

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

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

For the fiscal year ended June 30, 1999

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 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 14, 1999 as reported on The Nasdaq Stock Market was approximately \$374,212,000. 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 14, 1999:
20,163,192

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for its 1999 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.

On August 19, 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 FDA for clinical diagnostic use. This acquisition established R&D Systems as a leader in cytokine diagnostic assays.

In July 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 and 1999, the Company made equity investments in the preferred stock of ChemoCentryx, Inc. (CCX), a new technology and drug development company. The investment gives Techne a 43% interest in 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 establishes R&D Systems as the world's leading supplier of research and diagnostic cytokine products.

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 1999, R&D Systems' Hematology Division revenues accounted for approximately 14% of consolidated revenues of \$90,900,697. Revenues from R&D Systems' Biotechnology Division and R&D Europe were 60% and 26% of consolidated revenues, respectively.

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 this 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 mouse cancer 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 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. About 95 percent of the blood cells are red cells. Their main job is to 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 sticking together and to the damaged tissue.

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. 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: Abbott Cell-Dyn 3000, 2500 and 4000 instruments, ABX

instruments, Bayer 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.

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 1999 and is continuously working on product improvements and enhancements.

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 \$12,004,798, \$10,637,804 and \$11,701,822 for fiscal years 1999, 1998 and 1997, respectively.

BUSINESS RELATIONSHIPS

During fiscal 1998 and 1999, Techne purchased a total of \$4 million of convertible preferred stock of ChemoCentryx, Inc. (CCX), representing approximately 43% of issued and outstanding voting shares. CCX is a new 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, Techne obtains exclusive worldwide research and diagnostic marketing rights to chemokine proteins, antibodies and receptors discovered or developed by CCX or R&D Systems. Techne is obligated to purchase up to an additional \$1 million of convertible preferred stock in fiscal 2000 upon CCX's achievement of certain milestones. After purchase of the additional preferred shares, Techne will own approximately 49% of the issued and outstanding voting shares (assuming no investment by other parties). Techne has accounted for the investment under the equity method of accounting and recognizes 100% of the losses of CCX due to the limited amount of cash consideration provided by the holders of the common shares of CCX.

Original Equipment Manufacturers (OEM) agreements represent the largest market for hematology controls and calibrators made by R&D Systems. In fiscal year 1999, OEM contracts accounted for \$5,724,486 or 45% 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 US Food and Drug Administration. 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. R&D Systems has not experienced any difficulty in complying with GMP requirements.

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 and has been granted a NRC License due to expire in April 2000. 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, 2000. R&D Systems has had no difficulties in renewing these licenses in prior years and has no reason to believe they wouldn't 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, R&D Systems does not anticipate that the higher cost of these materials will have a seriously adverse effect on its 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. Although, with the exception of products subject to current licensing agreements and the legal proceedings discussed in Item 3 of this 10-K, R&D Systems has not been notified that its products infringe upon proprietary rights held by others, it 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 1999, total royalties accrued under these licenses were approximately \$1,750,000.

R&D Systems has obtained federal trademark registration for its hematology control trademark CBC-3D, CBC-7, CBC-8, PLATELET-TROL and StatusFlow and claims common law rights in the trademarks CBC-CAL PLUS, CBC-CAL KIT, CBC-TECH, TECH-CAL, CBC-3K, 3K-CAL and CBC-NE. R&D Systems has also obtained the Quantikine, Fluorokine, QuantiGlo, Parameter, Surfacemark and IVD trademarks.

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 years 1999, 1998 and 1997.

BACKLOG

There was no significant backlog for the Company's products as of the date of this report or as of a comparable date for fiscal 1998.

COMPETITION

The market for cytokines and research diagnostic assay kits in the United States and Europe is being supplied by a number of biotechnology companies, including BioSource International, Endogen Corp., 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 competitive pricing, and the growing demand for these rare and versatile proteins, antibodies and assay kits, will allow the Company to remain the leader 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. Most of the instrument manufacturing companies make 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., Baxter Healthcare Corp., 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 352 full-time and 48 part-time employees as of June 30, 1999. R&D Europe had 50 full-time and 9 part-time employees as of June 30, 1999, including 10 full-time and 2 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 year 1999.

FOREIGN AND DOMESTIC OPERATIONS

The following table represents certain financial information relating to foreign and domestic operations (all amounts are in thousands of US dollars):

<TABLE>
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	Fiscal Years Ended June 30,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Net Sales to External Customers			
Hematology Division:			
US	\$ 10,549	\$ 9,933	\$ 8,684
Other	2,125	1,851	1,586
Biotechnology Division:			
US	43,712	30,113	25,998
Other	11,249	7,601	5,741
R&D Europe:			
Other	23,266	17,794	18,915
Gross Margin			
R&D Systems (US)	52,791	38,826	31,907
R&D Europe (England)	9,490	7,519	9,176
R&D GmbH (Germany)	1,296	937	746
Net Earnings (Loss)			
Parent and R&D Systems (US)	15,230	13,689	10,107
R&D Europe (England)	2,835	2,160	896
R&D GmbH (Germany)	8	6	(121)
ChemoCentryx (US)	(1,417)	(672)	-
Identifiable Assets			
Parent and R&D Systems (US)	112,327	64,169	46,760
R&D Europe (England)	10,213	7,831	6,547
R&D GmbH (Germany)	1,261	785	615

</TABLE>

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 Food and Drug Administration (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 early development stage, the operating losses of certain companies in which the Company may invest will be reported as operating losses of the Company, as is currently the case with ChemoCentryx 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. All of the Company's products and manufacturing processes and facilities require governmental licensing or 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.

ITEM 2. PROPERTIES

Through June 30, 1999, the Company's R&D Systems subsidiary leased space in three connected buildings located in Minneapolis, Minnesota. Base rent for fiscal 1999 was \$2,290,000. On July 1, 1999, the Company purchased these buildings for approximately \$28 million. The main building, consisting of approximately 85,000 square feet, is located at 614 McKinley Place N.E., and houses administrative, marketing and Biotechnology Division manufacturing and research operations. Hematology Division manufacturing and shipping operations are located at 640 McKinley Place N.E. and cover approximately 47,000 square feet. The third building is located at 2201 Kennedy Street and houses administrative and Biotechnology Division manufacturing and research

operations. The Company will fully occupy this 205,000 square foot building by the end of calendar 1999. 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. The above space is believed to be adequate to house the Company's R&D Systems operations for approximately two years. 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.

R&D Europe sub-leases approximately 12,500 square feet in one building in Abingdon, England. The sub-lease on the building expires in June 2000 and R&D Europe has reached an agreement to lease approximately 17,000 square feet in a building soon to be constructed less than one mile from its current location. Rental rates for the new facility are expected to be slightly higher than rates under the current sub-lease. Base rent for the above space was \$181,000 in fiscal 1999.

R&D GmbH leases approximately 2,300 square feet as a sales office in Wiesbaden-Nordenstadt, Germany. Base rent was \$36,000 in fiscal 1999.

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

The Company was sued by Streck Laboratories, Inc. ("Streck") in the United States District Court for the District of Nebraska in Omaha on November 5, 1997. Streck alleges in its complaint that the Company infringes three patents Streck has obtained on white blood cell hematology controls, one of which was issued in November, 1993, and the other two in the fall of 1997. Streck seeks an unspecified amount of damages, an injunction prohibiting further infringement, reasonable attorneys' fees, and costs. The Company has answered the complaint, denied infringement and asserted counterclaims against Streck seeking to have the patents declared invalid and/or not infringed. Discovery in the case is presently stayed by the Court and would have to be renewed before the case could go to trial. It is unlikely the case will go to trial in fiscal 2000.

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 1999 fiscal year.

EXECUTIVE OFFICERS OF THE COMPANY

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

<TABLE>
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Name	Age	Position	Officer Since
Thomas E. Oland	58	Chairman of the Board, President, Treasurer and Director	1985
Dr. Monica Tsang	54	Vice President, Research	1995
Dr. Thomas C. Detwiler	66	Vice President, Scientific and Regulatory Affairs	1995
Marcel Veronneau	45	Vice President, Hematology Operations	1995

</TABLE>

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.

Dr. Thomas Detwiler was elected a Vice President of the Company in March 1995. Prior thereto, he served as Vice President of Scientific and Clinical Affairs for R&D Systems' Biotechnology Division and has been an employee of R&D Systems since 1993.

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.

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.

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.

<TABLE>

<CAPTION>

	1999 PRICE		1998 PRICE	
	HIGH	LOW	HIGH	LOW
1st Quarter	\$ 18.69	\$ 12.25	\$ 17.75	\$ 13.44
2nd Quarter	21.13	13.00	19.75	15.63
3rd Quarter	28.88	20.50	20.00	16.94
4th Quarter	29.50	23.55	19.88	16.00

</TABLE>

As of September 14, 1999, there were approximately 350 shareholders of record. As of September 14, 1999, there were over 6,000 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

<TABLE>

<CAPTION>

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

REVENUE, EARNINGS AND CASH FLOW

DATA FOR THE YEARS ENDED JUNE 30 1999(1) 1998 1997 1996 1995

	1999(1)	1998	1997	1996	1995
Net sales	\$ 90,901	\$67,291	\$60,924	\$54,589	\$47,716
Gross margin	69.9%	70.3%	68.7%	65.2%	61.3%

Selling, general and administrative expense	18.6%	22.8%	23.9%	23.7%	23.4%
Research and development expenses	13.2%	15.8%	19.2%	19.1%	18.0%
Interest expense	--	--	29	2	9
Earnings before income taxes	26,054	22,411	15,988	12,592	9,648
Net earnings	16,656	15,183	10,882	8,638	6,706
Diluted earnings per share	0.81	0.77	0.56	0.44	0.35
Capital expenditures	5,564	2,780	4,243	6,377	1,311
Depreciation and amortization	11,890	2,303	2,322	1,872	1,655
Change in net working capital	(12,544)	15,033	6,639	4,573	6,310
Net cash provided by operating activities	28,422	20,875	12,477	9,760	7,314
Return on sales	18.3%	22.6%	17.9%	15.8%	14.1%
Return on average equity	20.7%	27.1%	25.0%	25.3%	25.6%

-

BALANCE SHEET, COMMON STOCK AND
EMPLOYEE DATA AS OF JUNE 30

	1999(1)	1998	1997	1996	1995
Cash, cash equivalents and short-term investments	\$ 29,114	\$41,436	\$24,752	\$19,250	\$15,945
Receivables	13,520	10,002	9,114	8,380	7,386
Inventories	5,715	3,811	4,087	3,653	3,266
Working capital	37,388	49,932	34,899	28,260	23,687
Total assets	123,801	72,785	53,922	44,393	34,062
Long-term debt	--	--	--	--	--
Stockholders' equity	96,838	63,831	48,081	38,874	29,520
Average common and common equivalent shares (in thousands)	20,687	19,608	19,463	19,443	19,044
Book value per share	4.81	3.35	2.55	2.04	1.57
Share price(4):					
High	29.50	20.00	15.25	16.50	7.94
Low	12.25	13.44	10.13	6.63	4.38
Price to earnings ratio	31	25	27	33	19
Current ratio	3.78	7.84	8.12	6.62	6.75
Quick ratio	3.17	7.05	6.91	5.49	5.66
Full-time employees	402	356	326	341	315

</TABLE>

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

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: R&D 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 1999 were \$90,900,697, an increase of \$23,609,259 (35%) from fiscal 1998. Sales by R&D Systems for the period increased \$18,136,520

(37%), while sales by R&D Europe increased \$5,472,739 (31%). The increase in consolidated 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 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.

Net sales for fiscal 1998 were \$67,291,438, an increase of \$6,367,688 (10%) from fiscal 1997. Sales by R&D Systems for the period increased \$7,489,032 (18%), while sales by R&D Europe decreased \$1,121,344 (6%). The increase in consolidated sales for the fiscal year was due largely to increased sales of proteins and antibodies. The decrease in R&D Europe sales was not unexpected due to the discontinuance of the molecular biology product line. R&D Europe sales of continuing product lines increased 22% from fiscal 1997.

Net sales for fiscal 1997 were \$60,923,750, an increase of \$6,334,696 (12%) from fiscal 1996. Sales by R&D Europe for the period increased \$2,555,914 (16%), while sales by R&D Systems increased \$3,778,782 (10%). The majority of the increase in consolidated sales for the fiscal year was due to an increase in sales of proteins and antibodies.

Gross, 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% to 70.8% 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.

Gross margins, as a percentage of sales, increased from 68.7% in fiscal 1997 to 70.3% in fiscal 1998. R&D Europe gross margins decreased from 52.5% to 46.1% due to changes in product mix and exchange rates. Biotechnology Division gross margins increased from 71.8% to 72.9% as a result of changes in product mix and increased production volumes. Hematology Division gross margins increased from 42.9% in fiscal 1997 to 47.2% in fiscal 1998 also as a result of changes in product mix and increased production volumes.

Gross margins, as a percentage of sales, increased from 65.2% in fiscal 1996 to 68.7% in fiscal 1997. R&D Europe gross margins increased from 51.2% to 52.5% due to favorable exchange rates. Biotechnology Division gross margins increased from 69.3% to 71.8% due to lower royalty expense as a result of the conclusion of royalty payments to Amgen Inc. and lower manufacturing costs due to increased production volumes. Hematology Division gross margins increased from 40.1% in fiscal 1996 to 42.9% in fiscal 1997 as a result of changes in product mix.

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 and additional advertising and promotion activities.

Selling, general and administrative expenses increased \$782,425 (5%) in fiscal 1998. The majority of the increase in consolidated selling, general and administrative expenses was the result of additional occupancy costs at R&D Systems, plus increased advertising and promotion costs. These increased costs were partially offset by decreased personnel costs at R&D Europe as a result of the restructuring of operations undertaken in fiscal 1997.

Selling, general and administrative expenses increased \$1,634,862 (13%) in fiscal 1997. Included in selling, general and administrative expenses for fiscal 1997 was a restructuring charge of approximately \$450,000 related to R&D Europe. The restructuring involved the withdrawal from the molecular biology market, the transfer of all major marketing and advertising activities to R&D Systems and the transfer of immunoassay kit development and manufacturing activities from R&D Europe to R&D Systems. R&D Europe's sales function was not affected by the restructuring. The increase in consolidated selling, general and administrative expenses in fiscal 1997 was also the result of an increase in Biotechnology Division sales and marketing expenses as a result of additional staff and increased advertising and promotion activities.

Research and development expenses increased \$1,366,994 in fiscal 1999, decreased \$1,064,018 in fiscal 1998 and increased \$1,288,558 in fiscal 1997. The decrease in research and development expenses in fiscal 1998 was the result

of a decrease of \$1,235,000 in payments by R&D Europe under the Joint Biological Research Agreement with British Bio-technology Group, plc, and a decrease in R&D Europe personnel costs as a result of the restructuring. Excluding the above, the increase in consolidated research and development expenses for the past three years was 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 \$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 of the Company's equity investment in ChemoCentryx, Inc. of \$744,209.

Earnings before taxes increased from \$15,987,662 in fiscal 1997 to \$22,410,961 in fiscal 1998. This increase in earnings was primarily the result of a \$3,987,242 increase in R&D Systems' Biotechnology Division earnings and a \$997,654 increase in Hematology Division earnings as a result of increased sales and gross margins. In addition, R&D Europe's earnings before taxes increased \$2,052,874, despite a decrease in sales and gross margin, as a result of lower expenses due to the restructuring of operations.

Earnings before taxes increased from \$12,591,870 in fiscal 1996 to \$15,987,662 in fiscal 1997. This increase in earnings was primarily the result of a \$3,165,195 increase in R&D Systems' Biotechnology Division earnings and a \$329,872 increase in R&D Europe earnings. These increases in earnings before taxes were due to increased sales and gross margins, partially offset by higher expenses. Hematology Division earnings before taxes were slightly less than fiscal 1996 as a result of lower sales.

Income taxes for fiscal 1999, 1998 and 1997 were provided at rates of approximately 36%, 32% and 32%, respectively. The increase in the tax rate in fiscal 1999 was due to the net loss of the Company's equity investment in ChemoCentryx for which no tax benefit has been provided and additional U.S. federal taxes due to lower tax-exempt interest income and loss of the benefit from graduated income tax rates. 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, 1999, were \$29,114,124, a decrease of 30% from the prior year. This decrease was due to the cash outlay for the Genzyme acquisition. At June 30, 1998, cash, equivalents and short-term investments were \$41,435,542 compared to \$24,752,257 at June 30, 1997, an increase of 67%. The Company has an unsecured line of credit of \$750,000 available at June 30, 1999. The interest rate on the line of credit is at the prime rate of 7.75% at June 30, 1999.

Management of the Company expects to be able to meet its future cash and working capital requirements for operations and capital additions (excluding real estate acquired in July 1999) 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 \$28,421,859, \$20,875,469 and \$12,476,548 in fiscal 1999, 1998 and 1997, 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, partially offset by an increase in accounts receivable due to increased sales.

Cash flows from investing activities

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.

During fiscal 1999, the Company entered into agreements to acquire real estate occupied by R&D Systems in Minneapolis, Minnesota. The purchase price was approximately \$28 million and a deposit of \$4 million cash and 100,000 shares of common stock valued at \$2.16 million was placed in escrow in fiscal 1999 in anticipation of the July 1, 1999 closing. On July 1, 1999 the Company acquired the real estate with an additional cash payment of \$1.44 million and a \$20.4 million, 15-year mortgage. In addition, on July 1, 1999, the Company paid \$2 million and issued warrants to purchase 60,000 shares of common stock as a deposit on an option to purchase additional property adjacent to its Minneapolis facility. The \$3.44 million payment on July 1, 1999 was funded from cash and cash equivalents on hand at June 30, 1999.

Capital additions were \$5,564,033, \$2,780,194 and \$4,243,156 in fiscal 1999, 1998 and 1997, respectively. Included in fiscal 1999, 1998 and 1997 capital additions are leasehold improvements of \$3,538,000, \$1,195,000 and \$2,935,000 related to R&D Systems' remodeling and expansion. The remaining capital additions in fiscal 1999, 1998 and 1997 were for laboratory, manufacturing and computer equipment. Total capital additions for equipment and building improvements planned for fiscal 2000 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.

The Company's net investment (withdrawal) in short-term investments in fiscal 1999, 1998 and 1997 was \$1,022,721, (\$831,955) and \$4,326,439, 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.

Cash flows from financing activities

The Company received \$1,136,633, \$919,831 and \$582,846 for the exercise of options for 192,852, 97,541 and 91,000 shares of common stock in fiscal 1999, 1998 and 1997, respectively.

In fiscal 1999, 1998 and 1997, the Company purchased and retired 213,600, 20,000 and 254,600 shares of Company common stock at a market value of \$3,941,950, \$280,000 and \$3,225,205, respectively. In May 1995, the Company announced a plan to purchase and retire up to \$5 million of its common stock. In April 1997, this was increased an additional \$5 million, subject to market conditions. Any such purchases will be funded from currently available cash.

The Company has never paid cash dividends and has no plans to do so in fiscal 2000. The Company's earnings will be retained for reinvestment in the business.

YEAR 2000 AND EURO CURRENCY ISSUES

The Company has taken steps to ensure that it is not adversely affected by Year 2000 (Y2K) software failures which may arise in software applications where two year digits are used to define the applicable year. The Company has completed its review of computer hardware and company-wide software and any necessary upgrades to make them Y2K compliant will be completed before the fourth quarter of calendar 1999. The Company is continuing its review of PC-based software and non-computer hardware that contains embedded processors to ensure that the equipment will function properly or that contingency plans are in place before the end of calendar 1999. The Company does not believe the cost of any necessary upgrades will be material. The Company has also communicated with many of its suppliers and service providers regarding compliance with Y2K requirements. As a result of such inquiries, no significant deficiencies have been identified. The Company will continue to monitor these third parties for Y2K compliance.

There can be no assurance, however, that there will not be a delay in, or increased costs associated with, upgrading the Company's computer systems, which could have a material adverse effect on the operations and financial position of the Company. In addition, there can be no assurances that the

Company's customers and suppliers will not be adversely affected by their own Y2K issues, which may indirectly adversely affect the Company.

The Company has implemented new accounting and operational software at its European subsidiary, which accommodated the conversion on January 1, 1999 to a common currency, the "Euro," by members of the European Union. The software is also Y2K compliant.

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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At the end of fiscal 1999, the Company had an investment portfolio of fixed income securities, excluding those classified as cash and cash equivalents, of \$16,344,656 (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. Historically, the effect of movements in the exchange rates has been immaterial to the consolidated operating results of the Company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF EARNINGS TECHNE CORPORATION AND SUBSIDIARIES

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30,		
	1999	1998	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Net sales	\$90,900,697	\$67,291,438	\$60,923,750
Cost of sales	27,323,211	20,009,641	19,094,827
	-----	-----	-----
Gross margin	63,577,486	47,281,797	41,828,923
Operating expenses (income):			
Selling, general and administrative	16,862,217	15,367,759	14,585,334
Research and development (Note F)	12,004,798	10,637,804	11,701,822
Amortization of intangible assets (Note A)	9,578,646	71,457	235,508
Interest expense	--	--	29,357
Interest income	(922,185)	(1,206,184)	(710,760)
	-----	-----	-----
	37,523,476	24,870,836	25,841,261
	-----	-----	-----
Earnings before income taxes	26,054,010	22,410,961	15,987,662
Income taxes (Note H)	9,398,000	7,228,000	5,106,000
	-----	-----	-----
Net earnings	\$16,656,010	\$15,182,961	\$10,881,662
	=====	=====	=====
Basic earnings per share	\$ 0.83	\$ 0.80	\$ 0.58
Diluted earnings per share	\$ 0.81	\$ 0.77	\$ 0.56
Weighted average common shares outstanding:			
Basic	20,117,367	18,952,968	18,910,608
Diluted	20,686,675	19,607,630	19,462,532

</TABLE>

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS TECHNE CORPORATION AND SUBSIDIARIES

<TABLE>
<CAPTION>

	JUNE 30,	
	1999	1998
	-----	-----
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,769,468	\$ 26,113,607
Short-term available-for-sale investments (Note A)	16,344,656	15,321,935
Trade accounts receivable, less allowance for doubtful accounts		

issued:							
Exercise of options (Note G)	91,000	910	581,936	--	--	582,846	
Repurchase and retirement of common stock	(254,600)	(2,546)	1,273	(3,223,932)	--	(3,225,205)	
Tax benefit from exercise of stock options	--	--	151,000	--	--	151,000	
Fair value of options granted (Note K)	--	--	471,500	--	--	471,500	

Balances at June 30, 1997	18,875,456	188,755	12,559,071	34,903,146	430,072	48,081,044	
Comprehensive income:							
Net earnings	--	--	--	15,182,961	--	15,182,961	
Other comprehensive income, net of tax:							
Foreign currency translation adjustments	--	--	--	--	49,431	49,431	

Comprehensive Income						15,232,392	
Common stock issued:							
Exercise of options (Note G)	153,376	1,533	1,278,492	--	--	1,280,025	
Exercise of warrant (Note G)	61,775	618	(618)	--	--	--	
Surrender and retirement of stock to exercise options (Note K)	(20,624)	(206)	--	(359,988)	--	(360,194)	
Repurchase and retirement of common stock	(20,000)	(200)	--	(279,800)	--	(280,000)	
Tax benefit from exercise of stock options	--	--	146,000	--	--	146,000	
Fair value of options granted (Note K)	--	--	200,500	--	--	200,500	
Cancellation of non-vested options (Note K)	--	--	(469,000)	--	--	(469,000)	

Balances at June 30, 1998	19,049,983	190,500	13,714,445	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 translation adjustments	--	--	--	--	(426,903)	(426,903)	

Comprehensive Income									16,229,107
Common stock issued:									
Exercise of options (Note G)	213,870	2,139	1,238,178	--	--				1,240,317
Acquisition (Note B)	987,206	9,872	16,990,128	--	--				17,000,000
Real estate deposit (Note F)	100,000	1,000	2,159,830	--	--				2,160,830
Surrender and retirement of stock to exercise options (Note K)	(4,804)	(48)	--	(103,636)	--				(103,684)
Repurchase and retirement of common stock	(213,600)	(2,136)	--	(3,939,814)	--				(3,941,950)
Tax benefit from exercise of stock options	--	--	423,000	--	--				423,000
Balances at June 30, 1999	20,132,655	\$201,327	\$34,525,581	\$62,058,879	\$ 52,600	\$96,838,387			

</TABLE>

See Notes to Consolidated Financial Statements.

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

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings	\$ 16,656,010	\$ 15,182,961	\$ 10,881,662
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	11,890,384	2,302,686	2,321,963
Deferred income taxes	(1,902,000)	(356,000)	(662,000)
Tax benefit from exercise of options	423,000	146,000	151,000
Deferred rent	308,400	712,800	452,100
Other	2,081,435	1,107,762	342,070
Change in current assets and current liabilities, net of acquisition:			
(Increase) decrease in:			
Trade accounts receivable	(3,764,422)	(1,037,755)	(626,936)
Inventories	3,754,942	266,427	(379,051)
Prepaid expenses	(14,113)	122,005	233,617
Increase (decrease) in:			
Trade and other accounts payable	(2,434,625)	1,032,583	(527,435)
Salaries, wages and related accounts	314,777	214,554	60,284
Income taxes payable	1,108,071	1,181,446	229,274
Total adjustments	11,765,849	5,692,508	1,594,886
Net cash provided by operating activities	28,421,859	20,875,469	12,476,548

Cash flows from investing activities:			
Acquisition (Note B)	(24,989,542)	--	--
Real estate deposit (Note F)	(4,000,000)	--	--
Additions to equipment and leasehold improvements	(5,564,033)	(2,780,194)	(4,243,156)
Proceeds from sale of equipment	--	233,862	--
Purchase of short-term available-for-sale investments	(15,025,991)	(24,170,831)	(15,967,440)
Proceeds from sale of short-term available-for-sale investments	14,003,270	25,002,786	11,641,001
Increase in other long-term assets	(3,060,826)	(2,347,123)	(250,000)

Net cash used in investing activities	(38,637,122)	(4,061,500)	(8,819,595)
Cash flows from financing activities:			
Issuance of common stock	1,136,633	919,831	582,846
Repurchase of common stock	(3,941,950)	(280,000)	(3,225,205)

Net cash (used in) provided by financing activities	(2,805,317)	639,831	(2,642,359)
Effect of exchange rate changes on cash			
	(323,559)	61,440	161,689

Net (decrease) increase in cash and cash equivalents	(13,344,139)	17,515,240	1,176,283
Cash and cash equivalents at beginning of year	26,113,607	8,598,367	7,422,084

Cash and cash equivalents at end of year	\$ 12,769,468	\$ 26,113,607	\$ 8,598,367
=====			

</TABLE>

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS TECHNE CORPORATION AND SUBSIDIARIES

Years Ended June 30, 1999, 1998 and 1997

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

DESCRIPTION OF BUSINESS: Techne Corporation and subsidiaries (the Company) is engaged domestically in the development and manufacture of biotechnology products and hematology calibrators and controls 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 generally accepted accounting principles 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.

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 Company has adopted Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share."

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

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30,		
	1999	1998	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Weighted average common shares outstanding (Basic)	20,117,367	18,952,968	18,910,608
Dilutive stock options and warrants outstanding	569,308	654,662	551,924
	-----	-----	-----
Weighted average common shares outstanding (Diluted)	20,686,675	19,607,630	19,462,532
	=====	=====	=====

</TABLE>

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 one year.

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 \$14,003,270, \$25,002,786 and \$11,641,001 during fiscal 1999, 1998 and 1997, 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, 1999, 1998 and 1997 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. Leasehold improvements are being amortized over estimated useful lives of five to fifteen years.

INTANGIBLES: Intangible assets, related to the acquisition of Genzyme Corporation's research products business in fiscal 1999 (Note B), Amgen Inc.'s research reagent and diagnostic kit business in fiscal 1992 and R&D Systems Europe Ltd. in fiscal 1994 are being amortized on a straight-line basis over the estimated useful lives and consist of the following:

<TABLE>
<CAPTION>

	JUNE 30,	
USEFUL LIFE	1999	1998

<S>	<C>	<C>	<C>
Customer list	10 years	\$18,010,000	\$1,010,000
Technology licensing agreements	16 years	500,000	500,000
Goodwill	6 years	39,075,089	1,225,547
		57,585,089	2,735,547
Less accumulated amortization		12,020,339	2,441,693
		\$45,564,750	\$ 293,854

</TABLE>

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 has an approximate 43% 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 recognizes 100% of the losses of CCX due to the limited amount of cash consideration provided by the holders of the common shares of CCX. The Company's investment in CCX was \$1,910,931 and \$1,327,570 at June 30, 1999 and 1998, 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.

RECENT ACCOUNTING STANDARDS: During the first quarter of fiscal 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income," which requires disclosure of all changes in equity that result from transactions and economic events other than transactions with owners. Except for net earnings and foreign currency translation adjustments, the Company does not have any transactions and other economic events which qualify as comprehensive income as defined under SFAS No. 130. The Company's adoption of SFAS No. 130 had no effect on the Company's results of operations, cash flows or financial position.

Effective June 30, 1999, the Company adopted SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes new standards for reporting information about business segments and related disclosures about products and services, geographic areas and major customers, if applicable. Under SFAS No. 131, operating segments are determined consistent with the way management organizes and evaluates financial information internally for making decisions and assessing performance. The Company's adoption of SFAS No. 131 had no effect on the Company's results of operations, cash flows or financial position.

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.

B. ACQUISITION:

On July 1, 1998, the Company, through its Research and Diagnostic Systems, Inc. subsidiary, acquired the research products business of Genzyme Corporation. The acquisition was accounted for under the purchase method, and accordingly, the consolidated financial statements include the results of operations of the acquired business since the date of acquisition. Assets acquired were as follows:

Inventories \$ 5,660,000

Equipment	320,000
Customer list	17,000,000

	\$22,980,000
	=====

In consideration for the acquisition, the Company paid \$24.76 million cash, issued to Genzyme Corporation 987,206 shares of common stock valued at \$17 million and will pay royalties for five years on the Company's biotechnology sales. The excess of the consideration (including acquisition costs) over the fair market value of the assets acquired of approximately \$37.8 million has been recorded as goodwill and will be amortized on a straight-line basis over six years. The customer list is being amortized on a declining basis over an estimated useful life of 10 years.

Pro forma financial information for the year ended June 30, 1998, presented as if the acquisition had occurred on July 1, 1997, are as follows:

Net sales	\$81,527,000
Net earnings	5,538,000
Basic earnings per share	0.28
Diluted earnings per share	0.27

C. INVENTORIES:

Inventories consist of:

<TABLE>
<CAPTION>

	JUNE 30,	
	1999	1998
	-----	-----
<S>	<C>	<C>
Raw materials	\$2,105,150	\$2,125,365
Finished goods	3,499,688	1,539,696
Supplies	110,227	145,539
	-----	-----
	\$5,715,065	\$3,810,600
	=====	=====

</TABLE>

D. EQUIPMENT AND LEASEHOLD IMPROVEMENTS:

Equipment and leasehold improvements consist of:

<TABLE>
<CAPTION>

	JUNE 30,	
	1999	1998
	-----	-----
<S>	<C>	<C>
Cost:		
Leasehold improvements	\$13,770,763	\$10,243,142
Laboratory equipment	11,308,984	9,769,949
Office and computer equipment	3,294,704	2,923,110
	-----	-----
	28,374,451	22,936,201
Less accumulated depreciation and amortization	13,309,217	11,420,478
	-----	-----
	\$15,065,234	\$11,515,723
	=====	=====

</TABLE>

E. DEBT:

The Company's short-term line of credit facility consists of an unsecured line of credit of \$750,000 at June 30, 1999. The interest rate charged on the line

of credit is at the prime rate of 7.75% at June 30, 1999. There were no borrowings on the line in the current year.

F. 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, 1999, 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:

2000	\$251,862
2001	27,016
2002	11,339
2003	5,615
2004	4,666

	<u>\$300,498</u>

Total rent expense was approximately \$2,587,000, \$2,616,000 and \$1,893,000 for the years ended June 30, 1999, 1998 and 1997, respectively.

During fiscal 1999, the Company entered into agreements to acquire real estate occupied by R&D Systems in Minneapolis, Minnesota. The purchase price was approximately \$28 million. Other long-term assets at June 30, 1999 include \$4 million cash and 100,000 shares of the Company's common stock, valued at \$2.16 million, which were placed in escrow during fiscal 1999 in anticipation of the purchase. The closing of the purchase transaction was on July 1, 1999 and \$20.4 million of the remaining purchase price was financed through a 15 year mortgage. The interest rate on the mortgage is fixed at 7% for the first seven years and is thereafter adjusted based on U.S. Treasury rates.

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 60,000 shares of the Company's common stock at \$23.77 per share. This purchase option expires on November 15, 2001. Subsequent to June 30, 1999, the Company paid \$2 million cash and issued the warrants as a nonrefundable deposit on the option purchase price.

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 on the earlier of January 15, 2002 or sixty days after exercise of the first option.

At June 30, 1999, the Company is obligated to purchase up to an additional \$1 million of convertible preferred stock of ChemoCentryx Inc. in fiscal 2000 based upon CCX's achievement of certain milestones. After purchase of the additional preferred shares, the Company will own approximately 49% of the issued and outstanding voting shares (assuming no investment by other parties).

In fiscal 1994, the Company entered into a four year Joint Biological Research Agreement with British Bio-technology Group plc. Under the agreement, R&D Systems Europe Ltd. received the exclusive right to develop, manufacture, market and sell biomolecules developed by British Bio-technology Group, plc. or its subsidiaries and any resulting diagnostic kits in the research reagent and diagnostic markets. In June 1997, the agreement was extended for an additional five years for 100,000 British pounds per year. Research and development expenses include \$164,000, \$165,000 and \$1,400,000 for the years ended June 30, 1999, 1998, and 1997, respectively, under this agreement. Subsequent to June 30, 1999, the Company terminated the agreement effective December 31, 1999.

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

G. STOCKHOLDERS EQUITY:

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 600,000, 1,600,000, 300,000 and 1,000,000 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, 1999 consists of the following:

<TABLE>

<CAPTION>

	WEIGHTED AVERAGE		
	SHARES	EXERCISE PRICE	
	-----	-----	
<S>	<C>	<C>	
Outstanding at June 30, 1996	1,065,250	\$ 6.44	
Granted	453,552	11.63	
Exercised	(91,000)	6.40	
Canceled	(142,000)	6.66	
	-----	-----	
Outstanding at June 30, 1997	1,285,802	8.25	
Granted	181,984	16.26	
Exercised	(153,376)	8.35	
Canceled	(59,352)	12.91	
	-----	-----	
Outstanding at June 30, 1998	1,255,058	9.42	
Granted	116,645	17.11	
Exercised	(213,870)	5.80	
	-----	-----	
Outstanding at June 30, 1999	1,157,833	\$ 10.87	
	=====	=====	
Options exercisable at June 30:			
1997	724,502	\$ 6.89	
1998	956,058	9.04	
1999	935,833	10.87	

</TABLE>

Currently outstanding and exercisable stock options at June 30, 1999 consist of the following:

<TABLE>

<CAPTION>

OPTIONS OUTSTANDING			
EXERCISE PRICES	WEIGHTED AVG.		WEIGHTED AVG. EXERCISE PRICE
	CONTRACTUAL OUTSTANDING	LIFE (YRS.)	
	-----	-----	
<S>	<C>	<C>	<C>
\$ 5.00- 9.99	577,554	4.50	\$ 7.14
10.00-14.99	312,134	6.08	11.76
15.00-19.99	268,145	7.58	17.86
	-----	-----	
	1,157,833	5.67	\$ 10.87
	=====	=====	=====

</TABLE>

<TABLE>

<CAPTION>

OPTIONS EXERCISABLE

WEIGHTED AVG.		
EXERCISE PRICES	EXERCISABLE	EXERCISE PRICE
<S>	<C>	<C>
\$ 5.00- 9.99	421,554	\$ 6.42
10.00-14.99	290,134	11.73
15.00-19.99	224,145	18.11
	935,833	\$ 10.87

</TABLE>

Total compensation cost recognized for the years ended June 30, 1998 and 1997 for stock options granted to consultants was \$34,000 and \$169,000, respectively. No compensation cost was recognized for the year ended June 30, 1999. If compensation cost for employee options granted in 1999, 1998 and 1997 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 income and earnings per share would have been as follows:

<TABLE>

<CAPTION>

	YEAR ENDED JUNE 30,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Net income:			
As reported	\$16,656,010	\$15,182,961	\$10,881,662
Pro forma	15,071,990	13,464,290	8,764,829
Basic earnings per share:			
As reported	\$ 0.83	\$ 0.80	\$ 0.58
Pro forma	0.75	0.71	0.46
Diluted earnings per share:			
As reported	\$ 0.81	\$ 0.77	\$ 0.56
Pro forma	0.73	0.69	0.45

</TABLE>

The fair value of options granted under the Company's stock option plans during 1999, 1998 and 1997 was 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 70%, risk-free interest rates between 4.6% and 6.8% and expected lives between 7 and 10 years.

WARRANT: In fiscal 1994, the Company issued a warrant to purchase 100,000 shares of the Company's common stock at \$6.88 as part of the acquisition of R&D Systems Europe Ltd. The warrant was exercised in 1998 in a cashless exercise which resulted in the issuance of 61,775 shares of common stock.

H. INCOME TAXES:

The provisions for income taxes consist of the following:

<TABLE>

<CAPTION>

	YEAR ENDED JUNE 30,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Earnings before income taxes consist of:			
Domestic	\$21,801,526	\$19,101,460	\$14,731,035
Foreign	4,252,484	3,309,501	1,256,627
	\$26,054,010	\$22,410,961	\$15,987,662

Taxes on income consist of:

Currently payable:

Federal	\$ 9,122,000	\$ 6,280,000	\$ 4,584,000
State	355,000	255,000	65,000

Foreign	1,355,000	903,000	1,020,000
Tax benefit from exercise of stock options	423,000	146,000	151,000
Net deferred	(1,857,000)	(356,000)	(714,000)
	-----	-----	-----
	\$ 9,398,000	\$ 7,228,000	\$ 5,106,000
	=====	=====	=====

</TABLE>

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

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30,		
	1999	1998	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Computed expected federal income tax expense	\$ 9,119,000	\$ 7,844,000	\$ 5,596,000
State income taxes, net of Federal benefit	377,000	270,000	223,000
Foreign sales corporation	(444,000)	(317,000)	(318,000)
Research and development credits	(334,000)	(376,000)	(317,000)
Tax-exempt interest	(165,000)	(288,000)	(186,000)
Graduated income tax rate	--	(100,000)	(113,000)
Other	845,000	195,000	221,000
	-----	-----	-----
	\$ 9,398,000	\$ 7,228,000	\$ 5,106,000
	=====	=====	=====

</TABLE>

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:

<TABLE>
<CAPTION>

	JUNE 30,	
	1999	1998
	-----	-----
<S>	<C>	<C>
Inventory	\$1,032,000	\$ 654,000
Inventory costs capitalized	509,000	455,000
Foreign net operating loss carryforward	158,000	167,000
Unrealized profit on intercompany sales	250,000	158,000
Other	152,000	149,000
	-----	-----
Current asset	2,101,000	1,583,000
Excess of book over tax intangible asset amortization	1,595,000	414,000
Excess of book over tax research expense	621,000	666,000
Deferred rent	687,000	579,000
Other	234,000	139,000
	-----	-----
Noncurrent asset	3,137,000	1,798,000
	-----	-----
	\$5,238,000	\$3,381,000
	=====	=====

</TABLE>

At June 30, 1999, approximately \$470,000 of non-U.S. tax losses were available for carryforward indefinitely.

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.

I. 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, 1999, 1998 and 1997.

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:

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30,		
	1999	1998	1997
<S>	<C>	<C>	<C>
External sales			
Hematology	\$12,673,544	\$11,784,093	\$10,269,624
Biotechnology	54,960,816	37,713,747	31,739,184
R&D Systems Europe	23,266,337	17,793,598	18,914,942
Total external sales	<u>\$90,900,697</u>	<u>\$67,291,438</u>	<u>\$60,923,750</u>
Intersegment sales			
Hematology	\$ --	\$ --	\$ --
Biotechnology	11,578,230	7,788,587	6,740,792
R&D Systems Europe	187,054	557,662	539,410
Total intersegment sales	<u>\$11,765,284</u>	<u>\$ 8,346,249</u>	<u>\$ 7,280,202</u>
Income before taxes			
Hematology	\$ 3,706,460	\$ 3,123,223	\$ 2,125,569
Biotechnology	20,419,385	17,345,946	13,358,704
R&D Systems Europe	4,252,484	3,309,501	1,256,627
Corporate and other	(2,324,319)	(1,367,709)	(753,238)
Total income before taxes	<u>\$26,054,010</u>	<u>\$22,410,961</u>	<u>\$15,987,662</u>
Interest income			
Hematology	\$ 289,105	\$ 278,601	\$ 181,277
Biotechnology	313,373	753,253	497,969
R&D Systems Europe	213,589	125,230	34,233
Corporate and other	106,118	49,100	(2,719)
Total interest income	<u>\$ 922,185</u>	<u>\$ 1,206,184</u>	<u>\$ 710,760</u>
Depreciation and amortization			
Hematology	\$ 170,105	\$ 206,330	\$ 220,571
Biotechnology	11,109,795	1,392,442	1,390,793
R&D Systems Europe	239,277	342,140	406,441
Corporate and other	371,207	361,774	304,158
Total depreciation and amortization	<u>\$11,890,384</u>	<u>\$ 2,302,686</u>	<u>\$ 2,321,963</u>
Capital purchases			
Hematology	\$ 174,844	\$ 101,258	\$ 445,692
Biotechnology	3,940,127	2,299,798	2,408,721
R&D Systems Europe	287,413	193,070	173,359
Corporate and other	1,161,649	186,068	1,215,384
Total capital purchases	<u>\$ 5,564,033</u>	<u>\$ 2,780,194</u>	<u>\$ 4,243,156</u>

</TABLE>

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:

<TABLE>

<CAPTION>

	YEAR ENDED JUNE 30,		
	1999	1998	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
External sales			
United States	\$54,261,592	\$40,045,282	\$34,682,116
Other areas	36,639,105	27,246,156	26,241,634
	-----	-----	-----
Total external sales	\$90,900,697	\$67,291,438	\$60,923,750
	=====	=====	=====
Long-lived assets			
United States	\$20,923,992	\$11,078,177	\$10,380,142
Other areas	462,898	437,546	872,599
	-----	-----	-----
Total long-lived assets	\$21,386,890	\$11,515,723	\$11,252,741
	=====	=====	=====

</TABLE>

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

J. 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 \$651,000, \$574,500 and \$525,500 for the years ended June 30, 1999, 1998 and 1997, 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. Operations have been charged for contributions to the plans of \$684,000, \$595,000 and \$525,500 for the years ended June 30, 1999, 1998 and 1997, respectively.

PERFORMANCE INCENTIVE PROGRAM: Under certain employment agreements with executive officers, the Company recorded bonuses of \$80,000, \$109,000 and \$90,500 for the years ended June 30, 1999, 1998 and 1997, respectively. In addition, options for 4,145, 5,984 and 7,252 shares of common stock were granted to the executive officers during fiscal 1999, 1998 and 1997, respectively.

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

The Company paid and received cash for the following items:

<TABLE>

<CAPTION>

	YEAR ENDED JUNE 30,		
	1999	1998	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Income taxes paid	\$9,763,600	\$6,602,926	\$5,388,789
Interest paid	--	--	29,357
Interest received	1,019,630	1,431,305	781,886

</TABLE>

Noncash transactions during the years ended June 30, 1999, 1998 and 1997 consisted of:

In 1998 and 1997, stock options with fair values of \$200,500 and \$471,500 were granted to consultants for services to be provided to the Company. In 1998, the Company canceled all non-vested stock options granted to consultants.

In 1999, stock options for 21,018 shares of common stock were exercised by surrender of 4,804 shares of common stock at fair value of \$103,684. In 1998, stock options for 55,835 shares of common stock were exercised by surrender of 20,624 shares of common stock at fair market value of \$360,194.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
TECHNE Corporation
Minneapolis, Minnesota

We have audited the accompanying consolidated balance sheets of TECHNE Corporation and subsidiaries as of June 30, 1999 and 1998, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended June 30, 1999. 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 generally accepted auditing standards. 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 financial position of TECHNE Corporation and subsidiaries at June 30, 1999 and 1998 and the results of their operations and cash flows for each of the three years in the period ended June 30, 1999, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Minneapolis, Minnesota
August 20, 1999

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 1999 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 1999 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 1999 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, 1999, 1998 and 1997

Consolidated Balance Sheets as of June 30, 1999 and 1998

Consolidated Statements of Stockholders' Equity for the Years
Ended June 30, 1999, 1998 and 1997

Consolidated Statements of Cash Flows for the Years Ended
June 30, 1999, 1998 and 1997

Notes to Consolidated Financial Statements for the Years
Ended June 30, 1999, 1998 and 1997

Independent Auditors' Report on Consolidated Financial Statements

(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, 1999.

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, 1999 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, 1999	Thomas E. Oland ----- Thomas E. Oland President, Treasurer and Director (principal executive officer and principal financial and accounting officer)
September 27, 1999	Roger C. Lucas ----- Dr. Roger C. Lucas, Director
September 27, 1999	Howard V. O'Connell ----- Howard V. O'Connell, Director
September 27, 1999	G. Arthur Herbert ----- G. Arthur Herbert, Director
September 27, 1999	Randolph C. Steer ----- Dr. Randolph C. Steer, Director
September 27, 1999	Lowell E. Sears ----- Lowell E. Sears, Director
September 27, 1999	Christopher S. Henney ----- Dr. Christopher S. Henney, Director

EXHIBIT INDEX
for Form 10-K for the 1999 Fiscal Year

Exhibit Number	Description
-----	-----
3.1	Restated Articles of Incorporation of Company, as amended to date--incorporated by reference to Exhibit 19.1 of the Company's Form 10-Q for the quarter ended September 30, 1991*
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 Stock Purchase Agreement dated July 30, 1993 between the Company and British Bio-technology Group plc--incorporated by reference to Exhibit 1 of the Company's Form 8-K dated August 11, 1993*
- 10.10 Joint Biological Research Agreement dated July 30, 1993 between the Company and British Bio-technology Group plc--incorporated by reference to Exhibit 2 of the Company's Form 8-K dated August 11, 1993*
- 10.11 Non-Enforcement of Patent Rights dated March 15, 1995 by New England Medical Center Hospitals, Inc., Tufts University, Massachusetts Institute of Technology and Wellesley College in favor of R & D Systems, Inc.--incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q for the Quarter ended March 31, 1995*
- 10.12 Non-Enforcement of Patent Rights dated March 21, 1995 by Cistron Biotechnology, Inc. ("Cistron") in favor of R & D Systems, Inc.--incorporated by reference to Exhibit 10.3 of the Company's Form 10-Q for the Quarter ended March 31, 1995*
- 10.13 License and Supply Agreement dated March 21, 1995 between Cistron and R & D Systems--incorporated by reference to Exhibit 10.4 of the Company's Form 10-Q for the Quarter ended March 31, 1995*
- 10.14 Research and Development Agreement dated April 10, 1995 between Cistron and R & D Systems, Inc.--incorporated by reference to Exhibit 10.4 of the Company's Form 10-Q for the quarter ended March 31, 1995*
- 10.15** Employment Agreement, dated March 6, 1996, with James A. Weatherbee--incorporated by reference to Exhibit 10.24 of the Company's Form 10-K for the year ended June 30, 1996*
- 10.16** 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*
- 10.17** Employment Agreement, dated December 28, 1995, with Thomas Detwiler--incorporated by reference to Exhibit 10.26 of the Company's Form 10-K for the year ended June 30, 1996*

- 10.18** 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*
- 10.19 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*
- 10.20 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*
- 10.21 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*
- 10.22** 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*
- 10.23 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*
- 10.24 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*
- 10.25** Extension, dated March 31, 1999, to Employment Agreement with Thomas C. Detwiler, Ph.D.--incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended March 31, 1999*
- 10.26** 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*
- 10.27** 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*
- 10.28 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*
- 10.29 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*
- 10.30 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*
- 10.31 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*
- 10.32 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*

- 10.33 Second Amendment, dated June 9, 1999, to Phase I Option Agreement dated February 10, 1999
- 10.34 Second Amendment, dated June 10, 1999, to Phase II Option Agreement dated February 10, 1999
- 10.35 Warrant to purchase 60,000 shares of Common Stock issued to Hillcrest Development on July 1, 1999.
- 10.36 Combination Mortgage, Security Agreement and Fixture Financing Statement dated July 1, 1999 between the Company and TCF National Bank Minnesota (TCF)
- 10.37 Promissory Note from the Company to TCF dated July 1, 1999 in the Principal amount of \$20,400,000.
- 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
- 27 Financial Data Schedule

*Incorporated by reference; SEC File No. 0-17272

**Management contract or compensatory plan or arrangement

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

THIS SECOND AMENDMENT TO PHASE I OPTION AGREEMENT is dated this 9th day of June, 1999, by and between Hillcrest Development ("Owner") and R & D Systems, Inc. ("Buyer").

RECITALS:

1. Owner and Buyer entered into a Phase I Option Agreement dated February 10, 1999 and a First Amendment to Phase I Option Agreement dated April 10, 1999 with respect to property commonly known as 2101 Kennedy and 659 Cleveland together with surface parking parcels (collectively the "Option Agreement").
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. The word "Property" as used in the Option Agreement and in the Purchase Agreement attached as Exhibit B to the Option Agreement is hereby amended to exclude that part of the Property taken by, or to be taken, and/or deeded, or to be deeded, to the City of Minneapolis for additional right-of-way for Kennedy Street as a result of the contemplated realignment of the Kennedy Street and Arthur Street intersection.
2. Except as provided for above, all the terms and conditions of the Option Agreement and the Purchase Agreement attached as Exhibit B to the Option Agreement shall remain in full force and effect.

OWNER:

BUYER:

Hillcrest Development

R & D Systems, Inc.

By: /s/ Scott M. Tankenoff

By: /s/ Thomas E. Oland

Its: General Partner

Its: President

SECOND AMENDMENT TO PHASE II OPTION AGREEMENT
(2001 Kennedy Option)

THIS SECOND AMENDMENT TO PHASE II OPTION AGREEMENT is dated this 10th day of June, 1999, by and between Hillcrest Development ("Owner") and R & D Systems, Inc. ("Buyer").

RECITALS:

1. Owner and Buyer entered into a Phase II Option Agreement dated February 10, 1999 and a First Amendment to Phase II Option Agreement dated April 10, 1999 with respect to property commonly known as 2001 Kennedy together with a surface parking parcel (collectively the "Option Agreement").

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. Section XX of the Purchase Agreement attached as Exhibit B to the Option Agreement is hereby amended and completed by adding the following paragraphs:

Buyer shall reimburse Seller at closing for the following costs and expenses to be incurred by Seller, but such reimbursement(s) shall be limited in amounts as if such reimbursable costs and expenses were Capital Improvement Costs listed on Exhibit D hereto attached and each of the following items were treated as "capital improvements" as referenced in said Exhibit D:

(a) costs and expenses paid to the City of Minneapolis and/or its agents or contractors for the re-radiusing of the intersection of Broadway Street and Arthur Street including land acquisition costs but, except as otherwise provided herein, excluding any cost for the stoplight and its installation ("Stoplight") which is to be installed at such intersection;

(b) costs and expenses paid to the City of Minneapolis and/or its agents or contractors for the realignment of the Kennedy Street and Arthur Street intersection;

(c) costs and expenses paid to the City of Minneapolis and/or its agents or contractors for the installation of the turn/drive off lane at the intersection of Arthur Street and Summer Street;

Buyer shall also reimburse Seller at closing for the following costs and expenses (together with interest from the date of Seller's expenditure at the lowest AFR rate then in effect) which Seller has paid:

(a) to the City of Minneapolis and/or its agents or contractors for the cost of the Stoplight and its installation less the aggregate principal reimbursement payments for the Stoplight and its installation previously made to Seller, as Landlord, by UCare Minnesota, or its assignee, as a tenant, of the Property, "pursuant to the parties' lease";

(b) with respect to and in connection with Seller's acquisition from MT Properties, Inc. of the parcel of land lying easterly and adjacent to the property ("MT Property") along with all due diligence expenses incurred by Seller associated with such acquisition; and

(c) for all street vacation expenses in connection with the vacation of streets bordering the Property.

2. Section X(c)(ii) of the Purchase Agreement attached as Exhibit B to the Option Agreement is hereby amended to read as follows:

(ii) Such additional funds as may be required of Buyer to pay closing cost or charges properly allocable to Buyer including, but not limited to, reimbursable costs and expenses to Seller pursuant

to Section XX hereof.

3. The word "Property" as used in the Option Agreement and in the Purchase Agreement attached as Exhibit B to the Option Agreement is hereby amended to include that part of Kennedy Street that (i) accrues to the benefit of Owner as a result of the contemplated realignment of the Kennedy Street and Arthur Street intersection, and (ii) the MT Property, if acquired by Owner.

4. Except as provided for above, all the terms and conditions of the Option Agreement and the Purchase Agreement, attached as Exhibit B to the Option Agreement shall remain in full force and effect.

OWNER:

BUYER:

Hillcrest Development

R & D Systems, Inc.

By: /s/ Scott M. Tankenoff

By: /s/ Thomas E. Oland

Its: General Partner

Its: President

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ISSUED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933 OR UNDER ANY STATE SECURITIES LAWS, AND MAY NOT BE SOLD, TRANSFERRED OR PLEDGED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT THE TRANSFER IS EXEMPT FROM REGISTRATION UNDER THE APPLICABLE FEDERAL AND STATE SECURITIES LAWS.

WARRANT

TO PURCHASE 60,000 SHARES OF COMMON STOCK
OF

TECHNE CORPORATION

THIS CERTIFIES THAT, for good and valuable consideration, Hillcrest Development, a Minnesota Limited Partnership, (the "Investor"), or its registered assigns, is entitled to subscribe for and purchase from Techne Corporation, a Minnesota corporation (the "Company"), at any time from July 1, 2000 (the date one year from the date of issuance of this Warrant) up to and including June 30, 2006 (the date seven years from the date of issuance of this Warrant), 60,000 fully paid and nonassessable shares of the Common Stock of the Company at \$23.77 per share (the "Warrant Exercise Price"), such number of shares and Warrant Exercise Price being subject to adjustment pursuant to the anti-dilution provisions set forth in this Warrant. Reference is made to this Warrant in the Registration Rights Agreement dated January 22, 1999 (the "Registration Rights Agreement"), by and between the Company and the Investor. The shares of Common Stock which may be acquired upon exercise of this Warrant are referred to herein as the "Warrant Shares." As used herein, the term "Holder" means the Investor, any party who acquires all or a part of this Warrant as a registered transferee of the Investor, or any record holder or holders of the Warrant Shares issued upon exercise, whether in whole or in part, of the Warrant.

This Warrant is subject to the following provisions, terms and conditions:

1. Exercise; Transferability.

(a) The rights represented by this Warrant may be exercised by the Holder hereof, in whole or in part (but not as to a fractional share of Common Stock), by written notice of exercise (in the form attached hereto) delivered to the Company at the principal office of the Company prior to the expiration of this Warrant and accompanied or preceded by the surrender of this Warrant along with a check in payment of the Warrant Exercise Price for such shares.

(b) This Warrant is transferable in whole or in part, subject to applicable federal and state securities laws and regulations. This Warrant may not be sold, transferred, assigned, hypothecated or divided into two or more Warrants of smaller denominations, nor may any Warrant shares issued pursuant to exercise of this Warrant be transferred, except as provided in Section 7 hereof.

2. Exchange and Replacement. Subject to Sections 1 and 7 hereof, this Warrant is exchangeable upon the surrender hereof by the Holder to the Company at its office for new Warrants of like tenor and date representing in the aggregate the right to purchase the number of Warrant Shares purchasable hereunder, each of such new Warrants to represent the right to purchase such number of Warrant Shares (not to exceed the aggregate total number purchasable hereunder) as shall be designated by the Holder at the time of such surrender. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction, or mutilation of this Warrant, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and upon surrender and cancellation of this Warrant, if mutilated, the Company will make and deliver a new Warrant of like tenor, in lieu of this Warrant; provided, however, that if the Investor shall be such Holder, an agreement of indemnity by such Holder shall be sufficient for all purposes of this Section 2. This Warrant shall be promptly canceled by the Company upon the surrender hereof in connection with any exchange or replacement. The Company shall pay all expenses, taxes (other than stock transfer taxes), and other charges payable in connection with the preparation, execution, and delivery of Warrants pursuant to this Section 2.

3. Issuance of the Warrant Shares.

(a) The Company agrees that the Warrant Shares purchased hereby shall be and are deemed to be issued to the Holder as of the close of business on the date on which this Warrant shall have been surrendered and the payment made for such Warrant Shares as aforesaid. Subject to the provisions of the next section, certificates for the Warrant Shares so purchased shall be delivered to the Holder within a reasonable time, not exceeding fifteen (15) days after the rights represented by this Warrant shall have been so exercised, and, unless this Warrant has expired, a new Warrant representing the right to purchase the number of Warrant Shares, if any, with respect to which this Warrant shall not then have been exercised shall also be delivered to the Holder within such time.

(b) Notwithstanding the foregoing, however, the Company shall not be required to deliver any certificate for Warrant Shares upon exercise of this Warrant except in accordance with exemptions from the applicable securities registration requirements or registrations under applicable securities laws. Nothing herein, however, shall obligate the Company to effect registrations under federal or state securities laws, except as provided in the Registration Rights Agreement dated January 22, 1999 between the Company and Investor. If registrations are not in effect and if exemptions are not available when the Holder seeks to exercise the Warrant, the Warrant exercise period will be extended, if need be, to prevent the Warrant from expiring, until such time as either registrations become effective or exemptions are available, and the Warrant shall then remain exercisable for a period of at least 30 calendar days from the date the Company delivers to the Holder written notice of the availability of such registrations or exemptions. The Holder agrees to execute such documents and make such representations, warranties, and agreements as may be required solely to comply with the exemptions relied upon by the Company, or the registrations made, for the issuance of the Warrant Shares.

4. Covenants of the Company. The Company covenants and agrees that all Warrant Shares will, upon issuance, be duly authorized and issued, fully paid, nonassessable, and free from all taxes, liens, and charges with respect to the issue thereof. The Company further covenants and agrees that during the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved for the purpose of issue or transfer upon exercise of the subscription rights evidenced by this Warrant a sufficient number of shares of Common Stock to provide for the exercise of the rights represented by this Warrant and a sufficient number of shares of Common Stock to provide for the conversion of the Common Stock underlying this Warrant.

5. Antidilution Adjustments. The foregoing provisions are, however, subject to the following:

(a) The Warrant Exercise Price shall be subject to adjustment from time to time as hereinafter provided. Upon each adjustment of the Warrant Exercise Price, the Holder of this Warrant shall thereafter be entitled to purchase, at the Warrant Exercise Price resulting from such adjustment, the number of shares obtained by multiplying the Warrant Exercise Price in effect immediately prior to such adjustment by the number of shares purchasable pursuant hereto immediately prior to such adjustment and dividing the product thereof by the Warrant Exercise Price resulting from such adjustment.

(b) In case the Company shall at any time subdivide the outstanding Common Stock into a greater number of shares or declare a dividend payable in Common Stock, the Warrant Exercise Price in effect immediately prior to such subdivision shall be proportionately reduced, and conversely, in case the outstanding Common Stock shall be combined into a smaller number of shares, the Warrant Exercise Price in effect immediately prior to such combination shall be proportionately increased.

(c) If any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with another corporation, or the sale of all or substantially all of its assets to another corporation shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities or assets ("Substituted Property") with respect to or in exchange for such Common Stock, then, as a condition of such reorganization, reclassification, consolidation, merger or sale, the Holder shall have the right to purchase and receive upon the basis and upon the terms and conditions specified in

this Warrant and in lieu of the Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby, such Substituted Property as would have been issued or delivered to the Holder if it had exercised this Warrant and had received upon exercise of this Warrant the Common Stock prior to such reorganization, reclassification, consolidation, merger or sale. The Company shall not effect any such consolidation, merger or sale, unless prior to the consummation thereof the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing such assets shall assume by written instrument executed and mailed to the Holder at the last address of the Holder appearing on the books of the Company, the obligation to deliver to the Holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, the Holder may be entitled to purchase.

6. No Voting Rights. This Warrant shall not entitle the Holder to any voting rights or other rights as a stockholder of the Company.

7. Notice of Transfer of Warrant or Resale of the Warrant Shares.

(a) Subject to the sale, assignment, hypothecation, or other transfer restrictions set forth in Section 1 hereof, the Holder, by acceptance hereof, agrees to give written notice to the Company before transferring this Warrant or transferring any Warrant Shares of such Holder's intention to do so, describing briefly the manner of any proposed transfer. Promptly upon receiving such written notice, the Company shall present copies thereof to the Company's counsel and to counsel to the original purchaser of this Warrant. If in the opinion of each such counsel the proposed transfer may be effected without registration or qualification (under any federal or state securities laws), the Company, as promptly as practicable, shall notify the Holder of such opinion, whereupon the Holder shall be entitled to transfer this Warrant or to dispose of Warrant Shares received upon the previous exercise of this Warrant, all in accordance with the terms of the notice delivered by the Holder to the Company; provided that an appropriate legend may be endorsed on this Warrant or the certificates for such Warrant Shares respecting restrictions upon transfer thereof necessary or advisable in the opinion of counsel and satisfactory to the Company to prevent further transfers which would be in violation of Section 5 of the Securities Act of 1933, as amended (the "1933 Act") and applicable state securities laws; and provided further that the prospective transferee or purchaser shall execute such documents and make such representations, warranties, and agreements as may be required solely to comply with the exemptions relied upon by the Company for the transfer or disposition of the Warrant or Warrant Shares.

(b) If in the opinion of either of the counsel referred to in this Section 7, the proposed transfer or disposition of this Warrant or such Warrant Shares described in the written notice given pursuant to this Section 7 may not be effected without registration or qualification of this Warrant or such Warrant Shares, the Company shall promptly give written notice thereof to the Holder, and the Holder will limit its activities in respect to such as, in the opinion of both such counsel, are permitted by law.

8. Fractional Shares. Fractional shares shall not be issued upon the exercise of this Warrant, but in any case where the holder would, except for the provisions of this Section, be entitled under the terms hereof to receive a fractional share, the Company shall, upon the exercise of this Warrant for the largest number of whole shares then called for, pay a sum in cash equal to the sum of (a) the excess, if any, of the Fair Market Value (as herein after defined) of such fractional share over the proportional part of the Warrant Exercise Price represented by such fractional share, plus (b) the proportional part of the Warrant Exercise Price represented by such fractional share.

9. Additional Right to Convert Warrant.

(a) The holder of this Warrant shall have the right to require the Company to convert this Warrant (the "Conversion Right") at any time after it is exercisable, but prior to its expiration, into shares of Company Common Stock as provided for in this Section 9. Upon exercise of the Conversion Right, the Company shall deliver to the holder (without payment by the holder of any Warrant Exercise Price) that number of shares of Company's Common Stock equal to the quotient obtained by dividing (x) the value of the Warrant at the time the Conversion Right is exercised (determined by subtracting the aggregate Warrant Exercise Price for the Warrant Shares in effect immediately prior to

the exercise of the Conversion Right from the aggregate Fair Market Value for the Warrant Shares immediately prior to the exercise of the Conversion Right) by (y) the Fair Market Value of one share of Company Common Stock immediately prior to the exercise of the Conversion Right.

(b) The Conversion Right may be exercised by the holder, at any time or from time to time, prior to its expiration, on any business day by delivering a written notice in the form attached hereto (the "Conversion Notice") to the Company at the offices of the Company exercising the Conversion Right and specifying (i) the total number of Warrant Shares the Holder will purchase pursuant to such conversion and (ii) a place and date not less than one or more than 20 business days from the date of the Conversion Notice for the closing of such purchase.

(c) At any closing under Section 9(b) hereof, (i) the Holder will surrender the Warrant and (ii) the Company will deliver to the Holder a certificate or certificates for the number of Warrant Shares issuable upon such conversion, together with cash, in lieu of any fraction of a share, and (iii) the Company will deliver to the Holder a new Warrant representing the number of Warrant Shares, if any, with respect to which the Warrant shall not have been exercised.

(d) Fair Market Value of a share of Common Stock as of a particular date (the "Determination Date") shall mean:

(i) if the Company's Common Stock is traded on an exchange or is quoted on the Nasdaq National Market, then the average closing or last sale prices, respectively, reported for the ten (10) business days immediately preceding the Determination Date, or

(ii) if the Company's Common Stock is not traded on an exchange or on the Nasdaq National Market but is traded on Nasdaq SmallCap Market or an over-the-counter market, then the average high bid and low asked prices reported for the ten (10) business days immediately preceding the Determination Date, or

(iii) if the Company's Common Stock is not traded on an exchange or on the Nasdaq National Market nor on Nasdaq SmallCap Market or an over-the-counter market, then the fair market value of the Common Stock established by the Company's Board of Directors.

IN WITNESS WHEREOF, Techne Corporation has caused this Warrant to be signed by its duly authorized officer and this Warrant to be dated July 1, 1999.

TECHNE CORPORATION

By /s/ Thomas E. Oland

Thomas E. Oland, President

To: Techne Corporation

NOTICE OF EXERCISE OF WARRANT -- To Be Executed by the Registered Holder in Order to Exercise the Warrant

The undersigned hereby irrevocably elects to exercise the attached Warrant to purchase for cash, _____ of the shares issuable upon the exercise of such Warrant, and requests that certificates for such shares (together with a new Warrant to purchase the number of shares, if any, with respect to which

this Warrant is not exercised) shall be issued in the name of

(Print Name)

Please insert social security
or other identifying number
of registered holder of
certificate (_____) Address:

Date: _____, 19__ _____
(Signature)*

*The signature on the Notice of Exercise of Warrant must correspond to the name as written upon the face of the Warrant in every particular without alteration or enlargement or any change whatsoever. When signing on behalf of a corporation, partnership, trust or other entity, PLEASE indicate your position(s) and title(s) with such entity.

ASSIGNMENT FORM

To be signed only upon authorized transfer of Warrants.

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto _____ the right to purchase the securities of Techne Corporation to which the within Warrant relates and appoints _____, attorney, to transfer said right on the books of Techne Corporation, with full power of substitution in the premises.

Dated: _____
(Signature)

Address:

CASHLESS EXERCISE FORM
(To be executed upon exercise of Warrant pursuant to Section 9)

The undersigned hereby irrevocably elects a cashless exercise of the right of purchase represented by the within Warrant Certificate for, and to purchase thereunder, _____ shares of Common Stock, as provided for in Section 9 therein.

Please issue a certificate or certificates for such Common Stock in the name of, and pay any cash for any fractional share to:

Name _____
(Please print Name)

Address _____

Social Security No. _____

Signature _____

NOTE: The above signature should correspond exactly with the name on the first page of this Warrant Certificate or with the name of the assignee appearing in the assignment form below.

And if said number of shares shall not be all the shares purchasable under the within Warrant Certificate, a new Warrant Certificate is to be issued in the name of said undersigned for the balance remaining of the shares purchasable thereunder rounded up to the next higher number of shares.

COMBINATION MORTGAGE, SECURITY AGREEMENT
AND FIXTURE FINANCING STATEMENT

This Mortgage is made as of this 1st day of July, 1999, by Techne Corporation, a Minnesota corporation, (herein called the "Mortgagor") for the benefit of TCF NATIONAL BANK MINNESOTA, a national banking association (herein called the "Mortgagee").

In consideration of the sum of \$20,400,000.00 to the Mortgagor to be paid, and for the purpose of securing (a) the repayment of the indebtedness evidenced by the Mortgagor's promissory note (hereinafter called the "Note") of even date herewith, payable to the order of the Mortgagee in the principal amount of \$20,400,000.00; said principal sum, with interest thereon at the rate therein provided being finally due and payable on August 1, 2014, and all renewals, extensions and modifications thereof and any note issued in substitution therefor; (b) the payment of all other sums with interest thereon as may be advanced by the Mortgagee in accordance with this Mortgage, an assignment of rents and leases of even date herewith (hereinafter the "Assignment"), and any other instruments securing payment of the Note (the indebtedness evidenced by the Note and all such other sums are hereinafter collectively referred to as the "Indebtedness"); and (c) the performance of all the covenants and agreements of the Mortgagor contained in the Assignment, the Note or this Mortgage, the Mortgagor does hereby mortgage, grant, bargain, sell, assign, transfer and convey unto the Mortgagee forever all the tracts or parcels of land (hereinafter called the "Land"), located in Hennepin County, Minnesota, and described in Exhibit A attached hereto and made a part hereof, together with (i) all of the buildings, structures and other improvements now standing or at any time hereafter constructed or placed upon the Land; and (ii) all lighting, heating, ventilating, air-conditioning, sprinkling and plumbing fixtures, water and power systems, engines and machinery, boilers, furnaces, oil burners, elevators and motors, communication systems, dynamos, transformers, electrical equipment and all other fixtures of every description located in or on, and used, or intended to be used in connection with the maintenance and operation of the Land or any building now or hereafter located thereon (excluding, however, fixtures owned by tenants or Mortgagor's subsidiaries or affiliates occupying space in any building now or hereafter located on the Land); and (iii) all hereditaments, easements, appurtenances, riparian rights, rents, issues, profits, condemnation awards, mineral rights and water rights now or hereafter belonging or in any way pertaining to the Land or to any building now or hereafter located thereon and all the estates, rights and interests of the Mortgagor in the Land; (iv) all building materials, maintenance equipment and all other personal property now or hereafter located in, or on, or used, or intended to be used in connection with the maintenance or operation of the Land or any building now or hereafter located thereon and all replacements and additions thereto (excluding personal property owned by tenants or Mortgagor's subsidiaries or affiliates occupying space in any building now or hereafter located on the Land); and (v) all additions, accessions, increases, parts, fittings, accessories, replacements, substitutions, betterments, repairs and proceeds to any and all of the foregoing (all of the foregoing, together with the Land, are hereinafter referred to as the "Mortgaged Property").

To Have and To Hold the Mortgaged Property unto the Mortgagee forever; provided, nevertheless, that this Mortgage is upon the express condition that if the Mortgagor shall pay to the Mortgagee as and when due and payable the principal of and interest on the Note and all other Indebtedness, and shall also keep and perform each and every covenant and agreement of the Mortgagor herein contained, then, this Mortgage and the estate hereby granted shall cease and be and become void and shall be released of record at the expense of the Mortgagor; otherwise this Mortgage shall be and remain in full force and effect.

The Mortgagor represents, warrants and covenants to and with the Mortgagee that it is lawfully seized of the Land in fee simple and has good right and full power and authority under all applicable provisions of law and under its Articles of Incorporation to execute this Mortgage and to mortgage the Mortgaged Property; that the Mortgaged Property is free from all liens, security interests and encumbrances except as listed in Exhibit B attached hereto; that the Mortgagor will warrant and defend the title to the Mortgaged Property and the lien and priority of this Mortgage against all claims and demands of all persons whomsoever, whether now existing or hereafter arising, not listed in Exhibit B; and that all buildings and improvements now or hereafter located on the Land are, or will be located entirely within the boundaries of the Land. The covenants and warranties of this paragraph shall survive foreclosure of this

Mortgage and shall run with the Land.

The Mortgagor further covenants and agrees as follows:

1. Payment of the Note. The Mortgagor will duly and punctually pay the principal of and interest on the Note in accordance with the terms of the Note, and all other Indebtedness, when and as due and payable. The provisions of the Note are hereby incorporated by reference into this Mortgage as fully as if set forth at length herein.

2. Fund for Taxes and Assessments.

(a) The Mortgagor shall pay all taxes and special assessments when due and shall, within fifteen (15) days after such payment, submit to Mortgagee a receipt or other proof of payment satisfactory to Mortgagee establishing the Mortgagor's payment in full of said taxes and assessments. In the event the Mortgagor shall fail to deliver such proof within said fifteen (15) day period or if the Mortgagor shall fail to cure any Event of Default within five (5) business days after the Mortgagor's receipt from Mortgagee of written notice thereof, upon receipt of written demand, the Mortgagor shall pay to the Mortgagee on the day monthly installments of interest or principal and interest are payable under the Note, until the Note is paid in full, a sum equal to one-twelfth of the yearly taxes and assessments levied against the Mortgaged Property as estimated initially and from time to time by the Mortgagee, to be applied by the Mortgagee to pay said taxes and assessments (such amounts being hereafter referred to as the "Funds"). The Mortgagee shall apply the Funds to pay said taxes and assessments prior to the date that penalty attaches for nonpayment so long as the amount of Funds held by the Mortgagee is sufficient at that time to make such payments. No earnings or interest shall be payable to the Mortgagor on the Funds. Such Funds shall not be, nor be deemed to be, trust funds, and the Mortgagee shall have the right to hold the Funds in any manner the Mortgagee elects and may commingle the Funds with other moneys held by the Mortgagee.

(b) If the amount of the Funds held by the Mortgagee shall exceed at any time the amount deemed necessary by the Mortgagee to provide for the payment of taxes and assessments, such excess shall, at the option of the Mortgagee, either be promptly repaid to the Mortgagor or be credited to the Mortgagor on the next monthly installment of Funds due. If at any time the amount of the Funds held by the Mortgagee shall be less than the amount deemed necessary by the Mortgagee to pay taxes and assessments as they fall due, the Mortgagor shall promptly pay to the Mortgagee any amount necessary to make up the deficiency upon notice from the Mortgagee to the Mortgagor requesting payment thereof. The Funds are pledged as additional security for the Indebtedness.

(c) Upon the occurrence of any Event of Default (as defined in paragraph 19 hereof) the Mortgagee may apply in any order as the Mortgagee shall determine in its sole discretion, any Funds held by the Mortgagee at the time of application to pay taxes and assessments which are then or will thereafter become due or as a credit against the Indebtedness. Upon payment in full of all Indebtedness, the Mortgagee shall promptly refund to the Mortgagor any Funds held by the Mortgagee.

3. Reserve Maintenance Account. In the event Mortgagee reasonably determines that Mortgagor is not properly maintaining the Mortgaged Property as required by paragraph 12 hereof, after sixty (60) days prior written notice of Mortgagor's failure to maintain the Mortgaged Property and Mortgagor's failure to correct the deficiencies within said sixty (60) day period, Mortgagee may require the Mortgagor to pay, together with all other payments required by the Note and this Mortgage, in monthly installments, an amount estimated by Mortgagee to be sufficient to enable the Mortgagor to maintain the Mortgaged Property as required by paragraph 12 to a reserve account (the "Reserve Maintenance Account"). The original amount of the monthly payment to the Reserve Maintenance Account shall be determined by Mortgagee based on a reasonable basis. Said sum may be reasonably adjusted annually on the anniversary of the date hereof, up or down, by Mortgagee. Interest at Mortgagee's regular passbook savings rate shall be payable to Mortgagor on such funds.

4. Application of Payments. All payments received by the Mortgagee from the Mortgagor under the Note, the Assignment or this Mortgage shall be applied

by the Mortgagee in the following order of priority: (i) amounts payable to the Mortgagee by the Mortgagor under paragraph 2 hereof; (ii) interest payable on advances made pursuant to paragraph 14 hereof; (iii) principal of advances made pursuant to paragraph 14 hereof; (iv) interest payable on the Note; (v) principal of the Note; and (vi) any other sums secured by this Mortgage, in such order of application as the Mortgagee may determine.

5. Payment of Taxes, Assessments and Other Charges. Subject to payments in the manner provided under paragraph 2 hereof and to paragraph 10 relating to contests, the Mortgagor shall pay before a penalty might attach for nonpayment thereof, all taxes and assessments and all other charges whatsoever levied upon or assessed or placed against the Mortgaged Property, except that assessments may be paid in installments so long as no fine or penalty is added to any installment for the nonpayment thereof. The Mortgagor shall likewise pay any and all governmental levies or assessments such as maintenance charges, owner association dues or charges or fees, levies or charges resulting from covenants, conditions and restrictions affecting the Mortgaged Property, which are assessed or imposed upon the Mortgaged Property or any part thereof or become due and payable, and which create, may create or appear to create a lien upon the Mortgaged Property, or any part thereof. The Mortgagor shall likewise pay all taxes, assessments and other charges, levied upon or assessed, placed or made against, or measured by, this Mortgage, or the recordation hereof, or the Indebtedness secured hereby. In the event of any legislative action or judicial decision after the date of this Mortgage, imposing upon the Mortgagee the obligation to pay any such taxes, assessments or other charges, or deducting the amount secured by this Mortgage from the value of the Mortgaged Property for the purpose of taxation, or changing in any way the laws now in force for the taxation of mortgages, deeds of trust or debts secured thereby, or the manner of the operation of any such taxes so as to affect the interests of the Mortgagee, then, and in such event, the Mortgagor shall bear and pay the full amount of such taxes, assessments or other charges. Notwithstanding the foregoing provisions of this paragraph 5, if for any reason payment by the Mortgagor of any such taxes, assessments or other charges would be unlawful, or if the payment thereof would render the indebtedness evidenced by the Note usurious, the Mortgagee may declare the whole sum secured by this Mortgage, with interest thereon, to be immediately due and payable. The Mortgagor shall promptly furnish to the Mortgagee all notices received by the Mortgagor of amounts due under this paragraph and in the event the Mortgagor shall make payment directly, the Mortgagor shall promptly furnish to the Mortgagee receipts evidencing such payments.

6. Payment of Utility Charges. Subject to paragraph 10 relating to contests, the Mortgagor shall pay all charges (exclusive of charges which are the obligations of tenants to pay) made by utility companies, whether public or private, for electricity, gas, heat, water, or sewer, furnished or used in connection with the Mortgaged Property or any part thereof, and will, upon written request of the Mortgagee, furnish proper receipts evidencing such payment.

7. Liens. Subject to paragraph 10 hereof relating to contests, the Mortgagor shall not create, incur or suffer to exist any lien, encumbrance or charge on the Mortgaged Property or any part thereof which might or could be held to be equal or prior to the lien of this Mortgage, other than the liens set forth in Exhibit B hereto. The Mortgagor shall pay, when due, the claims of all persons supplying labor or materials to or in connection with the Mortgaged Property.

8. Compliance with Laws. Subject to paragraph 10 relating to contests, the Mortgagor shall comply with all present and future statutes, laws, rules, orders, regulations and ordinances affecting the Mortgaged Property, any part thereof or the use thereof.

9. Hazardous Substances.

(a) Definitions. As used in this Mortgage, the following terms shall have the following meanings:

(i) "Environmental Law" means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. Section 1802 et seq., the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., the Federal Water Pollution Control Act,

33 U.S.C. Section 1251 et seq., the Clean Water Act, 33 U.S.C. Section 1321 et seq., the Clean Air Act, 42 U.S.C. Section 7401 et seq., the Minnesota Environmental Response and Liability Act, Minn. Stat. Chap. 115B, the Minnesota Petroleum Tank Release Cleanup Act, Minn. Stat. Chap. 115C, and any other federal, state, county, municipal, local or other statute, law, ordinance or regulation which may relate to or deal with human health or the environment, all as may be from time to time amended.

(ii) "Hazardous Substances" means asbestos, ureaformaldehyde, polychlorinated biphenyls ("PCBs"), nuclear fuel or material, chemical waste, radioactive material, explosives, known carcinogens, petroleum products and by-products and other dangerous, toxic or hazardous pollutants, contaminants, chemicals, materials or substances listed or identified in, or regulated by, any Environmental Law.

(b) Representations and Warranties. Except as disclosed in the Environmental Reports described on the attached Exhibit C (the "Environmental Reports") heretofore delivered to Mortgagee, the Mortgagor represents and warrants to the Mortgagee that:

(i) To the best of Mortgagor's knowledge based on the Environmental Reports, there are not present in, on or under the Mortgaged Property any Hazardous Substances, except as described in the Environmental Reports.

(ii) To the best of the Mortgagor's knowledge based on the Environmental Reports, the Mortgaged Property is not presently being used and has not in the past been used for the handling, storage, transportation, manufacture, release or disposal of any Hazardous Substances, except as disclosed in the Environmental Reports and for reasonable quantities used by Mortgagor and its subsidiaries in the ordinary course of their business (the "Permitted Substances").

(iii) To the best of the Mortgagor's knowledge based on the Environmental Reports, there are no present and have not been any past claims, investigations, administrative proceedings, litigation, regulatory hearings or requests or demands for remedial or response actions or for compensation, which may be proposed, threatened or pending with respect to the Mortgaged Property, alleging noncompliance with or violation of any Environmental Law, seeking relief under any Environmental Law or relating to any required environmental permits, licenses or authorizations, except as disclosed in the Environmental Reports.

(iv) To the best of Mortgagor's knowledge based on the Environmental Reports, all reports and notices required by any Environmental Law have been duly made with respect to the Mortgaged Property except with respect to those conditions identified in the reports prepared by Summit Enviro Solutions entitled 'Subsurface Environmental Assessment' dated June 3, 1994, with respect to 2101 Summer Street and entitled 'Phase II Environmental Site Assessment' dated June 25, 1999, with respect to 2201 Kennedy, and all permits, licenses and authorizations required by any Environmental Law have been obtained and are in full force and effect with respect to the Mortgaged Property.

(v) To the best of Mortgagor's knowledge based on the Environmental Reports, there is not now present nor has there ever been present, in, on or under the Mortgaged Property any above-ground or underground storage tanks used for the storage of petroleum, petroleum by-products or any other Hazardous Substances, except as disclosed in the Environmental Reports and for the existing liquid nitrogen above-ground storage tanks used by Mortgagor.

(vi) To the best of Mortgagor's knowledge based on the Environmental Reports, the Mortgaged Property is not and never has been listed on the United States Environmental Protection Agency's National Priorities List of Hazardous Waste Sites or on any other list, schedule, log, inventory or record of hazardous waste sites maintained by any federal, state, or local agency, except as

disclosed in the Environmental Reports.

(vii) The Mortgagor has disclosed and delivered to the Mortgagee all environmental reports and investigations which the Mortgagor has obtained or ordered with respect to the Mortgaged Property.

(c) Prohibited Uses. The Mortgagor shall not use, or permit the use of, the Mortgaged Property for the handling, storage, transportation, manufacture, release or disposal of any Hazardous Substances, except for the Permitted Substances. In addition, the Mortgagor shall not install or maintain, or permit the installation or maintenance of, any above-ground or underground storage tanks for the storage of petroleum, petroleum by-products or other Hazardous Substances in, about or under the Mortgaged Property unless (i) the Mortgagor has obtained the prior written consent of the Mortgagee for such installation and maintenance and (ii) the Mortgagor installs and maintains such above-ground or underground storage tanks in compliance with all applicable Environmental Laws. Notwithstanding the foregoing, the Mortgagor, its subsidiaries or any tenant of the Mortgagor may use or store Permitted Substances or immaterial amounts of commonly known and used materials which may be deemed Hazardous Substances hereunder, provided that any such use or storage (A) does not constitute a separate remunerative activity of the Mortgagor or any tenant, (B) is incidental to the Mortgagor's, its subsidiaries or such tenant's primary use of the Mortgaged Property and does not constitute a primary use thereof, and (C) complies at all times with all applicable Environmental Laws.

(d) Environmental Reports. Upon the occurrence of an Event of Default hereunder or if Mortgagee, in its sole discretion, believes that any Hazardous Substance is present on or is being handled, stored, transported, manufactured, released or disposed of in, on or under the Mortgaged Property (except for Permitted Substances or those Hazardous Substances which have been disclosed to Mortgagee in the Environmental Reports or in writing prior to the date hereof), Mortgagee or its authorized agent may enter upon the Mortgaged Property for the purpose of performing inspections, taking soil borings, or conducting any other tests or procedures, and obtain such further environmental reports as Mortgagee deems necessary or appropriate from a reputable environmental consultant of Mortgagee's choice, all at Mortgagor's expense. If any such environmental report indicates any presence, handling, storage, transportation, manufacture, release or disposal of Hazardous Substances in, on or under the Mortgaged Property (except for Permitted Substances or those Hazardous Substances which have been disclosed to Mortgagee in the Environmental Reports or in writing prior to the date hereof), Mortgagee may require Mortgagor, at Mortgagor's expense, to remedy any such presence, handling, storage, transportation, manufacturing, release or disposal to the reasonable satisfaction of Mortgagee.

(e) Legal Proceedings and Remedial Actions. The Mortgagor shall immediately notify the Mortgagee in writing of any claim, investigation, administrative proceeding, litigation, regulatory hearing or request or demand for remedial or response action or for compensation which may be proposed, threatened or pending, alleging the presence, handling, storage, transportation, manufacture, release or disposal of Hazardous Substances in, on or under the Mortgaged Property. The Mortgagee shall have the right, but not the obligation, to join and participate in any such investigation, administrative proceeding, litigation, regulatory hearing or other action and to have its attorneys fees and expenses in connection therewith paid by the Mortgagor. Without the Mortgagee's prior written consent, the Mortgagor shall not take any remedial or response action or enter into any settlement or other compromise with respect to any claim, investigation, administrative proceeding, litigation, regulatory hearing or request or demand for remedial or response action or for compensation which, in the Mortgagee's reasonable judgment, may impair the value of the Mortgagee's security under this Mortgage.

10. Permitted Contests. The Mortgagor shall not be required to (i) pay any tax, assessment or other charge referred to in paragraph 5 hereof, (ii) pay any charge referred to in paragraph 6 hereof, (iii) discharge or remove any lien, encumbrance or charge referred to in paragraph 7 hereof, or (iv) comply with any statute, law, rule, regulation or ordinance referred to in paragraph 8 hereof, so long as the Mortgagor shall (a) contest, in good faith, the

existence, amount or the validity thereof, the amount of damages caused thereby or the extent of its liability therefor, by appropriate proceedings which shall operate during the pendency thereof to prevent (A) the collection of, or other realization upon the tax, assessment, charge or lien, encumbrance or charge so contested, (B) the sale, forfeiture or loss of the Mortgaged Property or any part thereof, and (C) any interference with the use or occupancy of the Mortgaged Property or any part thereof, and (b) shall give such security to the Mortgagee as may be demanded by the Mortgagee to ensure compliance with the foregoing provisions of this paragraph 10. The Mortgagor shall give prompt written notice to the Mortgagee of the commencement of any contest referred to in this paragraph 10.

11. Insurance.

(a) Risks to be Insured. The Mortgagor, at its sole cost and expense, will maintain insurance of the following character:

(i) Insurance on the buildings and other improvements now existing or hereafter erected on the Land and on the fixtures and personal property included in the Mortgaged Property against loss by fire, and other hazards covered by the so-called "all-risk" form of policy without a co-insurance clause in an amount equal to the actual replacement cost thereof (exclusive of foundations and excavations) without deduction for physical depreciation, which insurance shall in no event be less than the unpaid principal balance of the Note at any given time. While any building or other improvement is in the course of being constructed or rebuilt on the Land, the Mortgagor shall provide the aforesaid hazard insurance in builder's risk completed value form including coverage available on the so-called "all-risk" non-reporting form of policy for an amount equal to 100% of the insurable replacement value of such building or other improvement.

(ii) If the Mortgaged Property includes steam boilers or other equipment for the generation or transmission of steam, insurance against loss or damage by explosion, rupture or bursting of steam boilers, pipes, turbines, engines and other pressure vessels and equipment, in an amount satisfactory to the Mortgagee, without a co-insurance clause.

(iii) If the Land or any part thereof is located in a designated official flood-hazardous area, flood insurance insuring the buildings and improvements now existing or hereafter erected on the Land in an amount equal to the lesser of the principal balance of the Note or the maximum limit of coverage made available with respect to such buildings and improvements under the Federal Flood Disaster Protection Act of 1973, as amended, and the regulations issued thereunder.

(iv) Comprehensive general liability insurance protecting against claims arising from any accident or occurrence in or upon the Mortgaged Property in an amount acceptable to the Mortgagee.

(v) While any building or improvement is in the course of being constructed, renovated or rebuilt on the Land, such workers' compensation insurance as is required by statute.

(vi) Insurance against interruption of business in respect of the Mortgaged Property in an amount sufficient to pay one (1) year's debt service on the Note, including principal and interest thereof and tax and assessment payments described in paragraph 2.

(b) Policy Provisions. All insurance policies and renewals thereof maintained by the Mortgagor pursuant to subparagraphs 11(a)(i) through (a)(iii) and (a)(vi) above shall be written by an insurance carrier satisfactory to the Mortgagee, contain a standard mortgagee clause in favor of and in form acceptable to the Mortgagee, contain an agreement of the insurer that it will not cancel or modify the policy except after thirty (30) days prior written notice to the Mortgagee, and be reasonably satisfactory to the Mortgagee in all other respects. The insurance maintained pursuant to subparagraphs 11(a)(iv) and (a)(v) shall also be written by an insurance carrier acceptable to the Mortgagee and shall name the Mortgagee as an additional insured.

(c) Delivery of Policy. The Mortgagor will deliver to the Mortgagee copies of policies satisfactory to the Mortgagee evidencing the insurance which is required under subparagraphs 11(a)(i) through (a)(iii) and (a)(vi), certificates evidencing the insurance which is required under subparagraphs 11(a)(iv) and (a)(v), and the Mortgagor shall promptly furnish to the Mortgagee copies of all renewal notices and all receipts of paid premiums received by it. At least thirty (30) days prior to the expiration date of a required policy, the Mortgagor shall deliver to the Mortgagee a copy of a renewal policy in form satisfactory to the Mortgagee. If the Mortgagor has a blanket insurance policy in force providing coverage for several properties of the Mortgagor, including the Mortgaged Property, the Mortgagee will accept a certificate of such insurance together with a copy of such blanket insurance policy; provided the certificate sets forth the amounts of insurance and coverage, and such amounts are at least equal to the amounts required hereinabove, the original policy of insurance is written by a carrier or carriers acceptable to the Mortgagee, insures against the risks set forth hereinabove, cannot be amended, modified or cancelled without thirty (30) days' prior written notice to any mortgagee of the Mortgagor, is in an amount not less than the unpaid principal balance secured by this Mortgage or such lesser amount as required by paragraph 11(a)(iii), and has a full replacement cost endorsement meeting the requirements of paragraph 11(a)(i).

(d) Assignment of Policy. If the Mortgaged Property is sold at a foreclosure sale or if the Mortgagee shall acquire title to the Mortgaged Property, the Mortgagee shall have all of the right, title and interest of the Mortgagor in and to any insurance policies required under subparagraphs 11(a)(i) through (a)(iii) and (a)(vi) hereof and the unearned premiums thereon and in and to the proceeds resulting from any damage to the Mortgaged Property prior to such sale or acquisition.

(e) Notice of Damage or Destruction: Adjusting Loss. If the Mortgaged Property or any part thereof shall be damaged or destroyed by fire or other casualty, the Mortgagor will promptly give written notice thereof to the insurance carrier and the Mortgagee, and will not adjust any damage or loss in excess of \$200,000.00 unless the Mortgagee shall have joined in such adjustment; but if there has been no adjustment of any such damage or loss within four months from the date of occurrence thereof and if an Event of Default shall exist at the end of such four-month period or at any time thereafter, the Mortgagee may alone, make proof of loss, adjust and compromise any claim under the policies and appear in and prosecute any action arising from such policies. In connection therewith, the Mortgagor does hereby irrevocably authorize, empower and appoint the Mortgagee as attorney-in-fact for the Mortgagor (which appointment is coupled with an interest) to do any and all of the foregoing in the name and on behalf of the Mortgagor.

(f) Application of Insurance Proceeds. All sums paid under any insurance policy required in subparagraphs 11(a)(i) through (a)(iii) and (a)(vi), shall be paid to the Mortgagee. Mortgagee agrees to allow the use of sums paid under the insurance policy required under subparagraph (a) above for repair and reconstruction of the Mortgaged Property provided (i) there exists no default or other event which with the passing of time or the giving of notice or both would constitute a default under the Note or this Mortgage, (ii) insurance proceeds and additional funds deposited by the Mortgagor with Mortgagee prior to the commencement of any repair or reconstruction are adequate to complete repair and reconstruction of the Mortgaged Property pursuant to plans and specifications reasonably approved by Mortgagee, (iii) disbursement procedures acceptable to Mortgagee are in place, which procedures shall include provisions for the deposit of construction shortfalls, collection of lien waivers, issuance of title policies by a title insurance company, payment of Mortgagee's fees and expenses in disbursing, and coordination of work, and Mortgagor shall have reimbursed Mortgagee for all of its reasonable out-of-pocket expenses in connection with such reconstruction and disbursement, including, without limitation, title insurance fees, inspection fees, attorney's fees, and architect's fees, and (iv) Mortgagee shall have received such consents and assurances from municipal authorities as required by the municipal authorities and tenants in the Mortgaged Property as Mortgagee may reasonably request, including, without limitation, assurances from the tenants that they will continue as tenants in the Mortgaged Property upon completion of the repair or reconstruction work. If the above conditions are not satisfied as to application of insurance proceeds, and in any event

as to condemnation awards, Mortgagee shall apply the same (after first deducting therefrom Mortgagor's and Mortgagee's reasonable expenses incurred in collecting the same, including but not limited to reasonable attorneys' fees) to the reduction of the outstanding principal balance of the Note or to payment of the restoration, repair, replacement or rebuilding of the property that is damaged or destroyed in such manner as Mortgagee may determine. Any application of insurance proceeds or eminent domain proceeds shall not extend or postpone the due dates of the monthly installments payable under the Note or change the amount of such installments nor shall there be an imposition of any prepayment premium as a result of said application.

(g) Reimbursement of the Mortgagee's Expenses. The Mortgagor shall promptly reimburse the Mortgagee upon demand for all of the Mortgagee's expenses incurred in connection with the collection of the insurance proceeds, including but not limited to reasonable attorneys fees, and all such expenses, together with interest from the date of disbursement at the rate stated in the Note (unless collection of interest from the Mortgagor at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest rate which may be collected from the Mortgagor under applicable law) shall be additional amounts secured by this Mortgage.

12. Preservation and Maintenance of the Mortgaged Property. The Mortgagor (i) shall keep the buildings and other improvements now or hereafter erected on the Land in safe and good repair and condition, ordinary depreciation excepted; (ii) shall, upon damage to or destruction of the Mortgaged Property or any part thereof by fire or other casualty, restore, repair, replace or rebuild the Mortgaged Property that is damaged or destroyed to the condition it was in immediately prior to such damage or destruction, whether or not any insurance proceeds are available or sufficient for such purpose, unless the Mortgagee shall have elected to apply such proceeds to reduction of the Indebtedness; (iii) shall constantly maintain the parking and landscaped areas of the Mortgaged Property; (iv) shall not commit waste or permit impairment or deterioration of the Mortgaged Property; (v) shall not remove from the Land any of the fixtures and personal property included in the Mortgaged Property unless the same is immediately replaced with property of at least equal value and utility, and this Mortgage becomes a valid first lien on such property.

13. Inspection. The Mortgagee, or its agents, shall have the right at all reasonable times, to enter upon the Mortgaged Property for the purposes of inspecting the Mortgaged Property or any part thereof. The Mortgagee shall, however, have no duty to make such inspection.

14. Protection of the Mortgagee's Security. Subject to the rights of the Mortgagor under paragraph 10 hereof, if the Mortgagor fails to perform any of the covenants and agreements contained in this Mortgage or if any action or proceeding is commenced which affects the Mortgaged Property or the interest of the Mortgagee therein, or the title thereto, then the Mortgagee, at Mortgagee's option, may after ten (10) days written notice to Mortgagor perform such covenants and agreements, defend against and/or investigate such action or proceeding, and take such other action as the Mortgagee deems necessary to protect the Mortgagee's interest. The Mortgagee shall be the sole judge of the legality, validity and priority of any claim, lien, encumbrance, tax, assessment, charge and premium paid by it and of the amount necessary to be paid in satisfaction thereof. The Mortgagee is hereby given the irrevocable power of attorney (which power is coupled with an interest and is irrevocable) to enter upon the Mortgaged Property as the Mortgagor's agent in the Mortgagor's name to perform any and all covenants and agreements to be performed by the Mortgagor as herein provided. Any amounts or expenses disbursed or incurred by the Mortgagee pursuant to this paragraph 14, with interest thereon, shall become additional Indebtedness of the Mortgagor secured by this Mortgage. Unless the Mortgagor and the Mortgagee agree in writing to other terms of repayment, such amounts shall be immediately due and payable, and shall bear interest from the date of disbursement at the interest rate stated in the Note, unless collection from the Mortgagor of interest at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest rate which may be collected from the Mortgagor under applicable law. The Mortgagee shall, at its option, be subrogated to the lien of any mortgage or other lien discharged in whole or in part by the Indebtedness or by the Mortgagee under the provisions hereof, and any such subrogation rights shall be additional and cumulative security for this Mortgage. Nothing contained in this paragraph 14 shall require the Mortgagee to incur any expense or do any act hereunder, and the

Mortgagee shall not be liable to the Mortgagor for any damages or claims arising out of action taken by the Mortgagee pursuant to this paragraph 14.

15. Condemnation.

(a) The Mortgagor hereby irrevocably assigns to the Mortgagee any award or payment which becomes payable by reason of any taking of the Mortgaged Property, or any part thereof, whether directly or indirectly or temporarily or permanently, in or by condemnation or other eminent domain proceedings (hereinafter called "Taking"). Forthwith upon receipt by the Mortgagor of notice of the institution of any proceeding or negotiations for a Taking, the Mortgagor shall give notice thereof to the Mortgagee. The Mortgagee may appear in any such proceedings and participate in any such negotiations and may be represented by counsel. The Mortgagor, notwithstanding that the Mortgagee may not be a party to any such proceeding, will promptly give to the Mortgagee copies of all notices, pleadings, judgments, determinations and other papers received by the Mortgagor therein. The Mortgagor will not enter into any agreement permitting or consenting to the taking of the Mortgaged Property, or any part thereof, or providing for the conveyance thereof in lieu of condemnation, with anyone authorized to acquire the same in condemnation or by eminent domain unless the Mortgagee shall first have consented thereto in writing. All Taking awards shall be adjusted jointly by the Mortgagor and the Mortgagee. All awards payable as a result of a Taking shall be paid to the Mortgagee, which may, at its option, apply them, after first deducting the Mortgagor's and Mortgagee's expenses incurred in the collection thereof, to the payment of the Indebtedness, whether or not due and in such order of application as the Mortgagee may determine, or to the repair or restoration of the Mortgaged Property, in the manner as provided in paragraph 11(f) relating to the application of insurance proceeds or in such manner as the Mortgagee may determine. Any application of Taking awards to principal of the Note shall not extend or postpone the due dates of the monthly installments payable under the Note or change the amount of such installments nor shall there be an imposition of any prepayment premium as a result of said application.

(b) If the Taking involves a taking of any building or other improvement now or hereafter located on the Land, the Mortgagor shall proceed, with reasonable diligence, to demolish and remove any ruins and complete repair or restoration of the Mortgaged Property as nearly as possible to its respective size, type and character immediately prior to the Taking, whether or not the condemnation awards are available or adequate to complete such repair or restoration unless the Mortgagee has applied the entire condemnation award to payment of the Indebtedness. The Mortgagor shall promptly reimburse the Mortgagee upon demand for all of the Mortgagee's expenses (including reasonable attorney's fees) incurred in the collection of awards and their disbursement in accordance with this paragraph, and all such expenses, together with interest from the date of disbursement at the rate stated in the Note (unless collection of interest from the Mortgagor at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest rate which may be collected from the Mortgagor under applicable law) shall be additional amounts secured by this Mortgage.

16. Financial Statements and Other Information; Books and Records. The Mortgagor will prepare or cause to be prepared at its expense and deliver to the Mortgagee (in such number as may reasonably be requested):

(a) As soon as practicable after the end of each relevant calendar year, and in no event later than one hundred twenty (120) days thereafter, an audited financial statement of Mortgagor as of the end of such calendar year consisting of the balance sheet of the Mortgagor and the related statements of income and changes in financial position of the Mortgagor for the calendar year then ended, setting forth in comparative form the figures for the previous calendar year, all in reasonable detail and prepared by a certified public accountant selected by the Mortgagor.

(b) As soon as practicable after the end of each quarter, and in no event later than forty five (45) days thereafter, a quarterly review statement of Borrower.

(c) Promptly after the completion thereof, any internally prepared written plans and written audits of the Mortgagor's ability to become Year

2000 Compliant, and any subsequent revisions or updates thereof.

(d) Immediately upon becoming aware of the existence of any condition or event which constitutes, or which after notice or lapse of time or both would constitute, an Event of Default, written notice specifying the nature and period of existence thereof and what action the Mortgagor has taken, is taking or proposes to take with respect thereto.

The Mortgagor shall keep and maintain at all times at the Mortgagor's address stated below or at such other place as the Mortgagee may approve in writing, complete and accurate books of accounts and records in sufficient detail to reflect correctly the results of the operation of the Mortgaged Property and copies of all written contracts, leases and other instruments which affect the Mortgaged Property. Such books, records, contracts, leases and other instruments shall be subject to examination and inspection by the Mortgagee or its representative during ordinary business hours.

17. No Secondary Financing, Due on Sale or Transfer.

(a) The Mortgagor shall not create or permit to be created or to remain any subordinate lien on the Mortgaged Property or any part thereof to secure any indebtedness for borrowed money, without obtaining the prior written consent of the Mortgagee.

(b) The Mortgagor shall not sell all or substantially all of its assets, or permit a sale of the controlling interest of the Mortgagor, or a statutory merger whereby Mortgagor ceases to exist (each, a "Disposition") without first obtaining Mortgagee's prior written consent. Controlling interest shall mean the ownership of an absolute majority of the voting stock of the Mortgagor by a single person or entity or combination thereof or a leveraged buy-out. Notwithstanding the foregoing prohibition of a Disposition, Mortgagor may, in connection with a Disposition, enter into such an arrangement with the acquiring or surviving business entity ("Successor") which has either a credit rating from Moody's and Standard & Poors equal to or superior to that of the Mortgagor or, absent a rating of Mortgagor by either rating agency, a rating of the Successor by the rating agencies of at least investment grade as determined by the rating agencies at the time of the Disposition; provided the Successor assumes the obligations of the Mortgagor in connection with said Disposition. In the event the Successor's rating is not investment grade, the Successor's parent must have such an investment rating of investment grade and shall be required to guaranty full payment of the Indebtedness for its full term.

18. Security Interest. This Mortgage shall constitute a security agreement with respect to (and the Mortgagor hereby grants the Mortgagee a security interest in) all personal property and fixtures included in the Mortgaged Property as more specifically described in paragraphs (ii), (iv) and (v) of the granting clause above. The Mortgagor will from time to time, at the request of the Mortgagee, execute any and all financing statements covering such personal property and fixtures (in a form satisfactory to the Mortgagee) which the Mortgagee may reasonably consider necessary or appropriate to perfect its security interest.

19. Events of Default. Each of the following occurrences shall constitute an event of default hereunder (herein called an "Event of Default"):

(a) The Mortgagor shall fail to duly and punctually pay any installment of interest or principal and interest payable under the Note.

(b) The Mortgagor shall default in the performance of or breach its agreement contained in subparagraph 17(a) hereof.

(c) The Mortgagor shall fail to duly and punctually pay when and as due any payment for taxes and assessments required by paragraph 2 to be paid or shall fail to provide the insurance coverage required by paragraph 11(a).

(d) The Mortgagor shall fail duly to perform or observe any of the covenants or agreements contained in this Mortgage (other than a covenant or agreement or default, which is elsewhere in this paragraph 19 specifically dealt with) and such failure shall continue unremedied for thirty (30) calendar days or have adopted an action plan acceptable to Mortgagee for the cure of any such default if the default cannot be

remedied within said thirty (30) calendar day period. Notwithstanding the foregoing, Mortgagor shall have ninety (90) calendar days within which to either remedy a default with respect to a covenant or agreement pertaining to environmental issues or have adopted an action plan reasonably acceptable to Mortgagee for the cure of any such default if the default cannot be remedied within said ninety (90) calendar day period.

(e) The Mortgagor shall make an assignment for the benefit of its creditors, or the Mortgagor shall generally not be paying its debts as they become due, or a petition shall be filed by or against the Mortgagor under the United States Bankruptcy Code which has not been discharged within sixty (60) days of its filing, or the Mortgagor shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of a material part of its properties or of the Mortgaged Property or shall not, within sixty (60) days after the appointment (without its consent or acquiescence) of a trustee, receiver or liquidator of any material part of its properties or of the Mortgaged Property, have such appointment vacated.

(f) A judgment, writ or warrant of attachment or execution, or similar process shall be entered and become a lien on, issued or levied against, the Mortgaged Property or any part thereof and shall not be released, vacated or fully bonded within thirty (30) days after its entry, issue or levy.

(g) The Mortgaged Property, or any part thereof, shall be sold, conveyed, transferred, encumbered or full possessory rights therein transferred, or the controlling interest in the Mortgagor shall be sold, conveyed, transferred or encumbered, whether voluntarily, involuntarily or by operation of law contrary to the provisions of subparagraph 17(b); this provision shall apply to each and every sale, transfer, conveyance or encumbrance regardless of whether or not the Mortgagee has consented or waived its rights, whether by action or omission, in connection with any previous sale, transfer, conveyance or encumbrance.

(h) The Mortgagor shall breach any warranty or covenant contained in the Assignment, and such breach shall be continuing beyond the applicable grace period.

(i) The Mortgagee shall in good faith reasonably believe that the Year 2000 problem is likely to result in a material adverse change in Mortgagor's condition (financial or otherwise), operations, properties or prospects, or in Mortgagor's ability to repay its obligations to the Mortgagee in the manner agreed.

20. Acceleration: Foreclosure. Upon the occurrence of any Event of Default, the Mortgagee may, at its option, exercise one or more of the following rights and remedies (and any other rights and remedies available to it):

(a) The Mortgagee may, by written notice to the Mortgagor, declare immediately due and payable all unmatured Indebtedness secured by this Mortgage, and the same shall thereupon be immediately due and payable, without further notice or demand.

(b) The Mortgagee shall have and may exercise with respect to all personal property and fixtures which are part of the Mortgaged Property, all the rights and remedies accorded upon default to a secured party under the Uniform Commercial Code, as in effect in the State of Minnesota. If notice to the Mortgagor of intended disposition of such property is required by law in a particular instance, such notice shall be deemed commercially reasonable if given to the Mortgagor (in the manner specified in paragraph 24) at least ten (10) calendar days prior to the date of intended disposition. The Mortgagor shall pay on demand all costs and expenses incurred by the Mortgagee in exercising such rights and remedies, including without limitation, reasonable attorneys fees and legal expenses.

(c) The Mortgagee may (and is hereby authorized and empowered to) foreclose this Mortgage by action or advertisement, pursuant to the statutes of the State of Minnesota in such case made and provided, power being expressly granted to sell the Mortgaged Property at public auction and convey the same to the purchaser in fee simple and, out of the proceeds arising from such sale, to pay all Indebtedness secured hereby with interest, and all legal costs and charges of such foreclosure and the maximum attorneys fees permitted by law, which costs, charges and fees the

Mortgagor agrees to pay.

21. Estoppel Certificate. The Mortgagor agrees at any time and from time to time, upon not less than fifteen (15) days prior notice by the Mortgagee, to execute, acknowledge and deliver, without charge, to the Mortgagee or to any person designated by the Mortgagee, a statement in writing certifying that this Mortgage is unmodified (or if there have been modifications, identifying the same by the date thereof and specifying the nature thereof), the principal amount then secured hereby and the unpaid balance of the Note, that the Mortgagor has not received any notice of default or notice of acceleration or foreclosure of this Mortgage (or if the Mortgagor has received such a notice, that it has been revoked, if such be the case), that to the knowledge of the Mortgagor no Event of Default exists hereunder (or if any such Event of Default does exist, specifying the same and stating that the same has been cured, if such be the case), that the Mortgagor to its knowledge has no claims or offsets against the Mortgagee (or if the Mortgagor has any such claims, specifying the same), and the dates to which the interest and the other sums and charges payable by the Mortgagor pursuant to the Note have been paid.

22. Forbearance Not a Waiver; Rights and Remedies - Cumulative. No delay by the Mortgagee in exercising any right or remedy provided herein or otherwise afforded by law or equity shall be deemed a waiver of or preclude the exercise of such right or remedy, and no waiver by the Mortgagee of any particular provision of this Mortgage shall be deemed effective unless in writing signed by the Mortgagee. All such rights and remedies provided for herein or which the Mortgagee or the holder of the Note may have otherwise, at law or in equity, shall be distinct, separate and cumulative and may be exercised concurrently, independently or successively in any order whatsoever, and as often as the occasion therefor arises. The Mortgagee's taking action pursuant to paragraph 14 or receiving proceeds, awards or damages pursuant to paragraphs 11 or 15 shall not impair any right or remedy available to the Mortgagee under paragraph 20 hereof. Acceleration of maturity of the Note, once claimed hereunder by the Mortgagee, may, at the option of the Mortgagee, be rescinded by written acknowledgment to that effect by the Mortgagee, but the tender and acceptance of partial payments alone shall not in any way affect or rescind such acceleration of maturity of the Note, provided that any such acceleration shall be subject to the Mortgagor's right of reinstatement as provided in Minnesota Statutes Section 580.30.

23. Successors and Assigns Bound; Number; Gender; Agents; Captions; Amendments. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective heirs, legal representatives, successors and assigns of the Mortgagee and the Mortgagor; provided, however, that this paragraph 23 shall not limit the effect of paragraph 19(g). Wherever used, the singular number shall include the plural, and the plural the singular, and the use of any gender shall apply to all genders. The captions and headings of the paragraphs of this Mortgage are for convenience only and are not to be used to interpret or define the provisions hereof. No amendment of this Mortgage shall be effective unless in a writing executed by the Mortgagor and the Mortgagee.

24. Notice. Any notice from the Mortgagee to the Mortgagor under this Mortgage shall be deemed to have been given by the Mortgagee and received by the Mortgagor when mailed by certified mail by the Mortgagee to the Mortgagor at the following address:

Techne Corporation
614 McKinley Place NE
Minneapolis, Minnesota 55413-2610

or at such other address as the Mortgagor may designate in writing to the Mortgagee.

Any notice from the Mortgagor to the Mortgagee under this Mortgage shall be deemed to have been given by the Mortgagor and received by the Mortgagee when mailed by certified mail by the Mortgagor to the Mortgagee at the following address:

TCF National Bank Minnesota
801 Marquette Avenue
Minneapolis, Minnesota 55402
Attention: Commercial Real Estate

or at such other address as the Mortgagee may designate in writing to the Mortgagor.

25. Governing Law; Severability. This Mortgage shall be governed by the substantive laws of the State of Minnesota. In the event that any provision or clause of this Mortgage conflicts with applicable law, such conflict shall not affect other provisions of this Mortgage which can be given effect without the conflicting provisions and to this end the provisions of this Mortgage are declared to be severable.

26. Counterparts. This Mortgage may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

27. Production of Documents. The Mortgagor shall, while this Mortgage is in full force and effect, furnish the Mortgagee with such documents, instruments and papers as the Mortgagee may request from time to time in order for the Mortgagee to effectuate a sale or a participation in the loan evidenced by the Note and this Mortgage.

28. Waiver of Marshalling. The Mortgagor, any party who consents to this Mortgage and any party who now or hereafter acquires a lien on the Mortgaged Property and who has actual or constructive notice of this Mortgage hereby waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein.

29. Fixture Filing. From the date of its recording, this Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all goods constituting part of the Mortgaged Property (as more particularly described in item (ii) of the granting clause of this Mortgage) which are or are to become fixtures related to the real estate described herein. For this purpose, the following information is set forth:

(a) Name and Address of Debtor:

Techne Corporation
614 McKinley Place NE
Minneapolis, Minnesota 55413-2610

(b) Name and Address of Secured Party:

TCF National Bank Minnesota
801 Marquette Avenue
Minneapolis, Minnesota 55402
ATTN: Commercial Lending

(c) This document covers goods which are or are to become fixtures.

(d) The name of the record owner of the Land is the Debtor described above.

(e) The tax identification number of the Debtor is 41-1427402.

30. Further Assurances. At any time and from time to time until payment in full of the Indebtedness, the Mortgagor will, at the request of the Mortgagee, promptly execute and deliver to the Mortgagee such additional instruments as may be reasonably required further to evidence the lien of this Mortgage and further to protect the security interest of the Mortgagee with respect to the Mortgaged Property, including, without limitation, additional security agreements, financing statements and continuation statements. Any expenses incurred by the Mortgagee in connection with the preparation and recordation of any such instruments, including, but not limited to reasonable attorneys fees, shall become additional Indebtedness of the Mortgagor secured by this Mortgage. Unless the Mortgagor and the Mortgagee agree in writing to other terms of repayment, such amounts shall be immediately due and payable, and shall bear interest from the date of disbursement at the interest rate stated in the Note, unless collecting from the Mortgagor of interest at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest rate which may be collected from the Mortgagor under applicable law.

31. Fees. From the date hereof, for expenses incurred from the date hereof, the Mortgagor shall pay on demand all appraisal fees, survey fees,

recording fees, license and permit fees, title insurance and other insurance premiums incurred by the Mortgagee in connection with the Note, this Mortgage, the Assignment and the transactions contemplated hereby, and all other costs and expenses incurred by the Mortgagee in connection with the negotiation, preparation, execution, recording, administration or enforcement of the Note, this Mortgage, the Assignment and the other instruments and documents to be delivered hereunder and thereunder, including the reasonable fees of counsel for the Mortgagee with respect thereto. All such costs, expenses and fees shall become additional Indebtedness of the Mortgagor secured by this Mortgage. Unless the Mortgagor and the Mortgagee agree in writing to other terms of repayment, such amounts shall be due and payable immediately upon their disbursement by the Mortgagee, and shall bear interest from the time of such disbursement at the lesser of the annual rate stated in the Note or the highest rate which may be collected from the Mortgagor under applicable law.

32. Year 2000. For purposes hereof, "Year 2000 Compliant" means with regard to any person or entity, that all software, embedded microchips, and other processing capabilities utilized by, and material to, the business operations or financial condition of such person or entity are able to interpret and manipulate data on and involving all calendar dates correctly and without causing any abnormal ending scenario including, but not limited to, the date "September 9, 1999" and any dates on or after January 1, 2000. The Mortgagor hereby represents and warrants to the Mortgagee and agrees that: (a) the Mortgagor has made due inquiry to determine whether the computer applications and hardware of the Mortgagor and the Mortgagor's key material suppliers and customers will be Year 2000 Compliant in all material respects by September 1, 1999; (b) the Mortgagor has a program in place to become Year 2000 Compliant in all material respect by September 1, 1999, and the Mortgagor will devote adequate resources toward, diligently pursue, and take all actions necessary to complete such program and become Year 2000 Compliant by September 1, 1999; (c) to the best of the Mortgagor's knowledge, all of the Mortgagor's key material suppliers and customers will be Year 2000 Compliant in all material respect by September 1, 1999; (d) the Mortgagor will deliver to the Mortgagee such information regarding the plans and progress of the Mortgagor and to the extent available from Mortgagor's key material suppliers and customers toward becoming Year 2000 Compliant as the Mortgagee may reasonably request from time to time, including, but not limited to, any assessment by a third party of the Mortgagor's efforts to become Year 2000 Compliant; and (e) at the Mortgagee's request from time to time, the Mortgagor will order, obtain and deliver to the Mortgagee a copy of audits of the Mortgagor's plans and progress to become Year 2000 Compliant by September 1, 1999, and the Mortgagor shall permit the Mortgagee and the Mortgagee's representatives to conduct audits of the Mortgagor's operations for such purpose.

33. Depository Relationship. Mortgagor or a subsidiary of Mortgagor shall establish and maintain throughout the life of this Mortgage a combined depository relationship with Mortgagee consisting of an operating demand deposit account(s) with average collected balances of at least \$100,000.00 and a Corporate Prime Yield Money Marketing Account maintaining a minimum balance of \$500,000.00. The Indebtedness shall become due and payable if Mortgagor or a subsidiary of Mortgagor terminates its depository relationship with Mortgagee as described herein.

34. WAIVER OF JURY TRIAL. THE MORTGAGOR ACKNOWLEDGES THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED AND THAT THE TIME AND EXPENSE REQUIRED FOR TRIAL BY A JURY MAY EXCEED THE TIME AND EXPENSE REQUIRED FOR TRIAL WITHOUT A JURY. THE MORTGAGOR, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF MORTGAGOR'S CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THE MUTUAL BENEFIT OF MORTGAGEE AND MORTAGOR, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS MORTGAGE, ANY RELATED AGREEMENTS, OR THE OBLIGATIONS. THE MORTGAGOR HAS READ ALL OF THIS MORTGAGE AND UNDERSTANDS ALL OF THE PROVISIONS OF THIS MORTGAGE. THE MORTGAGOR ALSO AGREES THAT COMPLIANCE BY THE MORTGAGEE WITH THE EXPRESS PROVISIONS OF THIS MORTGAGE SHALL CONSTITUTE GOOD FAITH AND SHALL BE CONSIDERED REASONABLE FOR ALL PURPOSES.

35. Future Advances.

(a) To the extent that this Mortgage secures future advances, the amount of such advances is not currently known. The acceptance of this Mortgage by the Mortgagee, however, constitutes an acknowledgement that the Mortgagee is aware of the provisions of Minnesota Statutes Section 287.05, subd. 5, and intends to comply with the requirements contained therein.

(b) The maximum principal amount of indebtedness secured by this Mortgage at any one time, excluding advances made by the Mortgagee in protection of the Mortgaged Property or the lien of this Mortgage, shall be \$20,400,000.00.

(c) The representations contained in this section are made solely for the benefit of county recording authorities in determining the mortgage registry tax payable as a prerequisite to the recording of this Mortgage. The Mortgagor acknowledges that such representations do not constitute or imply an agreement by the Mortgagee to make any future advances to the Mortgagor.

IN WITNESS WHEREOF, the Mortgagor has caused this Mortgage to be duly executed as of the day and year first-above written.

Techne Corporation

By /s/ Thomas E. Oland

Its President

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this 1st day of July, 1999, by Thomas E. Oland, the President of Techne Corporation, a Minnesota corporation, on behalf of said corporation.

/s/ Dana A. Joyce

Notary Public

This instrument was drafted by:

BEST & FLANAGAN (RJC)
Limited Liability Partnership
4000 U.S. Bank Place
601 Second Avenue South
Minneapolis, MN 55402-4331

EXHIBIT A
TO
COMBINATION MORTGAGE, SECURITY AGREEMENT
AND FIXTURE FINANCING STATEMENT

MORTGAGOR: Techne Corporation

MORTGAGEE: TCF National Bank Minnesota

The Land described in the referenced instrument is located in Hennepin County, Minnesota, and is described as follows:

Lots 8, 9, 16 and 17, Auditor's Subdivision Number 268, Hennepin County, Minnesota, together with a temporary non-exclusive parking easement on the real property described in Exhibit A-1 attached hereto.

EXHIBIT B
TO

COMBINATION MORTGAGE, SECURITY AGREEMENT
AND FIXTURE FINANCING STATEMENT

MORTGAGOR: Techne Corporation

MORTGAGEE: TCF National Bank Minnesota

The Mortgaged Property is subject to the following encumbrances and no others:

1. Easement Agreement dated December 30, 1975, filed December 30, 1975, as Document No. 1163522 (as to Parcel 1).
2. Easement Agreement dated May 18, 1976, filed June 11, 1976, as Document No. 1178824 (as to Parcel 1).
3. Restriction contained in Warranty Deed dated July 1, 1999, filed _____, 1999, as Document No. _____.
4. Terms and conditions of Declaration of Easement Agreement dated July 1, 1999, filed _____, as Document No. _____.

EXHIBIT C
Environmental Reports

The Environmental Reports shall include:

1. Those letters and reports relating to the property known as 2201 Kennedy Street, 614 McKinley Place, 640 McKinley Place and 2101 Summer Street described in the following letters which are attached hereto and incorporated hereby:

Letter dated December 11, 1998 to Thomas E. Oland, President of R & D Systems, Inc. from Scott Tankenoff, Managing Partner at Hillcrest Development.

Letter dated December 16, 1998 to Chuck Diessner at Fredrikson & Byron, P. A. from Scott Tankenoff, Managing Partner at Hillcrest Development.

Letter dated January 7, 1998 to Chuck Diessner at Fredrikson & Byron, P. A. from Scott Tankenoff, Managing Partner at Hillcrest Development.

Letter dated December 28, 1998 to Scott Tankenoff Managing Partner at Hillcrest Development from Daniel Prezembel, National Director of Engineering & Construction at RREEF - Engineering Group regarding due diligence environmental reports prepared by Summit Envirosolutions.

Letter dated December 24, 1998 to Scott Tankenoff Managing Partner at Hillcrest Development from Daniel Prezembel, National Director of Engineering & Construction at RREEF - Engineering Group regarding due diligence elevator equipment inventory reports prepared by Elevator Advisory Group, Inc.

2. Letter dated April 16, 1990 to Gary Tankenoff at Hillcrest Development from Jane C. Boerboom, Senior Pollution Control Specialist at the Minnesota Pollution Control Agency regarding tank removal.
3. Letter dated September 17, 1990 to Gary Tankenoff at Hillcrest Development from Jane C. Boerboom, Senior Pollution Control Specialist at the Minnesota Pollution Control Agency regarding tank removal and spill.

4. Letter dated July 13, 1994 to Craig Lyle Limited Partnership from Jean Hanson, Project Manager and John Kaehler, Hydrogeologist at the Minnesota Pollution Control Agency regarding file closure.
5. Letter dated February 22, 1999 to Barbara White at Fredrikson & Byron from Scott Tracy at Summit Envirosolutions regarding due diligence information.
6. Facsimile transmittal dated February 25, 1999 to Barbara White at Fredrikson & Byron from Scott C. Tracy at Summit Envirosolutions regarding PCB wipe samples.
7. Facsimile transmittal dated February 26, 1999 to Barbara White at Fredrikson & Byron from Scott C. Tracy at Summit Envirosolutions regarding tank removal.
8. Phase II Environmental Site Assessment, R & D Systems Site, 2201 Kennedy Street Northeast prepared by Summit Envirosolutions, Inc., dated June 25, 1999.

PROMISSORY NOTE

\$20,400,000.00

Minneapolis, Minnesota
July 1, 1999

For Value Received, Techne Corporation, a Minnesota corporation ("Borrower"), promises to pay to the order of TCF NATIONAL BANK MINNESOTA, a national banking association ("Lender"), at its main office at 801 Marquette Avenue in Minneapolis, Minnesota, or at such other place as the holder hereof may from time to time in writing designate, in lawful money of the United States of America, the principal sum of Twenty Two Million and no /100's Dollars (\$22,000,000.00), together with interest (computed on the basis of the actual number of days elapsed and a 360-day year) on the principal balance of this Note outstanding from time to time ("Principal Balance") from: (i) the date hereof ("Loan Closing Date") until August 1, 2006 at an annual rate which shall at all times be equal to seven percent (7.0%); (ii) from August 1, 2006 until August 1, 2011 at an annual rate equal to one and nine tenths percent (1.9%) over the Five Year Treasury Rate (defined below) established as of the fifth (5th) day immediately preceding August 1, 2006 ("First Adjustment Date"); and (iii) from August 1, 2011 until the loan is fully paid on August 1, 2014 ("Maturity Date"), at an annual rate equal to one and nine tenths percent (1.9%) over the Three Year Treasury Rate (defined below) established as of the fifth (5th) day immediately preceding August 1, 2011 ("Second Adjustment Date"). In addition, in the event of a default hereunder or under the Mortgage, and the continuance of such default for a period of thirty (30) days after written notice thereof from Lender to Borrower sent to the address set forth in the Mortgage, together with Lender's notice of its intent to increase the interest rate hereunder, the interest rate hereunder, may be, at Lender's option, increased to a rate equal to three percent (3.0%) over the interest rate that would otherwise be in effect had there been no default ("Default Rate"). Such increased rate shall be automatically effective on the thirtieth (30th) day after Lender gives such notice of default pursuant to paragraph 24 of the Mortgage, or at such later time as may be set forth in the notice, and the increased rate will remain in effect until the default is cured to Lender's satisfaction. The foregoing provisions shall not be deemed to excuse a late payment, or be deemed a waiver of any other rights of the holder hereof, including the right to declare the Principal Balance and interest thereon immediately due and payable.

As used herein, "Five Year Treasury Rate" means the published weekly average yield on United States Treasury Notes adjusted to a constant maturity of five (5) years, for the most recent week available on the date of determination, as published and made available by the Federal Reserve Board pursuant to its Federal Reserve Statistical Release (H.15(519)); provided, however, that in the event such weekly average yield is no longer available, the Five Year Treasury Rate shall be a substantially comparable rate selected by the Lender in its discretion.

As used herein, "Three Year Treasury Rate" means the published weekly average yield on United States Treasury Notes adjusted to a constant maturity of three (3) years, for the most recent week available on the date of determination, as published and made available by the Federal Reserve Board pursuant to its Federal Reserve Statistical Release (H.15(519)); provided, however, that in the event such weekly average yield is no longer available, the Three Year Treasury Rate shall be a substantially comparable rate selected by the Lender in its discretion.

From and after the date hereof, accrued interest on the principal of the loan shall be paid on August 1, 1999 and thereafter principal and accrued interest on the principal in the amount of One Hundred Eighty Three Thousand Three Hundred Sixty One and no /100's Dollars (\$183,361.00) shall be paid on the first (1st) day of each month until August 1, 2006 and thereafter on the first (1st) day of each month commencing on September 1, 2006, principal and interest shall be paid in substantially equal installments sufficient in amount to substantially amortize the unpaid Principal Balance of the loan at the interest rate in effect as of the First Adjustment Date and the Second Adjustment Date, over an assumed term ending on the Maturity Date. The remaining Principal Balance and all accrued interest thereon shall be paid in full on the Maturity Date. Additionally, the monthly installments may, at the Lender's option, be adjusted effective as of the first (1st) payment date after the effective date

of any increase in the interest rate due to the implementation of the Default Rate and only during the period the Default Rate applies, in each case to the level necessary to substantially amortize the then remaining Principal Balance based on the Default Rate and the fifteen (15) year amortization period. Notwithstanding anything to the contrary herein, the monthly installments must at all times be sufficient to pay all interest accruing during such month.

All payments and prepayments hereunder, whether in whole or in part, shall be applied first to the payment of other charges due and owing under this Note or the Mortgage, second to accrued interest hereunder, and then to the Principal Balance, except that if any advance made by the holder hereof under the terms of any instrument securing this Note is not repaid, any monies received, at the option of the holder, may first be applied to repay such advances, plus interest thereon, and the balance, if any, shall be applied as above. All applications of any prepayment to the Principal Balance hereof shall be applied to installments to be paid in the inverse order of their maturity. No prepayment shall suspend any required payments of either principal or interest or reduce the amount of any scheduled payment.

The payment of this Note is secured by a Combination Mortgage, Security Agreement and Fixture Financing Statement of even date herewith ("Mortgage") and an assignment of rents and leases of even date herewith ("Assignment"), each covering real estate and personal property located in Hennepin County, Minnesota.

Borrower may prepay the Principal Balance in whole or in part at any time upon no less than three (3) business days' prior written notice to Lender; provided, however, there shall be paid therewith, as consideration for the privilege of making such prepayment, a premium constituting one percent (1.0%) of the amount being prepaid; provided, further however, from the Loan Closing Date until the First Adjustment Date the prepayment premium shall be in an amount equal to the greater of (i) one percent (1.0%) of the amount of such prepayment, or (ii) the amount of any loss or expense which Lender may have sustained or incurred (including, without limitation, any net loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Lender to fund or maintain the loan) or which Lender may be deemed to have sustained or incurred, as reasonably determined by Lender as a result of such prepayment; provided further, however, there shall be no prepayment fee payable in the event Borrower refinances the loan with Lender at an interest rate of not less than seven percent (7.0%), or as otherwise provided in the Mortgage in the event insurance proceeds or condemnation proceeds are applied to repay the Principal Balance. Any partial prepayment of the Principal Balance shall be applied against the installments of principal and interest in inverse order of their maturities and shall not reduce the amount of or postpone the due date of any installment of principal and interest unless Lender otherwise agrees in writing.

If any installment of interest or principal and interest is paid more than ten (10) days after the stated due date for such installment, a late payment fee shall be due and payable in the amount of four percent (4.0%) of the installment so paid. The foregoing late charge shall be applied individually to each overdue payment and once imposed will not be adjusted pro rata on a daily basis.

If any payment of interest or principal and interest is not made when due in accordance with the terms and conditions of this Note, or an Event of Default shall occur under the Mortgage or any other instrument securing this Note and shall be continuing, then the holder hereof may, at its option, by notice in writing to the Borrower as provided in paragraph 24 of the Mortgage, declare immediately due and payable the entire Principal Balance hereof and all interest accrued thereon and the same shall thereupon be immediately due and payable without further notice or demand.

This Note shall also become automatically due and payable without notice or demand if a petition is filed by or against the Borrower under the United States Bankruptcy Code.

The Borrower hereby agrees to pay all costs of collection, including reasonable attorneys fees and legal expenses in the event this Note is not paid when due.

No delay or omission on the part of the holder in exercising any right hereunder shall operate as a waiver of such right or of any other remedy under this Note. A waiver on any one occasion shall not be construed as a waiver of

any such right or remedy on a future occasion.

All makers, endorsers, sureties, guarantors and other accommodation parties hereby waive presentment for payment, protest and notice of nonpayment and consent, without affecting their liability hereunder, to any and all extensions, renewals, substitutions and alterations of any of the terms of this Note and to the release of or failure by the Lender to exercise any rights against any party liable for or any property securing payment thereof.

This Note shall be governed by and construed in accordance with the laws of the State of Minnesota. The Borrower hereby consents to the personal jurisdiction of the state and federal courts located in the State of Minnesota in connection with any controversy related in any way to this Note or any security or guaranty for this Note, waives any argument that venue in such forums is not convenient, and agrees that any litigation initiated by it against the Lender or any other holder of this Note relating in any way to this Note or any security or guaranty for this Note shall be venued in either the District Court of Hennepin County, Minnesota, or the United States District Court, District of Minnesota, Fourth Division. Interest on any amount under this Note shall continue to accrue, at the option of the holder of this Note, until such holder receives final payment of such amount in collected funds in form and substance acceptable to such holder.

THE BORROWER ACKNOWLEDGES THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED AND THAT THE TIME AND EXPENSE REQUIRED FOR TRIAL BY A JURY MAY EXCEED THE TIME AND EXPENSE REQUIRED FOR TRIAL WITHOUT A JURY. THE BORROWER, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF BORROWER'S CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THE MUTUAL BENEFIT OF LENDER AND BORROWER, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS NOTE, ANY RELATED AGREEMENTS, OR THE OBLIGATIONS. THE BORROWER HAS READ ALL OF THIS NOTE AND UNDERSTANDS ALL OF THE PROVISIONS OF THIS NOTE. THE BORROWER ALSO AGREES THAT COMPLIANCE BY THE LENDER WITH THE EXPRESS PROVISIONS OF THIS NOTE SHALL CONSTITUTE GOOD FAITH AND SHALL BE CONSIDERED REASONABLE FOR ALL PURPOSES.

Techne Corporation

By /s/ Thomas E. Oland

Its President

TECHNE CORPORATION

CALCULATION OF BASIC EARNINGS PER SHARE

	Year ended June 30,		
	1999	1998	1997
Net earnings	\$16,656,010	\$15,182,961	\$10,881,662
Weighted average number of common shares	20,117,367	18,952,968	18,910,608
Net earnings per share	\$ 0.83	\$ 0.80	\$ 0.58

CALCULATION OF DILUTED EARNINGS PER SHARE

	Year ended June 30,		
	1999	1998	1997
Net earnings	\$16,656,010	\$15,182,961	\$10,881,662
Weighted average number of common shares	20,117,367	18,952,968	18,910,608
Dilutive effect of stock options and warrants	569,308	654,662	551,924
Average common and dilutive shares outstanding	20,686,675	19,607,630	19,462,532
Net earnings per share	\$ 0.81	\$ 0.77	\$ 0.56

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-42992, 33-49160, 33-86728, 33-86732, 333-14211 and 333-37263 of Techne Corporation on Form S-8, of our report dated August 20, 1999, included in this Annual Report on Form 10-K of Techne Corporation for the year ended June 30, 1999.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
September 23, 1999

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