities for sale to, or solicited any offers to acquire such securities from, persons other than the Investors and other accredited investors. Under the circumstances contemplated hereby, the offer, issuance, sale and delivery of the Preferred Shares, the issuance of the Warrants, the offer of the Conversion Stock and Warrant Stock will not under current laws and regulations require compliance with the prospectus delivery or registration requirements of the Securities Act.

3.10 Patents and Other Intangible Rights. Except as otherwise set forth in Exhibit 3 hereto, the Company (a) owns or has the exclusive right to use, free and clear of all material liens, claims and restrictions, all of the right, title and interest in all patents, trademarks, service marks, trade names, copyrights, licenses, rights and other intellectual property necessary to conduct its business as currently being conducted or as proposed to be conducted, (b) is not obligated or under any liability to make any payments of a material nature by way of royalties, fees or otherwise to any owner of, licensor of, or other claimant to, any patent, trademark, trade name, copyright or other intangible asset, with respect to the use thereof or in connection with the conduct of its business or otherwise, (c) owns or has the unrestricted right to use all trade secrets, including know-how, inventions, designs, processes, computer programs and technical data necessary to the development, operation and sale of all products and services sold or proposed to be sold by it, free and clear of any rights, liens or claims of others, and (d) is not using any confidential information or trade secrets of others. To the best of its knowledge, the Company is not, nor has it received actual notice that it is, infringing upon or otherwise acting adversely to any known right or claimed right of any person under or with respect to any patents, trademarks, service marks, trade names, copyrights, licenses or rights with respect to the foregoing. Each of the Company's employees have signed a proprietary information and inventions agreement in a form approved by the Company's Board of Directors.

3.11 Outstanding Debt. The Company has no Indebtedness for Borrowed Money except as set forth in Exhibit 3 hereto. The Company is not in default in the payment of the principal of or interest or premium on any such Indebtedness for Borrowed Money, and no event has occurred or is continuing under the provisions of any instrument, document or agreement evidencing or relating to any such Indebtedness for Borrowed Money which with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder.

3.12 Corporate Acts and Proceedings. The Transaction Agreements and all transactions contemplated thereby have been duly authorized by all necessary corporate action on behalf of the Company. The Transaction Agreements have has been duly executed and delivered by authorized officers of the Company. All corporate action necessary to the authorization, creation, issuance and delivery of the Securities, has been taken on the part of the Company, or will be taken by the Company on or prior to the Closing Date. The Transaction Agreements are valid and binding agreements of the Company enforceable in

accordance with their respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting the enforcement of creditors' rights generally, and except for judicial limitations on the enforcement of the remedy of specific enforcement and other equitable remedies.

3.13 No Brokers or Finders. No person, firm or corporation has or will have, as a result of any act or omission of the Company, any right, interest or valid claim against or upon the Company or any Investors for any commission, fee or other compensation as a finder or broker, or in any similar capacity, in connection with the transactions contemplated by this Agreement. The Company will indemnify and hold each of the Investors harmless against any and all liability with respect to any such commission, fee or other compensation which may be payable or determined to be payable in connection with the transactions contemplated by this Agreement.

3.14 Conflicts of Interest. Except as disclosed on Exhibit 3 hereto, no officer, director or stockholder of the Company or any affiliate (as such term is defined in Rule 405 under the Securities Act) of any such person has any direct or indirect interest (a) in any entity which does business with the Company, or (b) in any property, asset or right which is used by the Company in the conduct of its business or (c) in any contractual relationship with the Company other than as an employee.

3.15 Licenses. The Company possesses from the appropriate agency, commission, board and government body and authority, whether state, local or federal, all licenses, permits, authorizations, approvals, franchises and rights which (a) are necessary for it to engage in the business currently conducted by it and (b) if not possessed by the Company, would have a material adverse impact on the Company's business. The Company has no knowledge that would lead it to believe that it will not be able to obtain all material licenses, permits, authorizations, approvals, franchises and rights that may be required for any business the Company proposes to conduct.

3.16 Registration Rights. Except as disclosed on Exhibit 3 hereto or contemplated by this Agreement, the Company has not granted, and is not obligated to grant, any registration rights under the Securities Act relating to any of its authorized or outstanding securities, which registration rights are superior or preferential to those granted to the Investors pursuant to this Agreement.

3.17 Retirement Plans. The Company does not have any retirement plan in which any employees of the Company participate that is subject to any provisions of the Employee Retirement Income Security Act of 1974, as amended, and of the regulations adopted pursuant thereto ("ERISA").

3.18 Application of Proceeds. The proceeds from the issue and sale of the Preferred Shares pursuant to this Agreement will be used to fund working capital and other general corporate purposes.

3.19 Disclosure. The Company has not knowingly withheld from the Investors any material facts relating to the assets, business, operations, financial condition or prospects of the Company. No representation or warranty in the Transaction Agreements or in any certificate, schedule, statement, exhibit, annex or other document furnished or to be furnished to the Investors pursuant thereto or in connection with the transactions contemplated thereby contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact required to be stated herein or therein or necessary to make the statements herein or therein not misleading.

4. Representations and Warranties of Investors. Unless specifically identified as a representation or warranty of Techne or Lucas, each Investor hereby severally, and not jointly, represents and warrants that:

4.1 Investment Intent. The Securities being acquired by each Investor hereunder or that will be acquired upon conversion of the Preferred Shares or Warrant Stock or exercise of the Warrants are being or will be acquired, for such Investor's own account, not as a nominee or agent, and not with a view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act and that such Investor has no present intention of selling, granting, any participation in, or otherwise distributing the same. By executing this Agreement, such Investor further

represents that such Investor does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Securities. Each Investor understands that the Securities have not been registered under the Securities Act or any applicable state laws by reason of their issuance or contemplated issuance in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act and such laws, and that the reliance of the Company and others upon this exemption is predicated in part upon this representation and warranty. Each Investor further understands that the Securities may not be transferred or resold without (a) registration under the Securities Act and any applicable state securities laws, or (b) an exemption from the requirements of the Securities Act and applicable state securities laws.

4.2 Location of Principal Office/Residence and Qualification as Accredited Investor. Techne's principal office is located in the State of Minnesota. Lucas is a resident of the State of Minnesota. Each Investor qualifies as an accredited investor within the meaning of Rule 501 under the Securities Act. Techne also represents it has not been organized for the purpose of acquiring the Series A Preferred Stock.

4.3 Acts and Proceedings. Each Investor has full power and authority to enter into this Agreement. This Agreement has been duly authorized by all necessary corporate action on the part of Techne. This Agreement has been duly executed and delivered by each Investor and is a valid and binding agreement upon each Investor.

4.4 No Brokers or Finders. No person, firm or corporation has or will have, as a result of any act or omission by such Investor, any right, interest or valid claim against the Company for any commission, fee or other compensation as a finder or broker, or in any similar capacity, in connection with the transactions contemplated by this Agreement.

4.5 Disclosure of Information. Such Investor believes it has received all the information it considers necessary or appropriate for deciding whether to acquire the Preferred Shares and Warrants. Such Investor further represents that it/he has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Series A Preferred Stock and the business, properties, prospects and financial condition of the Company. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 3 of this Agreement or the right of each Investor to rely thereon.

4.6 Investment Experience. Such Investor is an investor in securities of companies in the development stage and acknowledges that such Investor is able to fend for itself/himself, can bear the economic risk of its/his investment, and has such knowledge and experience in financial or business matters that such Investor is capable of evaluating the merits and risks of the investment in the Securities.

4.7 Restricted Securities. Such Investor understands that the Securities it/he is purchasing are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Act, only in certain limited circumstances. In this connection, such Investor represents that it/he is familiar with Commission Rule 144, as presently in effect, and understands the resale limitations imposed thereby and by the Act.

4.8 Further Limitations on Disposition. Without in any way limiting the representations set forth above, each Investor further agrees not to make any disposition of all or any portion of the Securities unless and until the transferee has agreed in writing for the benefit of the Company to be bound by this Section 4, and:

(a) There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(b) (i) Such Investor shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and (ii) if reasonably

requested by the Company, such Investor shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company that such disposition will not require registration of such shares under the Act. It is agreed that the Company will not require opinions of counsel for transactions made pursuant to Rule 144 except in unusual circumstances.

4.9 Legends. It is understood that the certificates evidencing the Securities may bear one or all of the following legends:

(a) "These securities have not been registered under the Securities Act of 1933, as amended. They may not be sold, offered for sale, pledged or hypothecated in the absence of a registration statement in effect with respect to the securities under such Act or an opinion of counsel satisfactory to the Company that such registration is not required or unless sold pursuant to Rule 144 of such Act."

(b) Any legend required by state securities laws.

5. Conditions of Investors' Obligation. The respective obligation to purchase and pay for the Preferred Shares which each Investor has agreed to purchase on the Closing Date is subject to the fulfillment prior to or on the Closing Date of the following conditions:

5.1 Representations and Warranties. The representations and warranties of the Company under this Agreement shall be true in all material respects as of each Closing Date with the same effect as though made on and as of each Closing Date.

5.2 Compliance with Agreement. The Company shall have performed and complied with all agreements, covenants and conditions required by this Agreement and by the Research and License Agreement attached hereto as Exhibit 6 to be performed and complied with by it prior to or as of the Closing Date.

5.3 Certificate of Officers. The Company shall have delivered to the Investor a certificate, dated as of the Closing Date, executed by the senior executive officer and the senior financial officer of the Company and certifying to the satisfaction of the conditions specified in this Section 5.

5.4 Opinion of Company's Counsel. On the Closing Date coincident with the date of this Agreement only, the Company shall have delivered to the Investors an opinion of Moss & Barnett, counsel for the Company, dated the Closing Date, to the effect that:

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Minnesota; has the corporate power and authority to enter into the Transaction Agreements, to issue and sell the Securities as contemplated by the Transaction Agreements, and to carry out the provisions of the Transaction Agreements; has the corporate power and authority to own and hold its properties owned and leased and to carry on the business in which it is engaged; and has not failed to qualify to do business as a foreign corporation in good standing in any state or jurisdiction wherein the nature of its activities or of its properties owned or leased makes such qualification necessary and failure to be so qualified would have a material adverse effect upon the Company.

(b) The Transaction Agreements have been duly authorized, executed and delivered by the Company, and constitute legal, valid and binding agreements of the Company enforceable in accordance with their respective terms.

(c) The Statement of Designation, in the form set forth in Exhibit 1C hereto, have been duly adopted by all necessary corporate action, and have been duly filed with the Secretary of State of the State of Minnesota (no other or additional filing or recording being necessary in order for the holders of the Preferred Shares to obtain the rights and privileges of the Preferred Shares provided in the Articles of Incorporation).

(d) The Company is authorized by its Articles of Incorporation to issue 75,000,000 shares of Common Stock, 3,200,000 shares of Series A Preferred Stock and 21,800,000 undesignated shares. Other than the Series A Preferred Stock to be issued pursuant to this Agreement, there are no

shares of Series A Preferred Stock issued and outstanding. There are 2,293,300 shares of Common Stock duly issued and outstanding, all of which are, to our knowledge, fully paid and nonassessable. The issuance and sale of such outstanding shares of Common Stock were exempt from registration under the Securities Act and such shares were issued in conformity with the permit or qualification requirements of all applicable state securities laws. Except for such preferred shares and such common shares, the Company has no other authorized or outstanding series or class of capital stock. Except for (i) the conversion privileges of the Series A Preferred Stock, (ii) the Warrants and the 1,600,000 shares of Series A Preferred Stock reserved for issuance pursuant to the exercise of the Warrants to be issued pursuant to this Agreement and (iii) 600,000 shares of Common Stock reserved for issuance pursuant to the Company's 2001 Equity Incentive Plan there are no preemptive rights or, to our knowledge, options, warrants, conversion privileges or other rights (or agreements for any such rights) outstanding to purchase or otherwise obtain from the Company any of the Company's equity securities. To the knowledge of such counsel, except as set forth on Exhibit 3 hereto, there are no agreements or understandings on the part of the Company with respect to the registration of any securities of the Company under the Securities Act, other than those granted under this Agreement, and there are no obligations on the part of the Company to purchase or redeem any outstanding shares of capital stock of the Company.

(e) The respective rights, privileges, restrictions and preferences of the Series A Preferred Stock are as stated in the Statement of Designation.

(f) The Preferred Shares to be purchased at the Closing have been duly authorized and, upon payment for and delivery of such securities in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable. The certificates for the Preferred Shares when issued, will be in valid and sufficient form, and the Preferred Shares are entitled to the benefits of this Agreement applicable thereto. The Conversion Stock has been duly authorized and reserved for issuance upon conversion of the Series A Preferred Stock and when issued upon such conversion in accordance with the terms and conditions of the Statement of Designation, the Conversion Stock will be duly authorized and issued and will be fully paid and nonassessable.

(g) The Warrants have been duly authorized and, when issued in accordance with the terms and conditions of this Agreement, will be duly authorized and issued. The Warrant Stock has been duly authorized and reserved for issuance upon exercise of the Warrants and when issued upon such exercise in accordance with the terms and conditions of the Warrants and those of this Agreement, the Warrant Stock will be duly authorized and issued and will be fully paid and nonassessable.

(h) All corporate proceedings required by law or by the provisions of the Transaction Agreements to be taken by the Board of Directors and the stockholders of the Company on or prior to the Closing Date in connection with the execution and delivery of the Transaction Agreement, the offer, issuance and sale of the Securities, and in connection with the consummation of the transactions contemplated by the Transaction Agreements, have been duly and validly taken.

(i) All consents, approvals, permits, orders or authorizations of, and all qualifications, registrations, designations or declarations with, any federal or Minnesota corporate authority on the part of the Company required in connection with the execution and delivery of the Transaction Agreements and consummation of the transactions contemplated thereby have been obtained, and are effective, and we are not aware of any proceedings, or written threat of any proceedings, that question the validity thereof.

(j) The Company's execution and delivery of, and its performance and compliance as of the date hereof with the terms of, the Transaction Agreements do not violate any provision of any federal, or Minnesota corporate law, rule or regulation applicable to the Company or any provision of the Company's Articles of Incorporation or Bylaws and do not conflict with or constitute a default under the provisions of any judgment, writ, decree or order to which the Company is bound or any material agreement to which the Company is a party.

(k) Assuming the accuracy of the representations of the Investors set forth in Section 4 hereof, the offer, sale, issuance and delivery of the Preferred Shares, the grant and issuance of the Warrants and the offer of the Conversion Stock and Warrant Stock to the Investors through conversion by it of the Preferred Shares or Warrant Stock or exercise by it of the Warrants under the circumstances contemplated by the Articles of Incorporation, the Warrants and this Agreement are exempt from the registration and prospectus delivery requirements of the Securities Act, and all registrations, qualifications, permits and approvals required under applicable state securities laws for the lawful offer, sale, issuance and delivery of the Preferred Shares, the grant and issuance of the Warrants and the offer of the Conversion Stock and Warrant Stock shall have been obtained.

(m) Such counsel has no knowledge of any litigation, proceeding or governmental investigation pending or threatened against the Company, its key management employees, properties or business which, if determined adversely to the Company, would have a material adverse effect upon the financial condition, operations, results of operations or business of the Company.

5.5 Qualification Under State Securities Laws. All registrations, qualifications, permits and approvals required under applicable state securities laws for the lawful execution and delivery of this Agreement and the offer, sale, issuance and delivery of the Preferred Shares, the grant and issuance of the Warrants and the offer of the Conversion Stock and Warrant Stock shall have been obtained.

5.6 Proceedings and Documents. All corporate and other proceedings and actions taken in connection with the transactions contemplated hereby and all certificates, opinions, agreements, instruments and documents mentioned herein or incident to any such transaction shall be satisfactory in form and substance to the Investors and their respective counsel.

5.7 Co-Sale Agreement. The Company, Hackett, Ekker, McIvor and Largaespada shall have entered into a Co-Sale Agreement with the Investors substantially in the form of Exhibit 5 hereto.

5.8 Research and License Agreement. R&D Systems and the Company shall have entered into a Research and License Agreement substantially in the form of Exhibit 6 hereto.

5.9 Employment and Consulting Agreements. Hackett shall have entered into the Employment Agreement attached hereto as Exhibit 4A and each of Ekker, McIvor and Largaespada shall have entered into their respective Consulting Agreements attached hereto as Exhibit 4B.

6. Affirmative Covenants. The Company covenants and agrees that:

6.1 Corporate Existence. The Company will maintain its corporate existence in good standing and comply with all applicable laws and regulations of the United States or of any state or states thereof or of any political subdivision thereof and of any governmental authority where failure to so comply would have a material adverse impact on the Company or its business or operations.

6.2 Books of Account and Reserves. The Company will keep books of record and account in which full, true and correct entries are made of all of its and their respective dealings, business and affairs, in accordance with generally accepted accounting principles. The Company will employ certified public accountants selected by the Board of Directors of the Company who are "independent" within the meaning of the accounting regulations of the Commission and have annual audits made by such independent public accountants in the course of which such accountants shall make such examinations, in accordance with generally accepted auditing standards, as will enable them to give such reports or opinions with respect to the financial statements of the Company and its Subsidiaries as will satisfy the requirements of the Commission in effect at such time with respect to certificates and opinions of accountants.

6.3 Furnishing of Financial Statements and Information. The Company will deliver to Investors:

(a) as soon as practicable, but in any event within 30 days after the close of each month, unaudited balance sheets of the Company as of the end of such month, together with the related statements of operations for such month, setting forth the budgeted figures for such month prepared and submitted in connection with the Company's annual plan as required under Section 6.5 hereof and in comparative form figures for the corresponding month of the previous fiscal year, all in reasonable detail and certified by an authorized officer of the Company, subject to year-end adjustments;

(b) as soon as practicable, but in any event within 90 days after the end of each fiscal year, a balance sheet of the Company, as of the end of such fiscal year, together with the related statements of operations, stockholders' equity and cash flow for such fiscal year, setting forth in comparative form figures for the previous fiscal year, all in reasonable detail and duly certified independent public accountants selected by the Board of Directors of the Company, which accountants shall have given the Company an opinion, unqualified as to the scope of the audit, regarding such statements;

(c) concurrently with the delivery of any financial statements referred to in paragraphs (a) and (b) of this Section 6.3, current schedules of Indebtedness for Borrowed Money and Senior Indebtedness together with a certificate of the President and the principal accounting officer of the Company to the effect that such schedules are accurate and correct and that there exists no condition or event which constitutes an event of default with respect to any indebtedness of the Company, or, if any such condition or event exists, specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(d) within 90 days after the end of each fiscal year, written notice of the current Conversion Price and Warrant Exercise Price, including a brief statement indicating any adjustments reasonably anticipated;

(e) promptly after the submission thereof to the Company, copies of all reports and recommendations submitted by independent public accountants in connection with any annual or interim audit of the accounts of the Company or any of its Subsidiaries made by such accountants;

(f) promptly upon transmission thereof, copies of all reports, proxy statements, registration statements and notifications filed by it with the Commission pursuant to any act administered by the Commission or furnished to stockholders of the Company or to any national securities exchange;

(g) with reasonable promptness, such other financial data relating to the business, affairs and financial condition of the Company as is available to the Company and as from time to time the Investors may reasonably request;

(h) promptly following the issuance of any Additional Shares of Common Stock or of any Convertible Securities, or any options, warrants or other rights to purchase Additional Shares of Common Stock or Convertible Securities written notice of the amount of securities so issued and the total consideration received therefor;

(i) at least 20 days prior to the earlier of the holding of any meeting of the stockholders of the Company for the purpose of approving such action, written notice of the terms and conditions of such proposed merger, consolidation, plan of exchange, sale, transfer or other disposition;

(j) within 15 days after the Company learns in writing of the commencement or threatened commencement of any material suit, legal or equitable, or of any claim or assertion that the Company or any of its products infringes on the patent rights or other intellectual property rights of any person or party, or of any material administrative, arbitration or other proceeding against the Company, any of its Subsidiaries or their respective businesses, assets or properties, written notice of the nature and extent of such suit or proceeding;

The financial statements that the Company will deliver to the Investors in

accordance with provisions of Section 6.3 hereof shall fairly present the financial condition and the results of operations, and as to audited statements, changes in stockholder's equity and cash flow of the Company as at the respective dates and for the periods referred to in such financial statements, all in accordance with GAAP, subject in the case of interim financial statements, to normal recurring year-end adjustments (the effect of which will not, individually or in the aggregate, be materially adverse) and the absence of notes (that, if presented, would not differ materially from those included in previously delivered audited balance sheets); such financial statements will reflect the consistent application of such accounting principles throughout the periods involved, except as disclosed in the notes to such financial statements.

6.4 Inspection. The Company will permit the Investors and any representatives of the Investors to visit and inspect at the respective Investor's expense any of the properties of the Company, including its books, records and material agreements (and to make photocopies thereof or make extracts therefrom), and to discuss its affairs, finances, and accounts with its officers, lawyers and accountants, all to such reasonable extent and at such reasonable times and intervals as such Investor may reasonably request. Except as otherwise required by applicable laws or regulations, the Investors shall maintain, and shall require its representatives to maintain, all information confidential to the Company obtained pursuant to Section 6.3 hereof, this Section 6.4 and Section 6.5 hereof on a confidential basis.

6.5 Preparation and Approval of Budgets. At least one month prior to the beginning of each fiscal year of the Company, the Company shall prepare and submit to its Board of Directors, for its review and approval, an annual plan for such year, which shall include monthly capital and operating expense budgets, cash flow statements and profit and loss projections itemized in such detail as the Board of Directors may reasonably request. Each annual plan shall be modified as often as is necessary in the judgment of the Board of Directors to reflect changes required as a result of operating results and other events that occur, or may be reasonably expected to occur, during the year covered by the annual plan, and copies of each such modification shall be submitted to the Board of Directors. The Company will, simultaneously with the submission thereof to the Board of Directors, deliver a copy of each such annual plan and modification thereof to the Investors.

6.6 Payment of Taxes and Maintenance of Properties. The Company will:

(a) pay and discharge promptly, or cause to be paid and discharged promptly when due and payable, all taxes, assessments and governmental charges or levies imposed upon it or upon its income or upon any of its properties, as well as all material claims of any kind (including claims for labor, material and supplies) which, if unpaid, might by law become a lien or charge upon its property; provided, however, that neither the Company nor any Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings and if the Company shall have set aside on its books reserves (segregated to the extent required by generally accepted accounting principles) deemed adequate by it with respect thereto; and

(b) maintain and keep, or cause to be maintained and kept, its properties in good repair, working order and condition, and from time to time make, or cause to be made, all repairs and renewals and replacements which in the opinion of the Company are necessary and proper so that the business carried on in connection therewith may be properly and advantageously conducted at all times; the Company will maintain or cause to be maintained back-up copies of all valuable papers and software.

6.7 Insurance. The Company will obtain and maintain in force such property damage, public liability, business interruption, worker's compensation, indemnity bonds and other types of insurance as the Company's executive officers, after consultation with an accredited insurance broker, shall determine to be necessary or appropriate to protect the Company from the insurable hazards or risks associated with the conduct of the Company's business. The Company's executive officers shall periodically report to the Board of Directors on the status of such insurance coverage.

All insurance shall be maintained in at least such amounts and to such extent as shall be determined to be reasonable by the Board of Directors;

and all such insurance shall be effected and maintained in force under a policy or policies issued by insurers of recognized responsibility, except that the Company may effect worker's compensation or similar insurance in respect of operations in any state or other jurisdiction either through an insurance fund operated by such state or other jurisdiction or by causing to be maintained a system or systems of self-insurance which is in accord with applicable laws.

6.8 Directors' and Stockholders' Meetings. The holders of the Preferred Shares and the Conversion Stock issued upon voluntary conversion by the holders of the Preferred Shares shall have the right to elect three directors of the Company as set forth in the Statement of Designation. In addition, the holders of the Preferred Shares and the Conversion Stock issued upon voluntary conversion by the holders of Preferred Shares shall be entitled, as a class, to elect such additional directors so as to give such holders the right to elect, in the aggregate, sufficient directors to represent a majority by one of the directors in the event the Company records (i) a net loss in excess of $800,000 in fiscal 2001, (ii) a net loss in excess of $1,600,000 in fiscal 2002, (iii) a net loss in excess of $1,600,000 in fiscal 2003 and (iv) for each fiscal year thereafter, a net income that is less than 50% of the Board-approved budgeted net income for such year or a net loss. The right to such additional director as set forth in the preceding sentence shall continue until such time as the Company provides to the such holders audited financial statements for a subsequent fiscal year that demonstrate compliance with the applicable financial milestone (as set forth in the preceding sentence) for that year. The director election rights set forth in this paragraph shall continue until the completion of a Qualified Public Offering; provided, however, that upon the completion of a Qualified Public Offering, Techne or its affiliates shall continue to have a right to elect one director to the Company's Board of Directors for so long as Techne or its affiliates holds in the aggregate at least 50% of the Common Stock issued to Techne or its affiliates upon conversion of the Preferred Shares purchased by Techne pursuant to this Agreement.

The Company shall reimburse the reasonable out-of-pocket expenses incurred by the directors designated and elected by the holders of Preferred Shares pursuant to the Statement of Designation in connection with the attending of meetings by their director designees or carrying out any other duties by such director designees that may be specified by the Board of Directors or any committee thereof, shall pay such director designees the same directors' fees paid to the other non-employee directors of the Company, and shall maintain as part of its Articles of Incorporation or Bylaws a provision for the indemnification of its directors to the full extent permitted by law.

The Company agrees, as a general practice, to hold a meeting of its Board of Directors at least once every three months, and during each year to hold its annual meeting of stockholders on or approximately on the date provided in its Bylaws.

6.9 Replacement of Certificates. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of the certificates representing any Securities, and, in the case of any such loss, theft or destruction, upon delivery of a bond of indemnity satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of such certificates, the Company will issue new certificates representing such Securities of like tenor, in lieu of such lost, stolen, destroyed or mutilated certificates.

6.10 Application of Proceeds. Unless otherwise approved by the Investors, the net proceeds received by the Company from the sale of the Preferred Shares shall be used for working capital purposes. Pending use of the proceeds in the business, they shall be deposited in a bank or banks having deposits of $150,000,000 or more, invested in money market mutual funds having assets of $500,000,000 or more, or invested in securities issued or guaranteed by the United States Government.

6.11 Patents and Other Intangible Rights. The Company will apply for, or obtain assignments of, or licenses to use, all patents, trademarks, trademark rights, trade names, trade name rights and copyrights which in the opinion of a prudent and experienced businessperson operating in the industry in which the Company is operating are desirable or necessary for the conduct and protection of the business of the Company.

6.12 Proprietary Information and Invention Agreements. The Company will require each of its officers, employees and consultants to enter into proprietary and invention assignment agreements with it in a form approved by the Company's Board of Directors.

6.13 Rights to Purchase Additional Securities. If the Company should decide to issue and sell additional shares of any of its capital stock or any of its warrants, securities convertible into capital stock or other rights to subscribe for or to purchase any of its capital stock, other than (a) shares of Common Stock sold in a Public Offering, (b) the 600,000 shares of Common Stock issued or reserved for issuance pursuant to the Company's 2001 Equity Incentive Plan, and the grant of options to purchase such shares, (c) shares of Common Stock issued upon conversion of the Preferred Shares, and (d) shares of Series A Preferred Stock issued upon exercise of the Warrants and shares of Common Stock issuable upon conversion thereof (all such capital stock, warrants, options and other rights, other than securities referred to in (a), (b), (c) and (d) above, being hereinafter sometimes collectively referred to as "Additional Securities"), then the Company shall first offer to sell to each Investor, upon the same terms and conditions as the Company is proposing to issue and sell such Additional Securities to others, such Investor's pro rata share (as defined below) of such Additional Securities. Such offer shall be made by written notice given to such Investor and specifying therein the amount of the Additional Securities being offered, the purchase price and other terms of such offer. Such Investor shall have a period of 20 days from and after the date of receipt by it of such notice within which to accept such offer. If such Investor elects to accept such offer in whole or in part, such Investor shall so accept by written notice to the Company given within such 20-day period. If such Investor fails to accept such offer in whole or in part within such 20-day period, any of such Additional Securities not purchased by such Investor pursuant to such offer may be offered for sale to others by the Company for a period of 120 days from the last day of such 20-day period, but only on the same terms and conditions as set forth in the initial offer to such third-party purchaser, free and clear of the restrictions imposed by this Section 6.13.

For purposes of the previous paragraph, such Investor's "pro rata share" is the number of shares of Additional Securities (rounded to the nearest whole share) as is equal to the product of (a)(i) the number of shares of Common Stock issued, or issuable upon the exercise or conversion of rights, options, warrants or Convertible Securities, to such Investor immediately prior to the issuance of the Additional Securities being offered divided by (ii) the total number of shares of Common Stock issued, or issuable upon the exercise or conversion of outstanding rights, options, warrants or Convertible Securities, by the Company immediately prior to the issuance of the Additional Securities, multiplied by (b) the entire offering of Additional Securities.

6.14 Waivers of Affirmative Covenants. Any provision of this Section 6 may be changed, waived, discharged or terminated with a statement in writing signed by the holders of a majority of the Purchased Stock.

7. Negative Covenants. The Company will be limited and restricted as follows:

7.1 Future Registration Rights. Except for any registration expressly permitted by Section 8 hereof, the Company will not, without the prior approval of the Investors, agree with the holders of any securities issued or to be issued by the Company to register such securities under the Securities Act nor will it grant any incidental registration rights which are superior or preferred to those granted to the Investors by this Agreement.

7.2 Other Restrictions. The Company will not without the prior written consent of the Investors, which consent shall not be unreasonably withheld:

(a) authorize or issue any shares of preferred stock or other securities with preferences superior to or on parity with those of the Series A Preferred Stock issued to the Investors pursuant to this Agreement, or

(b) enter into any agreement, grant any right or take any action which would impair or dilute the rights of Techne's subsidiary, Research & Diagnostic Systems, Inc., under the Research and License Agreement attached hereto as Exhibit 6.

7.3 Waivers of Negative Covenants. Any provision of this Section 7 may be changed, waived, discharged or terminated with a statement in writing signed by the holders of a majority of the Purchased Stock.

8. Registration Rights.

8.1 Required Registration. If at any time after the earlier to occur of the fourth anniversary of the Closing Date or the date that is six-months after the closing of the Company's initial Public Offering, the Company shall receive a written request therefor from holders of a majority of the shares of Common Stock issued or issuable upon conversion of the Preferred Shares or Warrant Stock (the "Registrable Shares"), the Company shall prepare and file a registration statement under the Securities Act covering the Registrable Shares, which are the subject of such request and shall use its best efforts to cause such registration statement to become effective. The Company shall be obligated to prepare, file and cause to become effective only two registration statements (other than on Form S-3 or any successor form promulgated by the Commission ("Form S-3")) pursuant to this Section 8.1, and to pay the expenses associated with such registration statements. Notwithstanding the foregoing, the holders of a majority of the Registrable Shares may require, pursuant to this Section 8.1, the Company to file, and to pay the expenses associated with, any number of registration statements on Form S-3, if such form is then available for use by the Company. In the event that holders of a majority of the Registrable Shares participating in the registration determine for any reason not to proceed with such registration at any time before a registration statement has been declared effective by the Commission, and such registration statement, if theretofore filed with the Commission, is withdrawn with respect to the Registrable Shares covered thereby, and the holders of the Registrable Shares participating in such registration each agree to bear their own expenses incurred in connection therewith and to reimburse the Company, on a pro rata basis, for the expenses incurred by it attributable to the registration of such Registrable Shares, then such holders shall not be deemed to have exercised their right to require the Company to register Registrable Shares pursuant to this Section 8.1.

If, at the time any written request for registration is received by the Company pursuant to this Section 8.1, the Company has determined to proceed with the actual preparation and filing of a registration statement under the Securities Act in connection with the proposed offer and sale for cash of any of its securities by it or any of its security holders, such written request shall be deemed to have been given pursuant to Section 8.2 hereof rather than this Section 8.1, and the rights of the holders of Registrable Shares covered by such written request shall be governed by Section 8.2 hereof.

Without the written consent of the holders of Registrable Shares, neither the Company nor any other holder of securities of the Company may include securities in a registration effected under this Section 8.1 if in the good faith judgment of the managing underwriter of such public offering the inclusion of such securities would interfere with the successful marketing of the Purchased Stock or require the exclusion of any portion of the Registrable Shares to be registered.

8.2 Incidental Registration. Each time the Company shall determine to proceed with the actual preparation and filing of a registration statement under the Securities Act in connection with the proposed offer and sale for cash of any of its securities by it or any of its security holders (other than a registration statement on Form S-4, Form S-8 or any other form that does not permit the inclusion of shares by its security holders), the Company will give written notice of its determination to the holders of Registrable Shares. Upon the written request of the holders of Registrable Shares given within 20 days after receipt of any such notice from the Company, the Company will, except as herein provided, cause all Registrable Shares, which have been requested by such holders to be registered to be included in such registration statement, all to the extent requisite to permit the sale or other disposition by such holders to be so registered; provided, however, that nothing herein shall prevent the Company from, at any time, abandoning or delaying any such registration initiated by it; provided, further, however, that if the Company determines not to proceed with a registration after the registration statement has been filed with the Commission and the Company's decision not to proceed is primarily based upon the anticipated public offering price of the securities to be sold by the Company, the Company shall promptly complete the registration if the holders of a majority of the Registrable Shares participating in the registration wish to proceed with a public offering of

their Registrable Shares and will bear, on a pro rata basis, all expenses in excess of $100,000 incurred by the Company as the result of such registration after the Company has decided not to proceed. If any registration pursuant to this Section 8.2 shall be underwritten in whole or in part, the Company may require that the securities requested for inclusion by selling stockholders, including the holders of Registrable Shares, pursuant to this Section 8.2, be included in the underwriting on the same terms and conditions as the securities otherwise being sold through the underwriters. If the total amount of securities, including Registrable Shares, requested by stockholders to be included in such offering exceeds the amount of securities sold other than by the Company that the managing underwriters determine in their sole discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Shares, which the underwriters determine in their sole discretion will not jeopardize the success of the offering. The securities so included to be apportioned pro rata among the selling stockholders, including the holders of Registrable Shares, according to the total amount of securities entitled to be included therein owned by each such selling stockholder or in such other proportions as shall mutually be agreed to by such selling stockholders, but in no event shall the amount of Registrable Shares included in the offering be reduced below 20% of the total amount of securities included in such offering, unless such offering is the initial public offering of the Company's securities, in which case the selling stockholders, including the holders of Registrable Shares, may be excluded completely if the underwriters make the determination described above and no other stockholder's securities are included. For purposes of the preceding sentence concerning apportionment, for any selling stockholder which is a partnership or corporation, the partners, retired partners and stockholders of such holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling stockholder", and any pro-rata reduction with respect to such "selling stockholder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "selling stockholder", as defined in this sentence.

8.3 Registration Procedures. If and whenever the Company is required by the provisions of Section 8.1 or 8.2 hereof to effect the registration of shares of Registrable Shares under the Securities Act, the Company will:

(a) prepare and file with the Commission a registration statement with respect to such securities, and use its best efforts to cause such registration statement to become and remain effective for such period as may be reasonably necessary to effect the sale of such securities, not to exceed three months;

(b) prepare and file with the Commission such amendments to such registration statement and supplements to the prospectus contained therein as may be necessary to keep such registration statement effective for such period as may be reasonably necessary to effect the sale of such securities, not to exceed two years;

(c) furnish to the holders of Registrable Shares participating in the registration and to the underwriters of the securities being registered such reasonable number of copies of the registration statement, preliminary prospectus, final prospectus and such other documents as such underwriters may reasonably request in order to facilitate the public offering of such securities;

(d) use its best efforts to register or qualify the securities covered by such registration statement under such state securities or blue sky laws of such jurisdictions as the holders of Registrable Shares participating in the registration may reasonably request in writing within 30 days following the original filing of such registration statement;

(e) notify the holders of Registrable Shares participating in the registration, promptly after it shall receive notice thereof, of the time when such registration statement has become effective or a supplement to any prospectus forming a part of such registration statement has been filed;

(f) notify the holders of Registrable Shares participating in the registration promptly of any request by the Commission for the amending or

supplementing of such registration statement or prospectus or for additional information;

(g) prepare and file with the Commission, promptly upon the request of the holders of a majority of the Registrable Shares participating in the registration, any amendments or supplements to such registration statement or prospectus which, in the opinion of counsel for such holders (and concurred in by counsel for the Company), is required under the Securities Act or the rules and regulations thereunder in connection with the distribution of the Registrable Shares by such holder;

(h) prepare and promptly file with the Commission and promptly notify the holders of Registrable Shares participating in the registration of the filing of such amendment or supplement to such registration statement or prospectus as may be necessary to correct any statements or omissions if, at the time when a prospectus relating to such securities is required to be delivered under the Securities Act, any event shall have occurred as the result of which any such prospectus or any other prospectus as then in effect would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading;

(i) advise the holders of Registrable Shares participating in the registration, promptly after it shall receive notice or obtain knowledge thereof, of the issuance of any stop order by the Commission suspending the effectiveness of such registration statement or the initiation or threatening of any proceeding for that purpose and promptly use its best efforts to prevent the issuance of any stop order or to obtain its withdrawal if such stop order should be issued;

(j) not file any amendment or supplement to such registration statement or prospectus to which the holders of a majority of the Registrable Shares participating in the registration shall have reasonably objected on the grounds that such amendment or supplement does not comply in all material respects with the requirements of the Securities Act or the rules and regulations thereunder, after having been furnished with a copy thereof at least five business days prior to the filing thereof, unless in the opinion of counsel for the Company the filing of such amendment or supplement is reasonably necessary to protect the Company from any liabilities under any applicable federal or state law and such filing will not violate applicable law; and

(k) at the request of the holders of Registrable Shares participating in the registration, furnish an opinion, dated as of the closing date, of the counsel representing the Company for the purposes of such registration, addressed to the underwriters, if any, and to the holders of Registrable Shares participating in the registration making such request, in form and substance as is customarily given to underwriters in an underwritten public offering.

8.4 Expenses. With respect to each registration, including registrations pursuant to Form S-3, requested pursuant to Section 8.1 hereof (except as otherwise provided in such Section with respect to registrations voluntarily terminated at the request of the requesting security holders) and with respect to each inclusion of Registrable Shares in a registration statement pursuant to Section 8.2 hereof (except as otherwise provided in Section 8.2 with respect to registrations initiated by the Company but with respect to which the Company has determined not to proceed), the Company shall bear the following fees, costs and expenses: all registration, filing and NASD fees, printing expenses, fees and disbursements of counsel and accountants for the Company, fees and disbursements of counsel for the underwriter or underwriters of such securities (if the Company and/or selling security holders are required to bear such fees and disbursements), all internal Company expenses, all legal fees and disbursements and other expenses of complying with state securities or blue sky laws of any jurisdictions in which the securities to be offered are to be registered or qualified, and the premiums and other costs of policies of insurance against liability (if any) arising out of such public offering. Fees and disbursements of counsel and accountants for the selling security holders, underwriting discounts and commissions and transfer taxes relating to the shares included in the offering by the selling security holders, and any other expenses incurred by the selling security holders not expressly included above, shall be borne by the selling security holders.

8.5 Indemnification. In the event that any Registrable Shares are included in a registration statement under Section 8.1 or 8.2 hereof:

(a) The Company will indemnify and hold harmless each holder of Registrable Shares, its respective directors and officers, and any underwriter (as defined in the Securities Act) for such holder and each person, if any, who controls such holder or such underwriter within the meaning of the Securities Act, from and against, and will reimburse each such holder and each such underwriter and controlling person with respect to, any and all loss, damage, liability, cost and expense to which such holder or any such underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, damages, liabilities, costs or expenses are caused by any untrue statement or alleged untrue statement of any material fact contained in such registration statement, any prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; provided, however, that the Company will not be liable in any such case to the extent that any such loss, damage, liability, cost or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission (i) made in conformity with information furnished by such holder, such underwriter or such controlling person in writing specifically for use in the preparation thereof or (ii) which was corrected by a supplement or amendment to the registration statement or prospectus filed with the Commission and provided to such holder prior to the event allegedly giving rise to the liability.

(b) Each holder of Registrable Shares participating in the registration will, severally and not jointly, indemnify and hold harmless the Company, its directors and officers, any controlling person and any underwriter from and against, and will reimburse the Company, its directors and officers, any controlling person and any underwriter with respect to, any and all loss, damage, liability, cost or expense to which the Company or any controlling person and/or any underwriter may become subject under the Securities Act or otherwise, insofar as such losses, damages, liabilities, costs or expenses are caused by any untrue or alleged untrue statement of any material fact contained in such registration statement, any prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was so made in reliance upon and in strict conformity with written information furnished by such holder specifically for use in the preparation thereof.

(c) Promptly after receipt by an indemnified party pursuant to the provisions of paragraph (a) or (b) of this Section 8.5 of notice of the commencement of any action involving the subject matter of the foregoing indemnity provisions, such indemnified party will, if a claim thereof is to be made against the indemnifying party pursuant to the provisions of said paragraph (a) or (b), promptly notify the indemnifying party of the commencement thereof; but the omission to so notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than hereunder. In case such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party shall have the right to participate in, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party, provided, however, if the defendants in any action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, or if there is a conflict of interest which would prevent counsel for the indemnifying party from also representing the indemnified party, the indemnified party or parties shall have the right to select separate counsel to participate in the defense of such action on behalf of such indemnified party or parties. After notice

from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party pursuant to the provisions of said paragraph (a) or (b) for any legal or other expense subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation, unless (i) the indemnified party shall have employed counsel in accordance with the proviso of the preceding sentence, (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after the notice of the commencement of the action, or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party.

8.6 Transfer; Termination and Grant of Additional Registration Rights.

(a) The rights to cause the Company to register securities granted to the Investors under this Section 8 may be transferred or assigned by the Investors to any transferee or assignee of the Purchased Stock, provided that the Company is given written notice at the time of or within a reasonable time after said transfer or assignment, stating the name and address of the transferee or assignee and identifying the securities with respect to which such registration rights are being transferred or assigned, and, provided further, that the transferee or assignee of such rights assumes the obligations of the Investors under this Section 8.

(b) The right of an Investor to register the Registrable Shares under Section 8 shall terminate on the earlier of: (a) the date on which such Investor's Registrable Shares are eligible for sale under Rule 144 and none of such Investor;s Registrable Shares are restricted from sale due to Rule 144 volume limitations or (c) the sale or other disposition by such Investor of all of such Investor's Registrable Shares.

(c) The Company shall not, without the prior written consent of the Investors, grant additional registration rights that have a preference over the registration rights of the Investors under this Section 8.

(d) Any provision of this Section 8 may be changed, waived, discharged or terminated with a statement in writing signed by the holders of a majority of the Registrable Shares.

9. Miscellaneous.

9.1 Operating Assistance. Techne may provide laboratory and administrative office space, access to equipment, accounting services and such other assistance as Techne may agree to provide. The terms of any such agreement shall be set forth in Schedule A hereto, which schedule may amended by the parties hereto from time to time. Such operating assistance shall be provided at Techne's cost, but in the case of space, such costs shall not exceed $10 per square foot.

9.2 Termination of Certain Covenants. Unless another termination date is specifically provided for therein, the obligations of the Company under Sections 6 and 7 of this Agreement shall terminate upon the closing of a Qualified Public Offering except that the Techne shall continue to have a right to one director, as provided in Section 6.8.

9.3 Changes, Waivers, etc. Except as specifically provided in Sections 6, 7 and 8, this Agreement and any provision hereof may not be changed, waived, discharged or terminated orally without a statement in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

9.4 Payment of Fees and Expenses. The Company and each Investor will each pay its own expenses incurred in connection with entering into this Agreement. Payment of expenses related to disputes arising out of or related to this Agreement shall be determined in accordance with Section 9.8 below.

9.5 Notices. All notices, requests, consents and other communications required or permitted hereunder shall be in writing and shall be delivered, or

mailed first-class postage prepaid, registered or certified mail,

(a) if to Techne, 614 McKinley Place, N.E., Minneapolis, Minnesota 55413, Attention: Thomas E. Oland, President, with a copy to Melodie R. Rose, Fredrikson & Byron, P.A., 1100 International Centre, 900 Second Avenue South, Minneapolis, Minnesota 55402 or

(b) if to Lucas, 614 McKinley Place, N.E., Minneapolis, Minnesota 55413, with a copy to Melodie R. Rose, Fredrikson & Byron, P.A., 1100 International Centre, 900 Second Avenue South, Minneapolis, Minnesota 55402 or

(c) if to the Company, Attention: President, 1895 Rice Street, St. Paul, Minnesota 55112 or to such other address as the Company may specify by written notice to the Investors, with a copy to Janna Severance, Moss & Barnett, 4800 Wells Fargo Center, 90 S. 7th Street, Minneapolis, MN 55402. Such notices and other communications shall for all purposes of this Agreement be treated as being effective or having been given if delivered personally, or, if sent by mail, when received.

9.6 Survival of Representations and Warranties, etc. All representations and warranties contained herein shall survive the execution and delivery of this Agreement, any investigation at any time made by the Investors or on their behalf, and the sales and purchases of the Purchased Stock. All statements contained in any certificate, instrument or other writing delivered by or on behalf of the Company pursuant hereto or in connection with or contemplation of the transactions herein contemplated (other than legal opinions) shall constitute representations and warranties by the Company hereunder.

9.7 Parties in Interest. All the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, whether so expressed or not, and, in particular, shall inure to the benefit of and be enforceable by the holder or holders at the time of any of the Purchased Stock.

9.8 Headings. The headings of the Sections and paragraphs of this Agreement have been inserted for convenience of reference only and do not constitute a part of this Agreement.

9.9 Arbitration. Any dispute arising out of or relating to this Agreement or the alleged breach of it, or the making of this Agreement or the agreements referenced herein, including claims of fraud in the inducement, shall be discussed between the disputing parties in a good faith effort to arrive at a mutual settlement of any such controversy. If, notwithstanding, such dispute cannot be resolved, such dispute shall be settled by binding arbitration. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitrator shall be a retired state or federal judge or an attorney who has practiced in substantive areas similar to the issues under dispute for at least 10 years. If the parties cannot agree on an arbitrator within 20 days, any party may request that the chief judge of the District Court for Hennepin County, Minnesota, select an arbitrator. Arbitration will be conducted pursuant to the provisions of this Agreement, and the commercial arbitration rules of the America Arbitration Association, unless such rules are inconsistent with the provisions of this Agreement, but without submission of the dispute to such Association. Limited civil discovery shall be permitted for the production of documents and taking of depositions. Unresolved discovery disputes may be brought to the attention of the arbitrator who may dispose of such dispute. The arbitrator shall have the authority to award any remedy or relief that a court of this state could order or grant; provided, however, that punitive of exemplary damages shall not be awarded. The arbitrator may award to the prevailing party, if any, as determined by the arbitrator, all of its costs and fees, including the arbitrator's fees. Unless otherwise agreed by the parties, the place of any arbitration proceedings shall be Hennepin County, Minnesota.

9.10 Choice of Law. It is the intention of the parties that the laws of the State of Minnesota (other than its law with respect to conflicts of law) shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties.

9.11 Counterparts. This Agreement may be executed concurrently in two or

more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

DISCOVERY GENOMICS, INC.

By:_____

Its:_____

TECHNE CORPORATION

By:_____
Thomas E. Oland
President and Chief Executive Officer

_____
Roger Lucas

RESEARCH AND LICENSE AGREEMENT

This Agreement, dated as of 02 August 2001 (the "Effective Date"), is by and between Research and Diagnostic Systems, Inc., a Minnesota corporation with principal offices at 614 McKinley Place NE, Minneapolis, Minnesota 55413-2647 ("R&D") and Discovery Genomics Inc., a Minnesota corporation with principal offices at 240 Gortner Lab, 1479 Gortner Avenue, St. Paul, MN 55108 ("DGI").

Recitals:

A. Techne Corporation ("Techne"), the parent corporation of R&D, and DGI are parties to a certain Investment Agreement on the same date as this Agreement. Under the terms of such Investment Agreement, Techne has subscribed for the purchase of 1.5 (one and one-half) million shares of preferred stock in DGI.

B. Techne through R&D is engaged in the development, manufacturing and sales of proteins, antibodies, immunoassays and related products ("R&D Products") primarily for use as research reagents and has developed proprietary processes and reagents for manufacturing and using such products. Techne does not intend to sell its R&D Products as therapeutic agents. Techne and R&D have acquired patents and have amassed substantial know-how relating to R&D Products ("Existing R&D Technology").

C. DGI is engaged in the development of therapeutics and therapeutic targets using nucleotide analogues, zebrafish and zebrafish embryos, and the sleeping beauty transposon. DGI owns proprietary technology relating to the use of certain nucleotide analogues in the zebrafish for the determination of gene function and the sleeping beauty transposon and uses therefor ("Existing DGI Technology"), including certain patent applications and invention disclosures identified on Exhibit A hereto.

D. DGI is also engaged in the development of drug screening products and services employing DGI Technology for the discovery and development of therapeutics ("DGI Products"). As an outgrowth of these developments and services DGI will discover genes and their gene products ("Proteins") and may have need for antibodies against these Proteins ("Antibodies"), and immunoassays to quantitate these Proteins ("Immunoassays"). For purposes of this Agreement Proteins, Antibodies, and Immunoassays will be known as "Products."

E. Dr. Stephen C. Ekker ("Ekker"), Dr. Perry B. Hackett, Jr. ("Hackett"), Dr. R. Scott McIvor ("McIvor"), and Dr. David Largaespada ("Largaespada") are the founders ("Founders") and have substantial expertise in the field. Hackett is a full-time employee of DGI and is devoting his time and energies to research and development on behalf of DGI and DGI will own all right, title and interest to the results of such research and development. Ekker, McIvor, and Largaespada are part-time employees or consultants to DGI. Each will be devoting some time and energy to research and development on behalf of DGI. DGI will own all right, title and interest to the results of such research and development performed within DGI's facilities for the benefit of DGI.

F. Techne and R&D wish to obtain an exclusive license from DGI to make, use, sell and import DGI Products.

In partial consideration of the agreement of Techne to subscribe for the purchase of shares of DGI pursuant to the Investment Agreement and in consideration of mutual agreements contained herein, the Parties therefore agree as follows:

1. DGI RESEARCH

1.1. Research. DGI and Founders agree to use their best efforts to diligently and efficiently discover and develop DGI Products.

1.2. Products To Be Supplied To R&D. Representatives of R&D and DGI will meet at least once each six (6) months to determine which DGI Products will be made available to R&D for development as research reagent products. At R&D's request, and upon mutual agreement by the Parties as described herein, DGI will provide R&D, at no charge, with

reasonable quantities of cDNA or the necessary starting material ("Starting Materials") of each such DGI Product it discovers in order to allow R&D to derive a manufacturing process for such DGI Product and for the potential development of Antibodies and Immunoassays. R&D's use and sale of such DGI Products shall be governed by the terms of Section 2.2.

1.3. Joint Discoveries. If DGI jointly with any other party discovers any Product that is of interest to R&D, it will use commercially reasonable efforts to obtain a license for R&D commensurate in scope with the license granted R&D under Section 3 of this Agreement. Upon grant of license or permission of the third party, DGI will provide R&D with reasonable quantities of Starting Materials of Joint Discoveries, at no charge, to allow R&D to produce such Products.

1.4. Products Not of Current Interest to R&D. If DGI discovers a Product that is not of current interest to R&D, it may forward said Starting Materials to R&D for expression and antibody development at R&D's discretion, but at no charge to DGI, under the same terms and conditions of Section 2.1. If R&D does undertake such expression and antibody development, any resulting Proteins and Antibodies shall be included in the license set forth in Section 3 below.

2. R&D TECHNICAL ASSISTANCE

2.1. Products To Be Supplied To DGI. Upon receipt of Starting Materials for Products from DGI, R&D will use commercially reasonable efforts to develop processes to produce Products and without charge provide reasonable quantities (up to 30 milligrams but not more than ten (10) percent of R&D's total production) of market quality Protein to DGI for its research use. R&D agrees that the LPS/endotoxin levels of these preparations will be within the specifications of currently-available catalog items manufactured by R&D, or as agreed between representatives of R&D and DGI. In addition, R&D will provide DGI with 100 milligrams of total monoclonal antibodies and 500 milligrams of polyclonal total IgG antibody for each molecule. DGI will have access to every antibody (monoclonal or polyclonal) generated against a given Protein in order to evaluate which is most appropriate for its research purposes, and to determine which it chooses to receive in quantity.

2.2. Exclusivity of Supply. R&D will not market or make available to third parties any Product resulting from this Agreement sooner than mutually agreed or one (1) year from receipt of Starting Materials, whichever is earlier (such period of time being the "Restriction Period"). DGI agrees not to distribute to third parties any such Products or other materials, other than in connection with a scientific collaboration (provided that any collaborator involved in such scientific collaboration shall be prevented from selling, distributing or disclosing such Product(s) to any third parties) or fee for service, prior to publication. If R&D fails to provide DGI with Product within one year after DGI provides Starting Material, or R&D informs DGI of its intent not produce Products from said Starting Material then DGI may provide the Starting Material to another group for the purposes of Protein or Antibody production.

a) DGI acknowledges that R&D should be free to market Products in a manner consistent with the license granted under Section 3 of this Agreement upon expiration of the Restriction Period. However, DGI may ask for an extension of the Restriction Period with respect to any particular Product in cases where its competitive advantage may be jeopardized. If DGI requests such an extension, representatives of R&D and DGI will meet and discuss DGI's request. In the event R&D and DGI are unable to agree on such an extension after good faith negotiations, DGI shall be entitled to unilaterally extend the Restriction Period by six (6) months with respect to that Product. DGI may request and require additional extensions on the same terms, but in no event shall the Restriction Period for a given Product extend beyond the publication by DGI or a third party of the full sequence or biological activity of such Product.

b) R&D may ask for a waiver of the Restriction Period (including any

extensions thereof) in cases where its competitive advantage may be jeopardized, which permission shall not be unreasonably withheld by DGI.

2.3. Other Research Reagents. R&D may also provide DGI with other research reagents from its stock catalog at special prices, as mutually agreed, provided that such reagents are used exclusively by DGI for its research. DGI may also seek in certain circumstances to obtain Protein from a third party provider via non-biological methods, such as chemical synthesis, but will do so only with the provider's understanding that such products are not subsequently sold by the provider to compete with R&D products.

2.4. Progress Reports. Representatives of DGI and R&D will track the progress of the projects encompassed by this agreement on a regular basis, and provide written reports on the status of protein and antibody production, and biological activity assessment, at least twice yearly.

3. LICENSE

3.1. Research Marketplace License to R&D. DGI grants to R&D a perpetual, irrevocable, royalty-free, exclusive worldwide license under DGI Technology to make, have made, sell, and import Products, as designated by mutual agreement as set out in section 1.2, in the Biomedical Research Marketplace. DGI also grants to R&D perpetual, irrevocable, royalty-free, exclusive worldwide license under DGI Technology to use any Products in the Biomedical Research Marketplace, provided that DGI retains the right to use such Products for its own research and may grant scientific collaborators the limited right to use such Products solely in furtherance of DGI's research.

3.2. Diagnostic Marketplace License to R&D. Some Products made available to R&D as set out in section 1.2 herein may have applicability in the Diagnostic Marketplace. If a Product is found to be of such use, the parties will negotiate in good faith to provide license to R&D to make, have made, sell, import, and sublicense for the Diagnostic Marketplace. Any license for the Diagnostic Marketplace will include royalties paid to DGI for sales of Product and a sharing of any sublicensing fees. Terms are to be comparable to those common in licensing agreements between unrelated parties for diagnostic products in markets similar to those for the product at issue.

3.3. For purposes of these licenses:

a) "DGI Technology" means all of DGI's technology relating to the usage of nucleotide analogues for RNA antisense in Zebrafish or Zebrafish embryos and the Sleeping Beauty Transposon including, but not limited to, any patents, patent applications (set out in Appendix A herein), Confidential Information (defined in Section 5.1 below) or other proprietary technology, whether based on or incorporating Existing DGI Technology, technology developed by DGI, or technology in which DGI acquires rights during the term of this Agreement.

b) "Biomedical Research Marketplace" means the worldwide market where the end user employs the products to gain knowledge. Excluded from the Biomedical Research Marketplace are uses in which the product is used to treat or diagnose a human disease or condition, except for purposes of research.

c) "Diagnostic Marketplace" means the worldwide market where the end user employs the product to detect the presence or absence of a disease or condition.

4. OWNERSHIP OF TECHNOLOGY

4.1. Existing Technology. Nothing in this Agreement shall give DGI any right, title or interest in the Existing R&D Technology. Other than the License granted in Section 3, nothing in this Agreement shall give Techne or R&D any right, title or interest in the Existing DGI Technology. DGI warrants that it owns the Existing DGI Technology

and has the right to grant the license granted in Section 3. This warranty does not encompass the use of the licensed technology for therapeutic uses falling outside the Biomedical Research Marketplace and the Diagnostic Marketplace.

4.2. Enforcement of Rights in Technology. If either party knows or has reason to believe that a third party is infringing rights in any DGI Technology, either directly or by inducement or contributorily, the party possessing such knowledge or belief shall promptly notify the other party thereof. DGI shall have the first right to commence judicial proceedings for its own benefit to attempt to stop such infringement. Each party agrees to fully cooperate with the other party by providing, at the other party's expense, any assistance that such other party deems necessary or appropriate in the conduct of such suit, including appearing as witness and, if required by law or if requested by the party bringing suit, to join as a party plaintiff. If DGI fails to either stop the infringing activities or bring any infringement, unfair competition or other appropriate suit against the alleged infringer within one hundred eighty (180) days of first learning of the infringement, the other party shall have the option to bring such suit at its own expense. The party initiating judicial proceedings shall be entitled to retain any award resulting therefrom. If the party initiating the suit notifies the other party of its intent to settle such suit, and if the other party does not wish to enter into such settlement, such other party may obtain the right to continue such suit at its own expense and to retain the entire award or subsequent settlement by guaranteeing to pay the initiating party the amount which it would have received from the proposed settlement.

5. CONFIDENTIALITY

5.1. Definition of Confidential Information. For purposes of this Agreement, "Confidential Information" means information not generally known which is proprietary to the disclosing party and includes, without limitation, all ideas, inventions, discoveries, improvements, product designs, manufacturing methods and processes techniques, technical information, engineering data, specifications, know-how, formulae, computer programs and other confidential processes, methods and information which relate to any Regulatory Factor owned by the disclosing party or a disclosing party's other products. All information identified as being "confidential" or "trade secret" shall be presumed to be Confidential Information. Confidential Information shall include any information described above which has already been disclosed to the receiving party by the disclosing party. Confidential Information does not include any information which :

a) was in the public domain at the time of disclosure by the disclosing party to the receiving party;

b) is published or otherwise comes into the public domain after its disclosure to the receiving party through no violation of this Agreement by the receiving party;

c) was in the receiving party's possession at the time of disclosure to it by the other party;

d) is disclosed to the receiving party by a third party not under an obligation of confidence to the disclosing party; or

e) is required to be produced by any applicable court, government agency, regulation or statute.

5.2. Security of Confidential Information. The receiving party agrees to treat all Confidential Information as confidential and to use commercially reasonable efforts to protect the Confidential Information from any unauthorized use or disclosure by it or its employees, agents or representatives and shall at least use the same degree of care to protect the Confidential Information as the receiving party uses to protect its own confidential information. The receiving party shall limit access to the Confidential Information to those employees, agents and representatives of the

receiving party to whom it is necessary to disclose the Confidential Information in furtherance of such party's rights, and performance of such party's obligations, under this Agreement.

5.3. Sale of Products. It is acknowledged that the sale of Products may inherently disclose Confidential Information. Nonetheless, sale of Products in accordance with this Agreement shall not be deemed a breach of any obligation of confidentiality.

6. INDEMNIFICATION

6.1. By DGI. DGI agrees to indemnify and hold R&D, and its affiliates, shareholders, officers, directors, employees, successors and assigns, harmless from and against any and all claims, actions, liabilities, damages, losses, costs and expenses, including, without limitation, reasonable attorneys' fees and legal expenses, actually incurred by any such party in connection with any claim, action or proceeding asserted by any person or entity arising from any matter which constitutes a breach of DGI's obligations or representations and warranties provided herein.

6.2. By R&D. R&D agrees to indemnify and hold DGI, and its affiliates, shareholders, officers, directors, employees, successors and assigns, harmless from and against any and all claims, actions, liabilities, damages, losses, costs and expenses, including, without limitation, reasonable attorneys' fees and legal expenses, actually incurred by any such party in connection with any claim, action or proceeding asserted by any person or entity arising from any matter which constitutes a breach of R&D's obligations or representations and warranties provided herein.

7. MISCELLANEOUS PROVISIONS

7.1. Survival. All of the representations and warranties made in this Agreement and all terms and provisions hereof intended to be observed and performed by the parties after the termination hereof, including the obligations of Section 3 ("LICENSE") and Section 5 ("CONFIDENTIALITY"), shall survive such termination and continue thereafter in full force and effect.

7.2. Complete Agreement. This Agreement constitutes the entire agreement of the parties with respect to the subject matter described in this Agreement and shall supersede all previous negotiations, commitments or writings with respect to such subject matter.

7.3. Waiver, Discharge, etc. This Agreement may not be released, discharged, abandoned, changed or modified in any manner, except by an instrument in writing signed on behalf of each of the parties to this Agreement by their duly authorized representatives. The failure of either party to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part of it or the right of either party after any such failure to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

7.4. Applicable Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of Minnesota (other than its law with respect to conflicts of laws), including all matters of construction, validity and performance.

7.5. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their successors or assigns, provided that, except as otherwise provided herein, the rights and obligations of either party under this Agreement may not be assigned without the written consent of the other party. Either party, however, may assign its rights and obligations to an entity succeeding to substantially all of its assets and business.

7.6. Execution in Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same

agreement, and shall become a binding agreement when one or more counterparts have been signed by each party and delivered to the other party.

7.7. Titles and Headings. Titles and headings to sections herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

7.8. Benefit. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties to this Agreement or their respective successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

7.9. Notices. Any notice or other communication required or permitted under this Agreement shall be in writing and shall be deemed to have been given, when received, if personally delivered or delivered by telegram, telex or facsimile, or, when deposited, if placed in the U.S. Mails for delivery by registered or certified mail, return receipt requested, postage prepaid and addressed to the appropriate party at the addresses set forth on the first page of this Agreement. Addresses may be changed by written notice given pursuant to the provisions of this paragraph; however, any such notice shall not be effective, if mailed, until three (3) working days after depositing in the U.S. Mails or when actually received, whichever occurs first.

7.10.Severability. The invalidity of any portion hereof shall not affect the validity, force or effect of the remaining portions hereof.

7.11.Execution of Further Documents. Each party agrees to execute and deliver without further consideration any further applications, licenses, assignments or other documents, and to perform such other lawful acts as the other party may reasonably require to fully secure and/or evidence the rights or interests herein.

7.12.Arbitration. Any dispute arising out of or relating to this Agreement or the alleged breach of it, the making of this Agreement or the agreements referenced herein, including claims of fraud in the inducement, any dispute relating to Products available to R&D as set forth in Section 1.2, and any dispute relating to the licensing of Products for the Diagnositc Markeplace as set forth in Section 3.2, shall be discussed between the disputing parties in a good faith effort to arrive at a mutual settlement of any such controversy. If, notwithstanding, such dispute cannot be resolved, such dispute shall be settled by binding arbitration. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitrator shall be a retired state or federal judge or an attorney who has practiced in substantive areas similar to the issues under dispute for at least 10 years. If the parties cannot agree on an arbitrator within 20 days, any party may request that the chief judge of the District Court for Hennepin County, Minnesota, select an arbitrator. Arbitration will be conducted pursuant to the provisions of this Agreement, and the commercial arbitration rules of the American Arbitration Association, unless such rules are inconsistent with the provisions of this Agreement, but without submission of the dispute to such Association. Limited civil discovery shall be permitted for the production of documents and taking of depositions. Unresolved discovery disputes may be brought to the attention of the arbitrator who may dispose of such dispute. The arbitrator shall have the authority to award any remedy or relief that a court of this state could order or grant; provided, however, that punitive or exemplary damages shall not be awarded. The arbitrator may award to the prevailing party, if any, as determined by the arbitrator, all of its costs and fees, including the arbitrator's fees. Unless otherwise agreed by the parties, the place of any arbitration proceedings shall be Hennepin County, Minnesota.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in the manner appropriate for each.

RESEARCH AND DIAGNOSTIC SYSTEMS, INC.

By_____
Thomas E. Oland
President

DISCOVERY GENOMICS, INC.

By_____
John E. Haaland, Ph.D.
President

EXHIBIT A

RESEARCH AND LICENSE AGREEMENT

DGI is engaged in the development of therapeutics and therapeutic targets using nucleotide analogues, zebrafish and zebrafish embryos, and the sleeping beauty transposon. DGI owns proprietary technology relating to the use of certain nucleotide analogues in the zebrafish for the determination of gene function and the sleeping beauty transposon and uses therefor ("Existing DGI Technology"), including certain patent applications and invention disclosures identified below.

Existing DGI Technology, exclusively licensed to DGI by the University of Minnesota:

Role of EC1 (heparin sulphate-6-0-sulfurotransferase) in the Vascular Formation in Zebrafish, filed July 6, 2001.

"DNA-Based Transposon System for the Introduction of Nucleic Acid into DNA of a Cell," U.S. Patent Application Serial No. 142,593, filed September 10, 1998 (from UM Docket 96135).

"Nucleic Acid Transfer Vector for the Introduction of Nucleic Acid into the DNA of a Cell," U.S. Patent Application Serial No. 191,572 filed November 13, 1998 (from UM Docket 99002).

"Vector-Mediated Delivery of Integrating Transposon Sequences," U.S. Patent Application Serial No. 569,257 filed May 11, 2000 (from UM Docket 99131).

"Germline Transgenesis in Animals," U.S. Provisional Patent Application Serial No. 60/229,072 filed August 30, 2000 (from UM Docket Z01029).

Improvement under License L1185. U/M Docket Z01092: Fluorescent-protein Based Gene Detection using Standard and Insertion Site Context DNA Elements in Zebrafish, July 24, 2001.

"INHIBITION OF GENE EXPRESSION USING POLYNUCLEOTIDE ANALOGUES", US Patent application filed 7/30/01. Includes information found within two separate morphant-based provisional applications, the earliest was filed 7/31/00.

- U.S. Provisional Patent Application Serial No. 60/221,722142,593, filed July 31, 2000, entitled Morpholino Substituted Oligonucleotides to Inhibit Gene Expression in Aquatic Organisms.

- U.S. Provisional Patent Application Serial No. 76/169,890 filed November 22, 2000 entitled Inhibition of Gene Expression in Vertebrate Organisms.

CHEMOCENTRYX, INC.

INVESTORS RIGHTS AGREEMENT

February 2, 2001

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CHEMOCENTRYX, INC.
INVESTORS RIGHTS AGREEMENT

This Investors Rights Agreement (the "Agreement") is made as of the 2nd day of February, 2001, by and among ChemoCentryx, Inc., a Delaware corporation (the "Company"), Techne Corporation, a Minnesota corporation ("Techne"), the individuals or entities who are signatories hereto, each of which is herein referred to as an "Investor," and Thomas J. Schall (the "Founder").

RECITALS

The Investors have entered into agreements (the "Purchase Agreements"), pursuant to which the Investors purchased shares (the "Shares") of Preferred Stock of the Company. In connection with the Purchase Agreements, the Company has and is granting certain registration rights to the Investors. All terms not otherwise defined in this Agreement shall have the meaning defined in the Purchase Agreements.

AGREEMENT

The parties hereby agree as follows:

1. Registration Rights. The Company, Techne, the Investors and

the Founder covenant and agree as follows:

1.1 Definitions. For purposes of this Section 1:

(a) The terms "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act of 1933, as amended (the "Securities Act"), and the declaration or ordering of effectiveness of such registration statement or document;

(b) The term "Registrable Securities" means (i) the shares of Common Stock issuable or issued upon conversion of the Series A Preferred Stock, (ii) the shares of Common Stock issuable or issued upon conversion of the Series B Preferred Stock, (iii) the shares of Common Stock issued to the Founder (the "Founder's Stock"); provided, however, that for the purposes of Section 1.2, 1.4 or 1.13 the Founder's Stock shall not be deemed Registrable Securities and the Founder shall not be deemed a Holder, and (iv) any other shares of Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares listed in (i), (ii) and (iii); provided, however, that the foregoing definition shall exclude in all cases any Registrable Securities sold by a person in a transaction in which his or her rights under this Agreement are not assigned. Notwithstanding the foregoing, Common Stock or other securities shall only be treated as Registrable Securities if and so long as they have not been (A) sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction, or (B) sold in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act under Section 4(1) thereof so that all transfer restrictions, and restrictive legends with respect thereto, if any, are removed upon the consummation of such sale;

(c) The number of shares of "Registrable Securities then outstanding" shall be determined by the number of shares of Common Stock outstanding which are, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities which are, Registrable Securities;

(d) The term "Holder" means any person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.12 of this Agreement;

(e) The term "Form S-3" means such form under the Securities Act as in effect on the date hereof or any successor form under the Securities Act;

(f) The term "SEC" means the Securities and Exchange Commission; and

(g) The term "Qualified IPO" means a firm commitment underwritten public offering by the Company of shares of its Common Stock pursuant to a registration statement on Form S-1 under the Securities Act, the public offering price of which is not less than $8.00 per share (appropriately adjusted for any stock split, dividend, combination or other recapitalization) and which results in aggregate cash proceeds to the Company of $20,000,000 (net of underwriting discounts and commissions).

1.2 Request for Registration.

(a) If the Company shall receive at any time after the earlier of (i) November 15, 2004, or (ii) six (6) months after the effective date of the first registration statement for a public offering of securities of the Company (other than a registration statement relating either to the sale of securities to employees of the Company pursuant to a stock option, stock purchase or similar plan or an SEC Rule 145 transaction), a written request from either (x) the Holders of a majority of the Series A Preferred Stock (or the Common Stock issuable or issued upon conversion thereof) then outstanding or (y) the Holders of a majority of the Series B Preferred Stock (or the Common Stock issuable or issued upon conversion thereof) then outstanding that the Company file a registration statement under the Securities Act covering the registration

of at least thirty percent (30%) of the Registrable Securities then outstanding (or a lesser percent if the anticipated aggregate offering price, net of underwriting discounts and commissions, would exceed $10,000,000), then the Company shall, within ten (10) days of the receipt thereof, give written notice of such request to all Holders and shall, subject to the limitations of subsection 1.2(b), use its best efforts to effect as soon as practicable, and in any event within 60 days of the receipt of such request, the registration under the Securities Act of all Registrable Securities which the Holders request to be registered within twenty (20) days of the mailing of such notice by the Company in accordance with Section 3.3.

(b) If the Holders initiating the registration request hereunder ("Initiating Holders") intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 1.2 and the Company shall include such information in the written notice referred to in subsection 1.2(a). The underwriter will be selected by a majority in interest of the Initiating Holders and shall be reasonably acceptable to the Company. In such event, the right of any Holder to include his Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in subsection 1.5(e)) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting. Notwithstanding any other provision of this Section 1.2, if the underwriter advises the Initiating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the underwriting shall be allocated among all Holders thereof, in proportion (as nearly as practicable) to the amount of Registrable Securities of the Company owned by each Holder; provided, however, that in no event shall (i) any securities held by a Holder (other than an Initiating Holder) be included in such underwriting if any Initiating Holder's securities are excluded from the underwriting, or (ii) the number of shares of Registrable Securities to be included in such underwriting be reduced unless all other securities are first entirely excluded from the underwriting.

(c) Notwithstanding the foregoing, if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 1.2, a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such registration statement to be filed and it is therefore essential to defer the filing of such registration statement, the Company shall have the right to defer such filing for a period of not more than 120 days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right more than once in any twelve-month period.

(d) In addition, the Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 1.2:

(i) With respect to Holders of the Series A Preferred Stock (or the Common Stock issuable or issued upon conversion thereof), after the Company has effected one (1) registration pursuant to this Section 1.2 at the request of such Holders of Series A Preferred Stock and such registration has been declared or ordered effective;

(ii) With respect to Holders of the Series B Preferred Stock (or the Common Stock issuable or issued upon conversion thereof), after the Company has effected one (1) registration pursuant to this Section 1.2 at the request of such Holders of Series B Preferred Stock and such registration has been declared or ordered effective;

(iii) During the period starting with the date sixty

(60) days prior to the Company's good faith estimate of the date of filing of, and ending on a date one hundred eighty (180) days after the effective date of, a registration subject to Section 1.3 hereof; provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective; or

(iv) If the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 1.4 below.

1.3 Company Registration. If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for stockholders other than the Holders) any of its stock under the Securities Act in connection with the public offering of such securities solely for cash (other than a registration relating solely to the sale of securities to participants in a Company stock plan or a transaction covered by Rule 145 under the Securities Act, a registration in which the only stock being registered is Common Stock issuable upon conversion of debt securities which are also being registered, or any registration on any form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within twenty (20) days after mailing of such notice by the Company in accordance with Section 3.3, the Company shall, subject to the provisions of Section 1.8, cause to be registered under the Securities Act all of the Registrable Securities that each such Holder has requested to be registered.

1.4 Form S-3 Registration. In case the Company shall receive from any Holder or Holders of the Registrable Securities, a written request or requests that the Company file a registration on Form S-3 and the reasonably anticipated aggregate offering price, net of underwriting discounts and commissions, would exceed $2,000,000, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within 15 days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 1.4: (i) if Form S-3 is not available for such offering by the Holders; (ii) if the Company shall furnish to the Holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than 120 days after receipt of the request of the Holder or Holders under this Section 1.4; provided, however, that the Company shall not utilize this right more than once in any twelve month period; (iii) if the Company has, within the twelve (12) month period preceding the date of such request, already effected a registration on Form S-3 for the Holders pursuant to this Section 1.4; (iv) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance; or (v) during the period ending one hundred eighty (180) days after the effective date of a registration statement subject to Section 1.3.

(c) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. Registrations effected

pursuant to this Section 1.4 shall not be counted as demands for registration or registrations effected pursuant to Sections 1.2 or 1.3, respectively.

1.5 Obligations of the Company. Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to one hundred twenty (120) days.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for up to one hundred twenty (120) days.

(c) Furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, such obligation to continue for one hundred twenty (120) days.

(g) Cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(h) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

(i) Use its best efforts to furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Section 1, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 1, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a letter dated

such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

1.6 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities. The Company shall have no obligation with respect to any registration requested pursuant to Section 1.2 or Section 1.4 of this Agreement if, as a result of the application of the preceding sentence, the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in subsection 1.2(a) or subsection 1.4(b)(2), whichever is applicable.

1.7 Expenses of Registration. All expenses (other than underwriting discounts and commissions incurred in connection with registrations), filings or qualifications pursuant to Sections 1.2, 1.3 and 1.4, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company, and the reasonable fees and disbursements of one counsel for the selling Holders selected by them with the approval of the Company, which approval shall not be unreasonably withheld, shall be borne by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 1.2 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses), unless the Initiating Holders of a majority of the Registrable Securities agree to forfeit their right to one demand registration pursuant to Section 1.2.

1.8 Underwriting Requirements. In connection with any offering involving an underwriting of shares of the Company's capital stock, the Company shall not be required under Section 1.3 to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it (or by other persons entitled to select the underwriters), and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company. If the total amount of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the amount of securities sold other than by the Company that the underwriters determine in their sole discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters determine in their sole discretion will not jeopardize the success of the offering (the securities so included to be apportioned pro rata among the selling stockholders according to the total amount of securities entitled to be included therein owned by each selling stockholder or in such other proportions as shall mutually be agreed to by such selling stockholders) but in no event shall (i) the amount of securities of the selling Holders included in the offering be reduced below twenty percent (20%) of the total amount of securities included in such offering unless such offering is the initial public offering of the Company's securities, in which case the selling Holders may be excluded if the underwriters make the determination described above and no other stockholder's securities are included or (ii) any securities held by a Founder be included if any securities held by any selling Holder are excluded. For purposes of the preceding parenthetical concerning apportionment, for any selling stockholder which is a holder of Registrable Securities and which is a partnership or corporation, the partners, retired partners and stockholders of such holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling stockholder," and any pro-rata reduction with respect

to such "selling stockholder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "selling stockholder," as defined in this sentence.

1.9 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.10 Indemnification. In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, its officers, directors, employees, partners, members and agents, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), against any losses, claims, damages, or liabilities (joint or several) and reasonable expenses to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law; and the Company will pay to each such Holder, underwriter or controlling person, as incurred, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.10(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable to any Holder, underwriter or controlling person for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter or controlling person.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages, or liabilities (joint or several) and reasonable expenses to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 1.10(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.10(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided, that in no event shall any indemnity under this subsection 1.10(b) exceed the net proceeds from the offering received by such Holder, except in the case of willful fraud by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.10 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.10, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the reasonable fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.10, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.10.

(d) If the indemnification provided for in this Section 1.10 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage, or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable considerations; provided, that in no event shall any contribution by a Holder under this Subsection 1.10(d) exceed the net proceeds from the offering received by such Holder, except in the case of willful fraud by such Holder. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) The obligations of the Company and Holders under this Section 1.10 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise.

1.11 Reports Under Securities Exchange Act of 1934. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after ninety (90) days after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public so long as the Company remains subject to the periodic reporting requirements under Sections 13 or 15(d) of the Exchange Act;

(b) take such action, including the voluntary registration of its Common Stock under Section 12 of the Exchange Act, as is necessary to enable the Holders to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective;

(c) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(d) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

1.12 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee of (a) at least 1,000,000 shares of such securities, or (b) all securities owned by a Holder, provided the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned. For the purposes of determining the number of shares of Registrable Securities held by a transferee or assignee, the holdings of transferees and assignees of a partnership who are partners or retired partners of such partnership (including spouses and ancestors, lineal descendants and siblings of such partners or spouses who acquire Registrable Securities by gift, will or intestate succession) shall be aggregated together and with the partnership; provided that all assignees and transferees who would not qualify individually for assignment of registration rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices or taking any action under Section 1.

1.13 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the Series A Preferred Stock (or the Common Stock issuable or issued upon conversion thereof) and the Series B Preferred Stock (or the Common Stock issuable or issued upon conversion thereof), voting together as a single class, enter into any agreement with any holder or prospective holder of any securities of the Company which would allow such holder or prospective holder (a) to include such securities in any registration filed under Section 1.2 hereof, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of his securities will not reduce the amount of the Registrable Securities of the Holders which is included or (b) to make a demand registration which could result in such registration statement being declared effective prior to the earlier of either of the dates set forth in subsection 1.2(a) or within one hundred twenty (120) days of the effective date of any registration effected pursuant to Section 1.2.

1.14 Market-Standoff Agreement.

(a) Market-Standoff Period; Agreement. In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing such offering of the Company's securities, each Holder agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company (other than those included in the

registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the Company's initial public offering.

(b) Limitations. The obligations described in Section 1.14(a) shall apply only if all officers, directors and five percent (5%) stockholders of the Company enter into similar agreements, and shall not apply to a registration relating solely to employee benefit plans, or to a registration relating solely to a transaction pursuant to Rule 145 under the Securities Act.

(c) Stop-Transfer Instructions. In order to enforce the foregoing covenants, the Company may impose stop-transfer instructions with respect to the securities of each Holder (and the securities of every other person subject to the restrictions in Section 1.14(a)).

(d) Transferees Bound. Each Holder agrees that prior to the Company's initial public offering it will not transfer securities of the Company unless each transferee agrees in writing to be bound by all of the provisions of this Section 1.14.

1.15 Termination of Registration Rights. No Holder shall be entitled to exercise any right provided for in this Section 1 after the earlier of (i) five (5) years following the consummation of a Qualified IPO, or (ii) such time as Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such Holder's shares during a three (3)-month period without registration and without limitation.

2. Covenants of the Company.

2.1 Delivery of Financial Statements. The Company shall deliver to each Holder of at least 400,000 shares of Registrable Securities:

(a) as soon as practicable, but in any event within ninety (90) days after the end of each fiscal year of the Company, an income statement for such fiscal year, a balance sheet of the Company and statement of stockholder's equity as of the end of such year, and a statement of cash flows for such year, such year-end financial reports to be in reasonable detail, prepared in accordance with generally accepted accounting principles ("GAAP"), and audited and certified by an independent public accounting firm of nationally recognized standing selected by the Company;

(b) as soon as practicable, but in any event within thirty (30) days after the end of each of the first three (3) quarters of each fiscal year of the Company, an unaudited profit or loss statement, a statement of cash flows for such fiscal quarter and an unaudited balance sheet as of the end of such fiscal quarter prepared in accordance with GAAP;

(c) upon written request, within thirty (30) days of the end of each month, an unaudited income statement and a statement of cash flows and balance sheet for and as of the end of such month, in reasonable detail; provided, however, that only Holders of at least 2,000,000 shares of Registrable Securities shall be entitled to request such statement; and

(d) as soon as practicable, but in any event thirty (30) days prior to the end of each fiscal year, a budget and business plan for the next fiscal year, prepared on a monthly basis, and, as soon as prepared, any other budgets or revised budgets prepared by the Company.

2.2 Inspection. The Company shall permit each Holder of at least 400,000 shares of Registrable Securities, at such Holder's expense, to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Investor or Techne, as applicable; provided, however, that the Company shall not be obligated pursuant to this Section 2.2 to

provide access to any information which it reasonably considers to be a trade secret or similar confidential information, the disclosure of which would have a material adverse effect on the Company or which would jeopardize the trade secret's status as such.

2.3 Right of First Offer. Subject to the terms and conditions specified in this Section 2.3, the Company hereby grants to each Major Investor (as hereinafter defined) a right of first offer with respect to future sales by the Company of its Shares (as hereinafter defined). For purposes of this Section 2.3, a "Major Investor" shall mean any person who holds at least 1,000,000 shares of Registrable Securities. For purposes of this Section 2.3, Major Investor includes any general partners and affiliates of a Major Investor. A Major Investor who chooses to exercise the right of first offer may designate as purchasers under such right itself or its partners or affiliates in such proportions as it deems appropriate.

Each time the Company proposes to offer any shares of, or securities convertible into or exercisable for any shares of, any class of its capital stock ("Shares"), the Company shall first make an offering of such Shares to each Major Investor in accordance with the following provisions:

(a) The Company shall deliver a notice by certified mail ("Notice") to the Major Investors stating (i) its bona fide intention to offer such Shares, (ii) the number of such Shares to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such Shares.

(b) Within 15 calendar days after delivery of the Notice, the Major Investor may elect to purchase or obtain, at the price and on the terms specified in the Notice, up to that portion of such Shares which equals the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion and exercise of all convertible or exercisable securities then held, by such Major Investor bears to the total number of shares of Common Stock then outstanding (assuming full conversion and exercise of all convertible or exercisable securities). The Company shall promptly, in writing, inform each Major Investor that purchases all the shares available to it (each, a "Fully-Exercising Investor") of any other Major Investor's failure to do likewise. During the ten (10)-day period commencing after receipt of such information, each Fully-Exercising Investor shall be entitled to obtain that portion of the Shares for which Major Investors were entitled to subscribe but which were not subscribed for by the Major Investors that is equal to the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion and exercise of all convertible or exercisable securities then held, by such Fully-Exercising Investor bears to the total number of shares of Common Stock then outstanding (assuming full conversion and exercise of all convertible or exercisable securities).

(c) The Company may, during the 45-day period following the expiration of the period provided in subsection 2.3(b) hereof, offer the remaining unsubscribed portion of the Shares to any person or persons at a price not less than, and upon terms no more favorable to the offeree than those specified in the Notice. If the Company does not enter into an agreement for the sale of the Shares within such period, or if such agreement is not consummated within 60 days of the execution thereof, the right provided hereunder shall be deemed to be revived and such Shares shall not be offered unless first reoffered to the Major Investors in accordance herewith.

(d) The right of first offer in this paragraph 2.3 shall not be applicable (i) to the issuance or sale of up to 2,500,000 shares of Common Stock (or options therefor) since the inception of the Company to employees, consultants and directors, pursuant to plans or agreements approved by the Board of Directors for the primary purpose of soliciting or retaining their services, (ii) to or after consummation of a Qualified IPO, (iii) to the issuance of securities pursuant to the conversion or exercise of convertible or exercisable securities outstanding as of the date hereof, (iv) to the issuance of securities in connection with a bona fide business acquisition of or by the Company that is approved by the Board of Directors, whether by merger, consolidation, sale of assets, sale

or exchange of stock or otherwise, (v) to the issuance of securities to financial institutions or lessors in connection with commercial credit arrangements, equipment financings, or similar transactions, (vi) to the issuance or sale of up to 8,153,846 shares of Series B Preferred Stock, or (vii) to the issuance of securities that, with unanimous approval of the Board of Directors of the Company, are not offered to any existing stockholder of the Company.

2.4 Board of Directors. As of the date of this Agreement, and notwithstanding anything to the contrary in the Bylaws of the Company, the Board of Directors of the Company shall consist of five (5) members, not more than two (2) of which shall be employees of the Company. OrbiMed Advisors LLC or its affiliates (collectively "OrbiMed") shall have the right to designate one member of the Board of Directors and the OrbiMed designee shall also be a member of each committee of the Board of Directors, including, without limitation, the Compensation Committee and the Audit Committee. The Board of Directors shall hold a regularly scheduled meeting at least once every ninety (90) days. Each member of the Board of Directors and the members of each committee of the Board of Directors shall receive notice of each meeting at least fifteen (15) days before the meeting and such notice shall be provided to each member in the same manner. The Company will reimburse the OrbiMed director for his reasonable out-of-pocket and travel expenses incurred in connection with attending such meetings.

2.5 Observation Rights.

(a) The Company agrees that for so long as Healthcap III or its affiliates (collectively "Healthcap") owns 269,231 shares of Registrable Securities, Healthcap shall be entitled to designate one individual to act as a non-voting observer of the Board of Directors of the Company (the "Observer"). The Observer shall not have any right to vote as a director of the Company but shall otherwise be entitled to notice of and to attend all meetings of the Board of Directors of the Company, and to receive any material distributed to the directors in their capacity as directors of the Company. The Company shall not have any obligation to pay any expenses incurred in connection with the Observer's attendance at such meetings.

(b) The Observer shall be subject to the obligations of confidentiality set forth in the Purchase Agreements. Notwithstanding Section 2.5(a), the Company reserves the right not to provide information and to exclude the Observer from any meeting or portion thereof if delivery of such information or attendance at such meeting would result in a loss of trade secret protection for trade secrets of the Company, or would adversely affect the attorney-client privilege between the Company and its counsel.

2.6 Termination of Covenants.

(a) The covenants set forth in Sections 2.1 through Section 2.5 shall terminate as to each Investor and Techne and be of no further force or effect (i) immediately prior to the consummation of a Qualified IPO, or (ii) at such time the Company becomes subject to the reporting provisions of the Securities and Exchange Act of 1934, as amended.

(b) The covenants set forth in Sections 2.1 and 2.2 shall terminate as to each Holder and be of no further force or effect when the Company first becomes subject to the periodic reporting requirements of Sections 13 or 15(d) of the Exchange Act, if this occurs earlier than the events described in Section 2.6(a) above.

3. Miscellaneous.

3.1 Successors and Assigns. Except as otherwise provided in this Agreement, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties (including transferees of any of the Registrable Securities). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this

Agreement.

3.2 Amendments and Waivers. Any term of this Agreement may be amended or waived only with the written consent of the Company and the holders of a majority of the Registrable Securities then outstanding, not including the Founder's Stock; provided that if (i) such amendment has the effect of affecting the Founder's Stock (a) in a manner different than securities issued to the Investors or Techne and (b) in a manner adverse to the interests of the holders of the Founder's Stock, then such amendment shall require the consent of the holder or holders of a majority of the Founder's Stock, (ii) such amendment has the effect of affecting the Series A Preferred Stock (m) in a manner different than securities issued to the Investors or (n) in a manner adverse to the interests of the holders of the Series A Preferred Stock, then such amendment shall require the consent of the holder or holders of a majority of the Series A Preferred Stock, (iii) such amendment has the effect of affecting the Series B Preferred Stock (x) in a manner different than securities issued to Techne or (y) in a manner adverse to the interests of the holders of the Series B Preferred Stock, then such amendment shall require the consent of the holder or holders of a majority of the Series B Preferred Stock, or (iv) such amendment alters Section 2.4, then such amendment shall require the consent of OrbiMed. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Registrable Securities then outstanding, each future holder of all such Registrable Securities, and the Company.

3.3 Notices. Unless otherwise provided, any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon delivery, when delivered personally or by overnight courier or sent by telegram or fax, or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address or fax number as set forth below hereto or as subsequently modified by written notice.

3.4 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of the Agreement shall be interpreted as if such provision were so excluded and (c) the balance of the Agreement shall be enforceable in accordance with its terms.

3.5 Governing Law. This Agreement and all acts and transactions pursuant hereto shall be governed, construed and interpreted in accordance with the laws of the State of New York, without giving effect to principles of conflicts of laws.

3.6 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

3.7 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

3.8 Aggregation of Stock. All shares of the Preferred Stock held or acquired by affiliated entities or persons, successor entities, investment funds managed or advised by an Investor, a manager or advisor of an Investor, or an affiliate of such manager or advisor shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

3.9 Additional Investors. Notwithstanding anything to the contrary contained herein, if the Company shall issue additional shares of its Series B Preferred Stock, any purchaser of such shares of Series B Preferred Stock may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement and shall be deemed an "Investor" hereunder.

3.10 Consent. The execution and delivery of this Agreement by Techne shall constitute: (i) a complete waiver of Techne's rights under

Sections 6.3, 6.4, 6.5, 6.13, 7.1, 7.2(a) and 8 of that certain Investment Agreement, dated November 18, 1997, by and between the Company and Techne; and (ii) consent to the Company's proposed Amended and Restated Certificate of Incorporation, in the form attached as Exhibit A to the Purchase Agreement.

The parties have executed this Investors Rights Agreement as of the date first above written.

COMPANY:

CHEMOCENTRYX, INC.

By:_____
Name: Thomas J. Schall
Title: President and Chief Executive Officer

Address:

Fax:

INVESTORS:

_____
(Investor)

By:_____
Name:_____
(print)
Title:_____

Address:

Fax:

FOUNDER:

_____
Thomas J. Schall

TECHNE:

TECHNE CORPORATION

By:_____
Name:_____
Title:_____

Address:

Fax:

LETTER AGREEMENT

This Letter Agreement ("Letter Agreement") is made and entered into as of the 2nd day of February 2001, by and between ChemoCentryx, Inc., a Delaware corporation (the "Company") and Techne Corporation, a Minnesota corporation ("Techne").

RECITALS

WHEREAS, the Company and Techne previously entered into an Investment Agreement dated November 18, 1997, pursuant to which Techne purchased shares of the Company's Series A Preferred Stock (the "Series A Stock") and was granted warrants to purchase shares of the Series A Stock (the "Warrants"); and

WHEREAS, the Company and Techne desire to amend the terms of the Warrants.

AGREEMENT

NOW, THEREFORE, the parties hereby agree as follows:

1. Relation to the Warrants. Except as hereby amended, the Warrants shall continue in full force and effect.

2. Amendment. The Warrants are hereby amended so that they shall not expire until December 31, 2005.

3. Miscellaneous. This Letter Agreement and all acts and transactions pursuant hereto and the rights and obligation of the parties hereto shall be governed, construed and interpreted in all respects by the laws of the State of California, without regard to the conflict of law provisions thereof.

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

[Signature Page Follows]

The parties have executed this Letter Agreement as of the date first above written.

COMPANY:

CHEMOCENTRYX, INC.
By:
Name:
Title:

TECHNE:

TECHNE CORPORATION
By:
Name:
Title:

THIRD AMENDMENT TO PHASE I OPTION AGREEMENT
(2101 Kennedy Option)

THIS THIRD AMENDMENT TO PHASE I OPTION AGREEMENT is dated this 4th day of October, 2000, by and between Hillcrest Development ("Owner") and Techne Corporation ("Buyer").

RECITALS:

1. Owner and Buyer's predecessor in interest, R & D Systems, Inc., entered into a Phase I Option Agreement dated February 10, 1999 (the "Option Agreement") with respect to property commonly known as 2101 Kennedy and 659 Cleveland, together with surface parking parcels (the "Property").

2. The parties wish to amend the Option Agreement on the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of the foregoing, the parties agree as follows:

1. Except as provided herein, the term "Property" as used both in the Option Agreement and in the Purchase Agreement attached as Exhibit B to the Option Agreement (the "Exhibit B Purchase Agreement") shall exclude that northerly portion of Parcel A on Exhibit A to the Option Agreement which will be taken by the City of Minneapolis in its realignment of Kennedy Street but shall include an additional strip ("Additional Strip") of surface parking legally described as follows:

> That portion of Lot 33, Auditor's Subdivision Number 268, Hennepin County, Minnesota, described as follows: Beginning at a point in the North Line of Block 12, "Minneapolis Industrial District", which point is 815.96 feet West of the Northeast corner of said Block 12; then South parallel with the Southwest line of said Lot 33 a distance of 368.03 feet; then Southwesterly on a line which is perpendicular to Southwest line of said Lot 33 to said Southwesterly line of Lot 33; thence Northwesterly on the Southwesterly line of said Lot 33 to the North Line of Block 12, thence Easterly on the North Line of Block 12 to point of beginning.

2. The Purchase Price as defined in paragraph 3 of the Option Agreement and in Section I of the Purchase Agreement attached as Exhibit B to the Option Agreement shall be deemed to have increased by an additional amount equal to $20,000 plus the anticipated costs, legal expenses and survey expenses incurred by Owner in its acquisition of the Additional Strip, which anticipated costs, legal expenses and survey expenses is estimated to be $2,000.

3. Buyer agrees to reimburse Owner at closing for any and all costs and expenses that Owner incurs in improving the Northerly portion of the MT-BN Lot and the Additional Strip, including but not limited to, costs and expenses for grading, fencing, landscaping, blacktopping, lighting, site work and related items. Buyer also agrees at closing to reimburse Owner for up to $20,000.00 in asbestos removal expenses incurred with respect to 2101 Kennedy Street.

4. The representations and warranties contained in Section 4 of the Option Agreement, or Section IX of the Exhibit B Purchase Agreement, as they may relate to the environmental or physical condition of the Property, shall not extend to the Additional Strip since it is acknowledged that Owner, when purchasing the Additional Strip, did not undertake any environmental or physical examination of the Additional Strip. It is agreed that any leases for use of the railroad trackage on the Additional Strip shall be deemed a Permitted Encumbrance. In the event Buyer exercises its option to purchase the Property, Buyer shall have no rights to terminate the Purchase Agreement for the Property due to the physical condition or environmental condition of the Additional Strip pursuant to the final paragraph of Section IV of the Exhibit B Purchase Agreement.

5. Buyer agrees that a storm water retention pond ("Pond") may be constructed on or prior to the closing on the Triangular Portion to benefit the Property and other properties in the Stinson Technology District. Buyer further agrees that after the closing it will, if requested by Owner, execute a recordable easement ("Easement") to evidence the use of the Pond by the other benefited properties provided that all owners of the benefited properties

shall execute an agreement to share in proportion to their prospective use in any maintenance costs of the Pond. The Easement shall be deemed a Permitted Encumbrance in the event it is executed by Owner prior to the closing.

6. Except as provided for above, all the terms and conditions of the Option Agreement shall remain in full force and effect. All agreements of Buyer and Owner herein shall survive the closing.

OWNER: BUYER:
HILLCREST DEVELOPMENT TECHNE CORPORATION

By: By:
Its: General Partner Its: President

EXTENSION OF EMPLOYMENT AGREEMENT

DATE: August 28, 2001

Parties: Techne Corporation
614 McKinley Place N.E.
Minneapolis, MN 55413

Monica Tsang, Ph.D.

AGREEMENTS:

The parties hereby agree that the termination date of the Employment Agreement between them for the period July 1, 1995 through June 30, 1998 and previously extended to June 30, 2001 is extended to June 30, 2004. All other provisions of such Employment Agreement shall remain in full force and effect.

Techne Corporation

By /s/ Thomas E. Oland
Thomas E. Oland, President

/s/ Monica Tsang
Monica Tsang, Ph.D.

EXTENSION OF EMPLOYMENT AGREEMENT

DATE: August 28, 2001

Parties: Techne Corporation
614 McKinley Place N.E.
Minneapolis, MN 55413

Marcel Veronneau

AGREEMENTS:

The parties hereby agree that the termination date of the Employment Agreement between them for the period July 1, 1995 through June 30, 1998 and previously extended to June 30, 2001 is extended to June 30, 2004. All other provisions of such Employment Agreement shall remain in full force and effect.

Techne Corporation

By /s/ Thomas E. Oland
Thomas E. Oland, President

/s/ Marcel Veronneau
Marcel Veronneau

TECHNE CORPORATION

CALCULATION OF BASIC EARNINGS PER SHARE

	Fiscal Years Ended June 30,		
	2001	2000	1999
Net earnings	$34,045,376	$26,582,797	$16,656,010
Weighted average number of common shares	41,438,670	40,625,482	40,234,734
Net earnings per share	$ 0.82	$ 0.65	$ 0.41

CALCULATION OF DILUTED EARNINGS PER SHARE

	Fiscal Years Ended June 30,		
	2001	2000	1999
Net earnings	$34,045,376	$26,582,797	$16,656,010
Weighted average number of common shares	41,438,670	40,625,482	40,234,734
Dilutive effect of stock options and warrants	1,229,566	1,580,560	1,138,616
Average common and dilutive shares outstanding	42,668,236	42,206,042	41,373,350
Net earnings per share	$ 0.80	$ 0.63	$ 0.40

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-42992, 33-49160, 33-86728, 33-86732, 333-14211, 333-37263, 333-88885 and 333-49962 of Techne Corporation on Form S-8, of our report dated August 14, 2001, included in this Annual Report on Form 10-K of Techne Corporation for the year ended June 30, 2001.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
September 27, 2001