

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 1998, 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
(State or other jurisdiction
of incorporation or organization)

41-1427402
(I.R.S. Employer
Identification No.)

614 MCKINLEY PLACE N.E.
MINNEAPOLIS, MN 55413
(Address of principal (Zip Code)
executive offices)

(612) 379-8854
(Registrant's telephone number,
including area code)

Indicate by check mark whether the registrant (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

At February 1, 1999, 20,088,355 shares of the Company's Common Stock (par
value \$.01) were outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

TECHNE CORPORATION & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

<TABLE>
<CAPTION>

	12/31/98	6/30/98
	-----	-----
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	\$ 13,651,175	\$ 27,372,345
Short-term investments	12,100,711	15,321,935
Accounts receivable (net)	12,281,320	10,001,937
Inventories	8,614,812	3,810,600
Deferred income taxes	1,825,000	1,583,000
Other current assets	567,302	431,187
	-----	-----
Total current assets	49,040,320	58,521,004
Deferred income taxes	2,347,000	1,798,000
Fixed assets (net)	12,454,899	11,687,300
Intangible assets (net)	50,341,749	293,854
Other assets	446,800	618,723

TOTAL ASSETS	\$114,630,768	\$ 72,918,881
LIABILITIES & EQUITY		
Trade accounts payable	\$ 2,908,066	\$ 2,203,130
Salary and related accruals	1,394,560	2,005,428
Other payables	5,848,454	1,039,334
Income taxes payable	2,518,020	2,185,122
Total current liabilities	12,669,100	7,433,014
Deferred rent	1,809,300	1,655,100
Royalty payable	13,382,000	-
Common stock, par value \$.01 per share; authorized 50,000,000; issued and outstanding 20,058,509 and 19,049,983, respectively	200,585	190,500
Additional paid-in capital	31,634,868	13,714,445
Retained earnings	54,483,713	49,446,319
Accumulated foreign currency translation adjustments	451,202	479,503
Total stockholders' equity	86,770,368	63,830,767
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$114,630,768	\$ 72,918,881

</TABLE>

See notes to unaudited Consolidated Financial Statements.

TECHNE CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

<TABLE>

<CAPTION>

	QUARTER ENDED		SIX MONTHS ENDED	
	12/31/98	12/31/97	12/31/98	12/31/97
<S>	<C>	<C>	<C>	<C>
Sales	\$21,464,259	\$15,472,857	\$42,799,451	\$31,010,000
Cost of sales	6,228,253	4,885,856	12,843,130	9,431,762
Gross margin	15,236,006	10,587,001	29,956,321	21,578,238
Operating expenses (income):				
Selling, general and administrative	4,468,183	3,850,195	8,899,278	7,853,599
Research and development	2,941,986	2,515,658	5,694,111	4,981,506
Amortization expense	2,394,662	9,663	4,789,324	52,134
Interest income	(230,672)	(286,499)	(443,083)	(530,367)
	9,574,159	6,089,017	18,939,630	12,356,872
Earnings before income taxes	5,661,847	4,497,984	11,016,691	9,221,366
Income taxes	2,075,000	1,370,000	3,905,000	2,831,000
NET EARNINGS	\$ 3,586,847	\$ 3,127,984	\$ 7,111,691	\$ 6,390,366

BASIC EARNINGS PER SHARE \$ 0.18 \$ 0.17 \$ 0.35 \$ 0.34

DILUTED EARNINGS PER SHARE \$ 0.17 \$ 0.16 \$ 0.35 \$ 0.33

</TABLE>

See notes to unaudited Consolidated Financial Statements.

TECHNE CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>

<CAPTION>

	SIX MONTHS ENDED	
	----- 12/31/98	12/31/97 -----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 7,111,691	\$ 6,390,366
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	5,871,521	1,121,240
Deferred income taxes	(795,000)	(273,000)
Deferred rent	154,200	356,400
Tax benefit from exercise of options	179,000	44,000
Other	321,923	273,187
Change in current assets and current liabilities, net of acquisition:		
(Increase) decrease in:		
Accounts receivable	(2,246,896)	322,086
Inventories	902,067	61,271
Other current assets	(136,175)	(41,986)
Increase (decrease) in:		
Trade account/other payables	(60,760)	650,478
Salary and related accruals	(612,880)	(68,409)
Income taxes payable	339,183	91,008
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,027,874	8,926,641
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition (Note B)	(24,977,219)	-
Purchase of short-term investments	(7,277,214)	(14,547,334)
Proceeds from sale of short-term investments	10,498,438	8,206,450
Additions to fixed assets	(1,525,295)	(1,648,881)
Proceeds from sale of fixed assets	-	246,728
Increase in other long term assets	(150,000)	-
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(23,431,290)	(7,743,037)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	752,894	367,796
Repurchase of common stock	(2,075,683)	(280,000)
	-----	-----
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(1,322,789)	87,796
EFFECT OF EXCHANGE RATE CHANGES ON CASH	5,035	30,400
	-----	-----
NET CHANGE IN CASH AND EQUIVALENTS	(13,721,170)	1,301,800
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	27,372,345	8,598,367
	-----	-----
CASH AND EQUIVALENTS AT END OF PERIOD	\$13,651,175	\$ 9,900,167
	=====	=====

</TABLE>

See notes to unaudited Consolidated Financial Statements.

TECHNE CORPORATION & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

A. BASIS OF PRESENTATION:

The unaudited Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles and with instructions to Form 10-Q and Article 10 of Regulation S-X. The accompanying unaudited Consolidated Financial Statements reflect all adjustments which are, in the opinion of management, necessary to a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature.

A summary of significant accounting policies followed by the Company is detailed in the Annual Report to Shareholders for Fiscal 1998. The Company follows these policies in preparation of the interim Financial Statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that the Consolidated Financial Statements be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto for the fiscal year ended June 30, 1998 included in the Company's Annual Report to Shareholders for Fiscal 1998.

Certain Consolidated Balance Sheet captions appearing in this interim report are as follows:

<TABLE>
<CAPTION>

	12/31/98	6/30/98
	-----	-----
<S>	<C>	<C>
ACCOUNTS RECEIVABLE		
Accounts receivable	\$12,550,320	\$10,270,937
Less reserve for bad debts	269,000	269,000
	-----	-----
NET ACCOUNTS RECEIVABLE	\$12,281,320	\$10,001,937
	=====	=====
INVENTORIES		
Raw materials	\$ 1,992,540	\$ 2,125,365
Supplies	181,328	145,539
Finished goods	6,440,944	1,539,696
	-----	-----
TOTAL INVENTORIES	\$ 8,614,812	\$ 3,810,600
	=====	=====
FIXED ASSETS		
Laboratory equipment	\$10,927,794	\$ 9,944,951
Office equipment	3,077,207	2,923,110
Leasehold improvements	10,924,938	10,243,142
	-----	-----
	24,929,939	23,111,203
Less accumulated depreciation and amortization	12,475,040	11,423,903
	-----	-----
NET FIXED ASSETS	\$12,454,899	\$11,687,300
	=====	=====
INTANGIBLE ASSETS		
Customer lists	\$18,010,000	\$ 1,010,000
Technology licensing agreements	500,000	500,000
Goodwill	39,062,766	1,225,547
	-----	-----
	57,572,766	2,735,547
Less accumulated amortization	7,231,017	2,441,693
	-----	-----
NET INTANGIBLE ASSETS	\$50,341,749	\$ 293,854
	=====	=====

</TABLE>

Effective July 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," which requires disclosures of comprehensive income and its components in the Company's financial statements. The Company's total comprehensive income for the quarters ended December, 1998 and 1997 were \$3,418,159 and \$3,239,763, respectively. The Company's total comprehensive income for the six months ended December 31, 1998 and 1997 were \$7,083,390 and \$6,379,860, respectively. The Company's comprehensive income consists of net income, unrealized holding gains and losses on securities and foreign currency translation adjustments.

On June 30, 1999, the Company will adopt Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires the disclosure of financial and descriptive information about the reportable operating segments of the Company.

B. ACQUISITION:

On July 1, 1998, the Company, through its Research and Diagnostics Systems, Inc. subsidiary, acquired the research products business of Genzyme Corporation. Assets acquired were as follows:

Inventories	\$ 5,660,000
Equipment	320,000
Customer list	17,000,000

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

The purchase price paid and payable for the acquisition is as follows: \$24.76 million cash, 987,206 shares of Techne common stock valued at \$17 million and \$18.84 million of royalties (present value of an estimated \$23.7 million payable over 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 has been recorded as goodwill and is being amortized on a straight-line basis over six years. The customer list is being amortized on a declining basis over an estimated economic life of five years.

Pro forma financial information for the quarter and six months ended December 31, 1997, presented as if the acquisition had occurred on July 1, 1997, are as follows (in 000's except earnings per share data):

<TABLE>

<CAPTION>

	QUARTER ENDED		SIX MONTHS ENDED	
	-----		-----	
	12/31/97		12/31/97	
	-----		-----	
<S>	<C>		<C>	
Sales	\$19,024		\$38,082	
Net earnings	688		1,785	
Basic earnings per share	.03		.09	
Diluted earnings per share	.03		.09	

</TABLE>

C. EARNINGS PER SHARE:

Shares used in the earnings per share computations are as follows:

<TABLE>

<CAPTION>

	QUARTER ENDED		SIX MONTHS ENDED	
	-----		-----	
	12/31/98	12/31/97	12/31/98	12/31/97
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>

Weighted average common shares				
outstanding--basic	20,048,267	18,898,817	20,082,018	18,883,475
Dilutive effect of stock				
options and warrants	495,235	726,937	461,470	684,750

Average common shares				
outstanding--diluted	20,543,502	19,625,754	20,543,488	19,568,225
=====				

</TABLE>

D. SUBSEQUENT EVENT:

On January 22, 1999, the Company entered into agreements to acquire real estate which its wholly-owned subsidiary, R&D Systems, currently occupies in Minneapolis, Minnesota. The purchase price of the properties is approximately \$28 million, which will be paid through the issuance of 100,000 shares of Common Stock and cash of approximately \$25.8 million. A substantial portion of the cash requirement will be obtained through mortgage financing. The closing of the purchase transaction is expected to be in July, 1999.

In addition to agreements to purchase the currently occupied properties, the Company has acquired options on property adjacent to its R&D Systems' facility to provide future expansion space for the Company.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations Quarter and Six Months Ended December 31, 1998
vs. Quarter and Six Months Ended December 31, 1997

Techne Corporation (Techne) has two 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 has two divisions: Biotechnology and Hematology. The Biotechnology Division manufactures purified cytokines (proteins), antibodies and assay kits which are sold primarily to biomedical researchers and clinical research laboratories. The Hematology Division develops and manufactures whole blood hematology controls and calibrators which are sold to hospital and clinical laboratories to check the performance of their hematology instruments to assure the accuracy of hematology test results. R&D Europe sells R&D Systems' biotechnology products in Europe, both directly and through a sales subsidiary in Germany. The Company has a foreign sales corporation, Techne Export Inc.

In November 1997, January 1998 and July 1998, Techne purchased a total of \$3 million of preferred stock of ChemoCentryx, Inc. (CCX), representing approximately 37% of issued and outstanding voting shares. In addition, Techne is obligated to purchase up to an additional \$2 million of preferred stock over the next year 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 consolidated CCX into its financial statements due to the limited amount of cash consideration provided by the holders of the common shares of CCX. 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.

Net Sales

Net sales for the quarter ended December 31, 1998 were \$21,464,259, an increase of \$5,991,402 (39%) from the quarter ended December 31, 1997. Sales for the six months ended December 31, 1998 increased \$11,789,451 (38%) from \$31,010,000 to \$42,799,451. R&D Systems sales increased

\$4,368,189 (40%) and \$8,732,439 (38%) for the quarter and six months ended December 31, 1998, respectively. R&D Europe sales increased \$1,623,213 (37%) and \$3,057,012 (37%) for the quarter and six months ended December 31, 1998, respectively.

The increase in sales for the quarter and six months was due, in part, to the acquisition of Genzyme Corporation's research products business on July 1, 1998. Sales of these products were \$1,701,770 and \$4,164,797 for the quarter and six months ended December 31, 1998, respectively. In addition, the increase in consolidated sales for the quarter and six months was due to increased sales of R&D Systems' cytokines, antibodies and immunoassay kits to both R&D Systems customers and to former Genzyme customers as they are converted from Genzyme products to R&D Systems products.

Gross Margins

Gross margins, as a percentage of sales, increased slightly from the prior year. Margins for the second quarter of fiscal 1999 were 71.0% compared to 68.4% for the same quarter in fiscal 1998. Margins for the six months ended December 31, 1998 were 70.0% compared to 69.6% for the same period in fiscal 1998.

R&D Europe gross margins decreased from 48.6% to 46.4% for the quarter and from 50.6% to 46.6% for the six months ended December 31, 1998 as a result of the conversion from both manufacturing and sales activities to a sales only function through the transfer of all manufacturing activities to R&D Systems during fiscal 1998. Hematology Division gross margins increased from 42.2% to 47.2% for the quarter and from 45.5% to 46.6% for the six months ended December 31, 1998 as a result of changes in product mix and increased volumes. Biotechnology Division gross margins increased from 70.9% to 72.11% for the quarter, but decreased slightly from 72.0% to 71.0% for the six months ended December 31, 1998. The decrease in Biotechnology Division gross margins for the six months was a result of lower gross profit levels on the inventory acquired from Genzyme during the first quarter of fiscal 1999. In the second quarter, the lower gross profit on Genzyme products was offset by the increased sales of higher margin R&D Systems products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$617,988 (16%) from the second quarter of fiscal 1998 to the second quarter of fiscal 1999. These expenses also increased \$1,045,679 (13%) for the first six months of fiscal 1999. The majority of the increase for the quarter and six months was due to additional sales personnel added in the U.S. and Europe as a result of the Genzyme acquisition.

Research and Development Expenses

Research and development expenses increased \$426,328 (17%) and \$712,605 (14%) for the quarter and six months ended December 31, 1998. The increase related to products currently under development, many of which have been or will be released in fiscal 1999. Products currently under development include both biotechnology and hematology products.

Amortization Expense

Amortization expense increased \$2,384,999 and \$4,737,190 for the quarter and six months ended December 31, 1998 as a result of the customer list and goodwill associated with the Genzyme acquisition.

Net Earnings

Earnings before income taxes increased \$1,163,863 from \$4,497,984 in the second quarter of fiscal 1998 to \$5,661,847 in the second quarter of fiscal 1999. Earnings before taxes for the six months increased \$1,795,325 from \$9,221,366 to \$11,016,691. The increase in earnings before income taxes was due mainly to an increase in Biotechnology Division earnings of \$867,983 and \$1,722,086, an increase in R&D Europe earnings of \$306,745 and \$366,627, and an increase in Hematology Division earnings of \$232,478 and \$205,050 for the quarter and six months ended December 31, 1998. These increases were reduced by a net loss by CCX in the second quarter and first six months of fiscal 1999.

Income taxes for the quarter and six months ended December 31, 1998 were provided at a rate of approximately 37% and 35% of consolidated pretax earnings compared to 30% and 31% for the prior year. The increase in the tax rate is due to the net loss by CCX in the second quarter and first six months of fiscal 1999 for which no tax benefit has been provided. U.S. federal taxes have been reduced by the credit for research and development expenditures and the benefit of the foreign sales corporation. Foreign income taxes have been provided at rates which approximate the tax rates in the United Kingdom and Germany.

Liquidity and Capital Resources

At December 31, 1998, cash and cash equivalents and short-term investments were \$25,751,886 compared to \$42,694,280 at June 30, 1998. The decrease from June 30, 1998 was due to the cash outlay for the Genzyme acquisition. The Company believes it can meet its future cash, working capital and capital addition requirements (excluding real estate to be acquired in July, 1999) through currently available funds, cash generated from operations and maturities of short-term investments. The Company has an unsecured line of credit of \$750,000. The interest rate on the line of credit is at prime. There were no borrowings on the line in the prior or current fiscal years.

Cash Flows From Operating Activities

The Company generated cash of \$11,027,874 from operating activities in the first six months of fiscal 1999 compared to \$8,926,641 for the first six months of fiscal 1998. The increase was mainly the result of increased net earnings adjusted for noncash expenses partially offset by increased accounts receivable.

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 cash equivalents at June 30, 1998 and maturities of short-term investments were used to finance the cash portion of the acquisition.

During the six months ended December 31, 1998 short-term investments decreased by \$3,221,224. During the six months ended December 31, 1997, the Company increased short-term investments by \$6,340,884. The Company's investment policy is to place excess cash in short-term tax-exempt bonds. The objective of this policy is to obtain the highest possible return with the lowest risk, while keeping the funds accessible.

Capital additions were \$1,525,295 for the first six months of fiscal 1999, compared to \$1,648,881 for the first six months of fiscal 1998. Included in the fiscal 1999 and 1998 additions were \$683,000 and \$721,000 for leasehold improvements related to remodeling of facilities by R&D Systems. The remaining additions in fiscal 1999 and 1998 were for laboratory and computer equipment. Total expenditures for capital additions planned for the remainder of fiscal 1999 are expected to cost approximately \$4.5 million and are expected to be financed through currently available funds and cash generated from operating activities.

Cash Flows From Financing Activities

Cash of \$752,894 and \$367,796 was received during the six months ended December 31, 1998 and 1997, respectively, for the exercise of options for 158,420 and 46,540 shares of common stock. During the first six months of fiscal 1998, options for 24,506 shares of common stock were exercised by the surrender of 7,624 shares of the Company's common stock with a fair market value of \$126,194.

During the first six months of fiscal 1999 and 1998, the Company purchased and retired 138,600 and 20,000 shares, respectively, of Company common stock at market values of \$2,075,683 and \$280,000. The Board of Directors has authorized the Company, subject to market conditions and share price, to purchase and retire up to \$10 million of its common stock. Through February 1, 1999, 575,600 shares have been purchased at a market value of

\$6,887,547.

The Company has never paid cash dividends and has no plans to do so in fiscal 1999.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At December 31, 1998, the Company had an investment portfolio of fixed income securities, excluding those classified as cash and cash equivalents, of \$12,100,711. 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.

Y2K AND EURO CURRENCY ISSUES

The Company must take steps to ensure that it is not adversely affected by Y2K software failures which may arise in software applications where two-year digits are used to define the applicable year. The Company is conducting a review of all of its computer systems (information technology as well as embedded systems) to identify those areas that could be affected by Year 2000 noncompliance. The Company plans to complete the process of upgrading those systems which may not be Y2K compliant by mid 1999 and does not believe the cost of any such upgrades will be material. The Company is in the process of developing contingency plans should systems fail. 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.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

No change.

ITEM 2 - CHANGES IN SECURITIES

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 - SUBMISSION OF MATTERS TO VOTE OF SHAREHOLDERS

Information relating to the Company's Annual Meeting of Shareholders, held on October 22, 1998 is contained in the Company's Form 10-Q for the quarter ended September 30, 1998, which is incorporated herein by reference.

ITEM 5 - OTHER INFORMATION

Forward Looking Information and Cautionary Statements: Statements in this filing, and elsewhere, which look forward in time involve risks and uncertainties which may affect the actual results of operations. The following important factors, among others, have affected and, in the future, could affect the Company's actual results: the level of success in converting customers and distributors of Genzyme Corporation's research product business to the Company and selling the Company's broader range of products to the former Genzyme customers and distributors, the introduction and acceptance of new biotechnology and hematology products, the levels and particular directions of research into cytokines by the Company's customers, the impact of the growing number of producers of cytokine research products and related price competition, the retention of hematology OEM and proficiency survey business, the Company's expansion of marketing efforts in Europe, and the costs and results of research and product development efforts of the Company and of companies in which the Company has invested or with which it has formed strategic relationships.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

A. EXHIBITS

See exhibit index immediately following signature page.

B. REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the quarter ended December 31, 1998.

SIGNATURE

Pursuant to the requirements 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
(Company)

Date: February 12, 1998 Thomas E. Oland

Thomas E. Oland
President, Chief Executive and
Financial Officer

EXHIBIT INDEX
TO
FORM 10-Q

TECHNE CORPORATION

Exhibit #	Description
-----	-----

10.1 Purchase Agreement dated January 22, 1999,
between R&D Systems, Inc. and Hillcrest Development,
relating to the purchase of property at 614 and 640
McKinley Place NE and 2201 Kennedy Street in
Minneapolis, Minnesota and First Amendment to the
Purchase Agreement, dated February 5, 1999

27 Financial Data Schedule

PURCHASE AGREEMENT
(614 & 640 McKinley and 2201 Kennedy)

THIS AGREEMENT is entered into this 22 day of January, 1999, by and between Hillcrest Development, a Minnesota limited partnership (hereafter referred to as the "Seller"), and R & D Systems, Inc., a Minnesota corporation, (the "Buyer"), upon the basis of the following facts, understandings and intentions of Seller and Buyer.

RECITALS:

1. Seller is the fee owner of real property (collectively the "Land") legally described as Lots 16 and 17, Auditor's Subdivision Number 268, Hennepin County, Minnesota ("Parcel 1") and Lots 8 and 9, Auditor's Subdivision Number 268, Hennepin County, Minnesota ("Parcel 2"). Parcel 1 is currently improved with office buildings (hereafter referred to collectively as the "Buildings"), together with miscellaneous improvements to the Land ("Miscellaneous Improvements"). The Buildings are commonly known as 614 McKinley, 640 McKinley and 2201 Kennedy, all located in N.E. Minneapolis, County of Hennepin, Minnesota. Parcel 2 is a blacktopped parking lot located at the northeast corner of the intersection of Summer Street and Cleveland Street in N.E. Minneapolis, Minnesota.

2. Buyer is currently leasing Parcel 1 from Seller under a lease agreement originally dated July 24, 1992, and amended by various letters of agreement dated April 27, 1993, June 22, 1993, January 17, 1995, February 17, 1995, June 15, 1995, August 18, 1995, September 11, 1995, July 3, 1996, August 5, 1998 and December 22, 1998, and by the Agreement for the First Amendment to a Lease dated October 27, 1995, and the Agreement for the Second Amendment to a Lease dated July 3, 1996 and the Agreement for the Third Amendment to a Lease dated December 19, 1996 (collectively, the "Lease").

3. The Lease contains a right of first refusal in favor of Buyer to purchase the premises subject to the Lease ("Right of First Refusal").

4. The parties contemplated that on or before February 5, 1999, Seller and Buyer will enter into:

(a) An option agreement granting Buyer an option to purchase 2101 Kennedy, 659 Cleveland Building and certain parking lots ("2101 Kennedy Option");

(b) An option agreement granting Buyer an option to purchase 2001 Kennedy and certain parking areas ("Phase II Option").

5. Buyer desires to purchase the Land, the Buildings, the Miscellaneous Improvements, and all licenses, permits, equipment, fixtures and furnishings and all other personal property, tangible or intangible, owned by Seller and currently located on the Land and solely used in the operation and maintenance of the foregoing (hereafter said licenses, permits, equipment, fixtures and furnishings and other included personal property shall be referred to in the aggregate as "Personal Property," and hereafter the Land, the Building, the Miscellaneous Improvements, and Personal Property is sometimes referred to in the aggregate as the "Property") in accordance with the terms and conditions hereinafter set forth.

6. Seller is willing to grant and extend to Buyer such purchase right as the terms hereafter set forth.

NOW, THEREFORE, in consideration of the agreements hereinafter provided and other good and valuable consideration, Seller agrees to sell and Buyer agrees to purchase from Seller the Property, together with and including all hereditaments, appurtenances, easements and rights of way thereunto belonging or in any way appertaining and also the right, title and interest (if any) of Seller in and to the bounding and abutting streets, alleys and highways, subject to and upon the following terms and conditions:

SECTION I

PURCHASE PRICE

It is hereby agreed that the Purchase Price of the Property shall be Twenty-Eight Million and 00/100 Dollars (\$28,000,000.00) (the "Purchase Price"), which shall be paid by Buyer to Seller as follows:

(i) 100,000 shares of Techne Corporation common stock ("Stock") shall be paid into escrow as provided for in Section II below and shall be valued at \$2,160,830.00 which is the value of the Stock based on the average close of the Stock on the preceding fifteen (15) trading days prior to the execution of this Purchase Agreement. In connection with the issuance of the Stock, Seller will execute an investment letter in the form of Exhibit E hereto attached and a Registration Rights Agreement with Techne Corporation in the form of Exhibit F hereto attached.

(ii) \$4,000,000 shall be paid into escrow as provided for in Section II below.

The remainder of the Purchase Price, namely, \$21,839,170.00 will be payable at closing in immediately available funds.

The Purchase Price shall be allocated as follows:

\$ to 640 McKinley (including north link building);
\$ to 614 McKinley (including south link building);
\$ to 2201 Kennedy; and
\$ to Parcel 2.

SECTION II

EARNEST MONEY DEPOSIT

Buyer shall deposit no later than February 26, 1999, 12:01 p.m. in escrow with First American Title Insurance Company (the "Escrow Agent" and sometimes hereafter "Title") the sum of \$4,000,000.00, plus the Stock (with duly executed stock powers attached) (this sum shall be collectively referred to as the "Deposit") which shall be retained by the Escrow Agent for the benefit of Seller and Buyer in accordance with the provisions of this Purchase Agreement. The parties hereby agree to execute such documentation, if any, reasonably required by the Escrow Agent in connection with the disbursement of the Deposit and establishment of said earnest money escrow referenced above.

SECTION III

INVESTMENT AND DISBURSEMENT OF DEPOSIT

The Escrow Agent is hereby directed to invest the Deposit represented by cash in a segregated U.S. Treasury-backed money market account with U.S. Bancorp in Minneapolis, Minnesota.

The Deposit shall be disbursed by the Escrow Agent as follows:

(a) Except as provided for in (b) below, the Deposit shall be deemed nonrefundable and shall be delivered to Seller either upon the termination of this Purchase Agreement or upon the closing of the sale of the Property as partial payment of the Purchase Price.

(b) The Deposit shall be delivered to Buyer in the event:
(i) this Purchase Agreement cannot be timely closed because title to the Property is not acceptable or cannot be delivered as provided and Buyer terminates this Purchase Agreement pursuant to Section VI; (ii) Buyer terminates this Purchase Agreement pursuant to Sections IV or XII hereof; (iii) Buyer terminates this Purchase Agreement pursuant to Section XVI hereof; (iv) Buyer terminates this Purchase Agreement pursuant to Section XVII hereof.

(c) Interest in the Deposit shall inure to the benefit of Seller, in all events.

SECTION IV

BUYER'S CONDITIONS PRECEDENT

Seller agrees that this Purchase Agreement shall be conditioned upon Buyer satisfying itself, in its sole and absolute judgment, that the following conditions precedent with respect to the Property are met:

(a) Buyer's inspection and approval of the Land, the Building, the Miscellaneous Improvements, Personal Property, the Other Agreements and the properties covered by 2101 Kennedy Option and Phase II Option (as hereinbefore defined) and all other information required herein to be provided to Buyer by Seller, all during regular weekday business hours. Seller agrees to allow Buyer and its agents the right of any ingress or egress over and through the Property for the purpose of inspecting the same and making other observations as Buyer deems reasonably necessary. Buyer agrees to indemnify and hold Seller harmless from all injury, death or property damage or claims of any kind whatsoever including mechanic's liens arising out of or in any way incidental to Buyer's presence on the Property for the purposes aforesaid. This indemnity shall survive the termination of this Purchase Agreement, regardless of which party elects to terminate this Purchase Agreement. To the extent Seller has not already done so, Seller agrees to provide to Buyer copies of or allow Buyer access to the following items within two (2) days from the execution of this Purchase Agreement:

(i) copies of Plans and Specifications, blueprints, operating manuals, surveys and licenses, if any, in Seller's possession, used to operate the Buildings and the remainder of the Property;

(ii) complete copies of all service and maintenance contracts currently affecting the Property ("Other Agreements");

(iii) copies of all permits or authorizations, if any, in Seller's possession, required to be issued by any governmental body having jurisdiction in connection with any state of facts or activity presently existing or being carried on with respect to the Property;

(iv) copies of all warranties and guaranties, if any, which are still effective and which pertain to the Property or any portion thereof ("Warranties");

(v) inventory of the Personal Property owned by the Seller and located on the Land and used in connection with the operation of the Property.

(b) Buyer may use the Property for its existing uses ("Current Uses") without being in violation of any zoning classification, land use classification, environmental requirement, or any other use classification or building classification or requirement established by any entity or authority having legal jurisdiction or authority thereover.

(c) All utilities, including but not limited to electricity, gas, water (fire and domestic) storm and sanitary sewer, are available on site, through valid and adequate public or private easements for Current Uses; provided that in the case of private easements, they are appurtenant to the Property, or on the Property's side of abutting streets of size and capacity sufficient to serve the Current Uses.

(d) Buyer approving, as provided in Section V(A) hereof, the environmental audits provided to Buyer for the Property or any additional reports obtained by Buyer.

(e) Buyer obtaining satisfactory mortgage and equity financing for the Property on terms and conditions satisfactory to Buyer.

(f) Buyer's approval of the License Agreement, Parking Easement and Management Agreement as defined in Sections XVIII and XXV hereof.

This Purchase Agreement shall be deemed terminated and neither party liable to the other herein unless Buyer affirmatively accepts or waives the foregoing conditions by paying to the Escrow Agent the Deposit by February 26, 1999 at 12:01 p.m. as required by Section II. Seller acknowledges that Buyer's election not to purchase the Property may be based upon Buyer's unwillingness to accept the condition of the properties covered by the 2101 Kennedy Option and the Phase II Option, including but not limited to environmental. Notwithstanding the foregoing, Buyer may elect to terminate this Purchase Agreement between February 26, 1999 and the date of closing in the event (i) environmental testing done between such dates pursuant to Section V hereof reveal contamination not previously known on February 26, 1999, or (ii) a change in any item referred to in (b) above occurs between February 26, 1999 and the date of closing so as to prohibit the use of the Property for Current Uses. Upon any such termination of this Purchase Agreement by Buyer, the Deposit (other than the interest earned thereon) shall be returned to Buyer as provided in Section III hereof and all parties hereto shall be released from all duties and obligations to each other contained herein.

SECTION V

ENVIRONMENTAL AUDITS AND SURVEY

A. Environmental Audits. Seller has provided to Buyer environmental reports ("Environmental Reports") for the Property at no cost or expense to Buyer which are described in Exhibit C hereto attached and that except for the Exhibit D information, to the best of Seller's knowledge, such material constitutes all of the environmental reports in Seller's possession or control. Buyer shall have the right to do additional environmental audits and/or soil tests subject to the reasonable prior written approval of Seller regardless of the cost as long as Buyer pays for all of such costs; provided, however, no such additional testing shall be done beyond February 26, 1999 unless the testing is based on new information not previously known to Buyer. Buyer agrees to indemnify and hold Seller harmless from all mechanic's liens liability and other costs and expenses arising from Buyer's doing such additional environmental audits and/or soil tests.

B. Survey. Seller has provided Buyer with a survey ("Survey") of the Property.

C. Copies of Documents. To the extent not already done, Seller shall promptly deliver to Buyer or make available to Buyer copies of all soil tests, environmental audits, surveys and other documents relating to the physical properties of the Property which are within Seller's control and Buyer agrees to promptly deliver to Seller copies of all of such items which are within Buyer's control. Buyer will deliver to Seller, at the closing, copies of all the contents of the "RREEF Box" hereafter defined.

D. RREEF Box Documents. The parties acknowledge that Seller has provided to Buyer an unopened box ("RREEF Box") allegedly containing due diligence materials for the Property prepared by RREEF, as hereafter defined. Attached hereto as Exhibit D is a list of the materials in the RREEF Box relating to the Environmental Reports of the Property. Seller makes no representations or warranties as to the accuracy of the contents of the RREEF Box nor shall any of Seller's representations and warranties regarding the sale of the Property or the sale of the properties covered by the 2101 Kennedy Option and/or the Phase II Option be in any manner considered based on such contents except for the Environmental Reports described in Exhibit D.

SECTION VI

TITLE EVIDENCE

A. Seller, at Seller's expense, will provide Buyer prior to February 15, 1999 with a commitment(s) (the "Commitment") for an Owner's Policy of Title Insurance for the Property issued by Title. Buyer shall pay at closing the premium for the actual title insurance policy, if any, to be purchased by Buyer. The Commitment shall include appurtenant coverage for Buyer's rights under the Parking Easement as not subordinate to any prior interest, unless approved by Buyer, waiver of standard exceptions, a zoning and comprehensive endorsements and a contiguity endorsement as to each of Parcel 1 and Parcel 2 and shall include legible copies of all documents, maps, or plats set forth therein as affecting the Property and shall be issued through Title in its capacity as a title insurance company by its local office or by its local agent (the "Title Company") situated in the county where the Property is located. The Commitment shall be issued in the name of Buyer, Techne Corporation and Buyer's lender.

B. By February 26, 1999, Buyer shall deliver to Seller a written statement containing any objection Buyer has to the state of title, including Survey objections and objections to Permitted Encumbrances. Buyer acknowledges that simultaneously with the closing, Seller will terminate the Declaration of Easement dated December 21, 1995, filed January 4, 1996, as Document No. 2665870 with Hennepin County Registrar of Titles office ("Declaration"). If such statement of objection is not delivered by February 26, 1999, title shall be deemed approved by Buyer except for Schedule B, Section 1 requirements of the commitment ("Requirements") which Seller agrees to satisfy at closing. If any objection other than the Requirements is not cured or removed by February 26, 1999, Buyer, at its option, may, prior to February 26, 1999, either (i) accept title as it is, subject to Seller's obligations to satisfy the Requirements; or (ii) terminate this Purchase Agreement. Seller shall have no obligation to cure any of the Permitted Encumbrances. Upon any such termination all parties shall be released from all duties or obligations contained herein and the Deposit (other than the interest earned thereon) shall be returned to Buyer as provided for in Section III hereof.

SECTION VII

1031 EXCHANGE

At either party's request, the other party agrees to cooperate with the requesting party in a deferred or simultaneous 1031 like kind exchange(s) of all or any portion of the Property as long as the other party is not required to take title to any other property or to incur any further cost, expense, liability or delay.

SECTION VIII

WAIVER OF RIGHT OF FIRST REFUSAL

If this Purchase Agreement is terminated pursuant to either Section IV (by failing to pay to Escrow Agent the Deposit by 12:01 p.m. on February 26, 1999), or Section VI hereof, Buyer agrees that such termination shall constitute a waiver of its Right of First Refusal only with respect to a sale of the Property to RREEF (as hereafter defined) as hereinafter provided and that Seller shall be free to sell the Property (along with Seller's interest in other properties which are the subject of option agreements of even date herewith between Seller and Buyer relating to 2101 Kennedy and 2001 Kennedy and related parking areas) to RREEF Venture Capital Fund L.P., or a related or affiliated entity ("RREEF") provided such sale is consummated prior to October 15, 1999. Buyer agrees, not later than January 29, 1999, to execute an estoppel certificate in favor of RREEF with respect to the Lease for use by RREEF and to deliver the original of same to Title on or before January 29, 1999 to be held by Title in escrow pending RREEF's acquisition of title to the Property prior to October 15, 1999. Title shall provide a copy of the same to Seller upon receipt but shall retain the original. If this Purchase Agreement is not terminated, or, if it is and the RREEF transaction is not consummated by October 15, 1999, the original certificate shall be returned to Buyer. This section shall survive the termination of this Purchase Agreement.

SECTION IX

WARRANTIES

Seller warrants and represents to Buyer that the following statements are now, will at the closing, and will after closing to the extent hereinafter provided be true and accurate:

(a) Seller will have marketable and insurable record title to the Property as of closing, subject only to the Permitted Encumbrances listed on Exhibit A attached hereto and made a part hereof. Seller will, simultaneously with the closing, terminate the Declaration.

(b) To the best of Seller's knowledge, the information supplied to Buyer pursuant to Section IV(a) hereof is complete and correct and has been duly supplemented including, but not limited to, any new Other Agreements.

(c) At closing, Seller shall (i) convey to Buyer by Warranty Deed the Property and convey by Warranty Bill of Sale the Personal Property to Buyer free of all encumbrances on the Property or any portion thereof except for the Permitted Encumbrances and other matters approved by Buyer pursuant to Section VI or as otherwise provided herein; and (ii) shall assign to the extent they are assignable, all of Seller's interest in the "Other Agreements."

(d) Seller has not received any notice nor are they aware of any pending or threatened action to take by eminent domain or by deed in lieu thereof all or any portion of the Property.

(e) Seller shall be solely responsible for and shall pay on the date of closing any deferred tax or assessment, including, but not limited to, those referred to in Minnesota Statutes Section 273.11 (the so-called "Green Acres recapture"), catch-up or adjustment in future taxes due as a result of the Property having been classified under any designation authorized by law to obtain a special low ad valorem tax rate or receive either an abatement or deferment of ad valorem taxes.

(f) Seller is not a "foreign person" as contemplated by Section 1445 of the Internal Revenue Code, and that at the closing Seller will deliver to Buyer a certificate so stating, in a form complying with the Federal tax law.

(g) This Purchase Agreement and the documents, instruments and agreements to be executed by Seller pursuant to this Purchase Agreement have been, or will be on or before the date of closing, duly and validly authorized, executed and delivered by Seller and the obligations of Seller hereunder and thereunder are or will be valid and legally binding, and this Purchase Agreement and the documents, instruments and agreements to be executed and delivered by Seller pursuant to this Purchase Agreement are or will be upon such execution and delivery enforceable against Seller in accordance with their respective terms.

(h) Except as shown by the materials described in Exhibit C and Exhibit D, except for acts of Buyer as a tenant of the Property and the use by Buyer of hazardous materials, except for asbestos used as a building material for the Property and the two underground propane tanks located at the southwest corner of 2201 Building, to the best of Seller's knowledge, Seller has not generated, manufactured, buried, spilled, leaked, discharged, emitted, stored, disposed of, used or released any Hazardous Substance (as hereafter defined) about the Property, except as may have occurred as a result of operating the Property and in any such event such activities were at all times in compliance with Environmental Laws (as hereinafter defined), and has not knowingly permitted any other party to do any of the same. Except for and to the extent of the matters specifically described in Exhibit C and Exhibit D, except for acts of Buyer

as a tenant of the Property and the use by Buyer of hazardous materials, except for asbestos used as a building material for the Property and the two underground propane tanks located at the southwest corner of 2201 Building, Seller has received no notice of and has no actual knowledge, without inquiry (a) that any Hazardous Substance are or have ever been generated, manufactured, buried, spilled, leaked, discharged, emitted, stored, disposed of, used or released about the Property, except as hereinbefore provided, or (b) of any, requests, notices, investigations, demands, administrative proceedings, hearings, litigation or other action proposed, threatened or pending relating to any of the Property and alleging non-compliance with or liability under any Environmental Law (as herein defined), or (c) that any above-ground or underground storage tanks or other containment facilities of any kind containing any Hazardous Substance are or have ever been located about the Property, or (d) that Seller's operations on the Property have been in compliance with all federal, state and local environmental laws, ordinances, rules and regulations, relating to the handling, storage and disposal of the Hazardous Materials. For purposes hereof, Hazardous Substance means asbestos, urea formaldehyde, polychlorinated biphenyls, nuclear fuel or materials, radioactive materials, explosives, known carcinogens, petroleum products and by-products (including crude oil or any fraction thereof), and any pollutant, contaminant, chemical, material or substance defined as hazardous or as a pollutant or a contaminant in, or the use, manufacture, generation, storage, treatment, transportation, release or disposal of which is regulated by, any Environmental Law. For purposes hereof, Environmental Law means any federal, state, county, municipal, local or other statute, ordinance or regulation which relates to or deals with the protection of the environmental and/or human health and safety, including all regulations promulgated by a regulatory body pursuant to any such statute, ordinance, or regulation, including, the Comprehensive Environmental Response and Liability Act of 1980 ("CERCLA"), as amended, 42 U.S.C. 9601 et. seq., the Resource Conservation and Recovery Act ("RCRA"), as amended, 42 U.S.C. 6901 et. seq., the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251 et. seq., the Clean Air Act, as amended, 42 U.S.C. 7401 et. seq., and Minnesota Statutes Section 115B.01 et seq.

(i) To the best of Seller's knowledge, no unrecorded condition, restriction, obligation or agreement not previously disclosed to Buyer pursuant to Section IV hereof shall exist which affect the Property or Buyer's ability to use the Property for the Current Uses.

(j) To the best of Seller's knowledge, no portion of the Property is located within an area designated as a "flood plain" or "flood prone area" under any statute, regulation, or ordinance.

(k) To the best of Seller's knowledge, the Property is free from any use or occupancy restrictions, except those imposed by zoning laws and regulations, and no part is dedicated or has been used as a cemetery or burial ground.

(l) To the best of Seller's knowledge, except for the anticipated vacation of Summer and Cleveland Streets, no fact or condition exists which would result in the termination of the current access to the Property from any presently existing streets and roads adjoining or situated on the Property or to any existing sewer or other utility facilities servicing, adjoining or situated on the Property. To the best of Seller's knowledge, all utilities needed for Current Uses are available to the Property.

(m) There is no litigation at law or in equity, and no action, litigation, investigation or proceedings of any kind, including, but not limited to, administrative or regulatory authority, pending or threatened against the Property, or the Seller, or affecting the ability of Seller to consummate the transaction contemplated herein and Seller knows of no facts which could give rise to any such action, litigation,

investigation or proceeding with respect to the Property or the Seller.

(n) To the best of Seller's knowledge, there are no outstanding citations or notices of violations of any statutes, ordinances or regulations of any kind, with respect to the Property and to the best of Seller's knowledge, there are no structural defects in the Buildings including the roof, but the foregoing shall not be construed as a warranty for the roof of the Buildings.

(o) To the best of Seller's knowledge, (i) the Property is zoned for the Current Uses, (ii) the Property contains no wells, and (iii) the Property does not contain any septic systems.

(p) To the best of Seller's knowledge, except for Buyer rights under the Lease and except for a right that may be granted by Seller to RREEF (or any of its affiliates), to purchase the Property which right shall be contingent on the termination of this Purchase Agreement, no other party has any right, title or interest in and to the Property, including the right to purchase the Property, except as set forth as a Permitted Encumbrance. Seller represents and warrants that in the event it enters into a purchase agreement with RREEF for the sale of the Property contingent upon the termination of this Purchase Agreement, such purchase agreement will be entered into only if RREEF executes a quitclaim deed in favor of Seller as to the Property to be placed in escrow with Title and to be delivered upon Buyer's closing its purchase of the Property.

(q) Except as otherwise required by the Lease, Seller shall cure any violations of law or municipal ordinance, orders or requirements for which Seller had received a notice of violation prior to the closing which would affect the Property and which would be binding upon the Property or Buyer after the closing.

(r) Seller will execute such documents including indemnities as are necessary for Title to issue an early start endorsement for Buyer and Buyer's lender; provided, however, such documents will not guarantee payment by Buyer to Seller of any contract amounts.

(s) Seller represents and warrants that it will maintain fire and extended coverage insurance on the respective Buildings in the amounts as indicated:

Building	Amount
614	\$ 9,500,000.00
640	\$ 5,000,000.00
2201	\$20,500,000.00

None of the foregoing warranties shall be construed as a warranty as to the sufficiency of parking, it being understood that parking requirements are dependent on the usage of the Property by the Buyer.

Except for the foregoing warranties, Buyer acknowledges that it is purchasing the Property in its "as is" condition relying solely on its knowledge of the Property in its capacity as tenant under the Lease and on its inspection of the quantity and quality of the Property including the floor, the structural portions of the Property and the roof. The foregoing representations and warranties will survive until December 31, 1999 ("Final Action Date"). The parties agree that all actions commenced by Buyer against Seller based on such representations and warranties shall be deemed time barred unless such actions have been commenced prior to the Final Action Date, or such claims are based on fraud, it being understood that except for claims based on fraud, Buyer shall be deemed to have released Seller for any claims based on such representations and warranties unless an action based thereon is commenced prior to Final Action Date.

CLOSING

The closing of this transaction shall take place in the office of Title in Minneapolis, Minnesota on July 1, 1999. Notwithstanding any other provision hereof to the contrary, Seller shall have the right to terminate this Purchase Agreement in the event Buyer fails to pay the option money required under the 2101 Kennedy Option on or before the closing of this transaction. Possession of the Property shall be deemed to have been given by Seller to Buyer coincident with the closing. The following procedure shall govern the closing:

(a) Prior to closing, Seller shall deliver to Buyer and Title a copy of the proposed general Warranty Deed (the "Deed") which shall be in recordable form and shall convey good and marketable record title to the Property (using the legal descriptions set forth on the Title Commitment and the Survey) to Buyer, subject only to the Permitted Encumbrances and other matters approved by Buyer. If the form of the Deed does not comply with the provisions set forth above, the Seller shall promptly correct the same upon notice from either Buyer or the Title Company.

(b) On or before the closing Seller shall deliver to the Title Company or Buyer the following:

(i) the Deed, properly executed and acknowledged along with a standard form Seller's Affidavit;

(ii) current real estate tax statements;

(iii) any applicable owner's duplicate certificate(s) of title to the Property;

(iv) any applicable abstracts of title in Seller's possession;

(v) a warranty bill of sale properly executed for all Personal Property;

(vi) properly executed assignments of all Seller's interest in and to the Other Agreements and which shall provide that Seller will indemnify and hold Buyer harmless from all claims under the foregoing which accrued on or prior to closing and Buyer shall agree to indemnify and hold Seller harmless from all claims under the foregoing which accrue after the closing;

(vii) a well certificate as may be required by applicable law or in the event it is not required, a certification in the deed that there are no wells on the Property;

(viii) an assignment of the Warranties and any other documents required by this Purchase Agreement;

(ix) any other documentation reasonably requested by the Title Company in order to confirm the authority of the Seller to consummate this transaction or to permit the Title Company to issue to Buyer, upon completion of the closing, its Owner's Title Insurance Policy in an amount equal to the Purchase Price, subject only to those matters shown on the Commitment which were approved by Buyer (the "Title Policy"); Provided, however, that the foregoing shall not be construed to obligate Seller to provide any indemnity except as provided in Section IX(r), or to pay any sums not otherwise required to be paid by Seller hereunder;

(x) such funds as may be required by Seller to pay closing costs or charges properly allocable to Seller;

(xi) Lease Termination Agreement ("LTA Agreement") terminating the Lease as of the closing date, executed by Seller;

(xii) Memorandum of Option Agreements as required by the 2101 Kennedy Option and Phase II Option;

(xiii) License Agreement, Parking Easement and Management Agreement.

(c) On or before the closing, Buyer shall deliver to Title or Seller the following:

(i) the balance of the cash due at closing, less any amounts for which Buyer is to receive a credit;

(ii) such additional funds as may be required of Buyer to pay closing costs or charges properly allocable to Buyer;

(iii) LTA Agreement executed by Buyer;

(iv) Memorandum of Option Agreements as required by the 2101 Kennedy Option and Phase II Option;

(v) License Agreement, Parking Easement and Management Agreement;

(d) After Title has received all of the items to be deposited with it, and when it is in a position to issue the Title Policy reflected by the approved Commitment, Title shall:

(i) record the Deed;

(ii) record any other instruments executed by the parties, or either of them, which are contemplated by this Purchase Agreement to be placed of record, instructing the Recorder's Office to return the same to the beneficiary thereof;

(iii) issue to Buyer its Title Policy and deliver to Buyer all other documents to be herein delivered by Seller to the Title Company pursuant to this Purchase Agreement;

(iv) charge Buyer for the recording cost of the Deed and one-half of the closing fee and escrow fee, and the cost of any purchased title policy;

(v) charge Seller for one-half of the closing fee and escrow fee, recording any documents clearing title to the Property, any abstracting costs, and the cost of the title insurance commitment for Buyer;

(vi) charge Seller for the full cost of any deed transfer, revenue or similar tax with respect to the sale of the Property;

(vii) real estate taxes and installments of special assessments due and payable in 1999 shall be prorated between the parties based on a calendar year and the date of closing. Seller shall pay all real estate taxes and installments of special assessments due in 1998 and earlier years, including as provided in Section IX(e) hereof; Buyer shall pay all real estate taxes and installments of special assessments due and payable in 2000 and subsequent years;

(viii) all bills for services, labor, materials, capital improvements or other charges of any kind or nature rendered to Seller or the Property prior to the closing date shall be borne by and paid by Seller;

(ix) prepare closing statements for Seller and Buyer, respectively, indicating deposits, credits and charges (including allocation of current real property taxes) and deliver the same, together with a disbursement of funds, to any appropriate party;

(x) all prorations required under the Lease as a result of the Lease termination shall be prorated as and when required by the Lease.

Any supplemental closing instructions given by any party shall also be followed by the Title Company provided the same do not conflict with any instructions set forth herein.

SECTION XI

DEFAULT BY BUYER

In the event the transactions contemplated hereby fail to close as a result of a material default by Buyer of any of the terms of this Purchase Agreement, and such failure to close continues for a period of five (5) days after Seller notifies Buyer of such event, Seller may, at its option, elect as its exclusive remedy one of the following:

- (a) To terminate this Purchase Agreement as provided for by law and retain the Deposit as provided in Section III hereof; or
- (b) To enforce specific performance of Buyer's obligations herein to purchase the Property provided such action is commenced within one hundred eighty (180) days from such failure to close.

SECTION XII

DEFAULT BY SELLER

If Seller refuses to perform any of its obligations as set forth herein or is in material breach of any of its representations and warranties herein provided and such failure to perform or breach continues for a period of five (5) days after Buyer notifies Seller of such event, Buyer may, at its option, elect one of the following remedies:

- (a) To terminate this Purchase Agreement by notice to Seller, in which event neither party shall have any further rights or obligations hereunder except that the Deposit exclusive of any interest thereon shall be returned to Buyer as provided in Section III hereof; or
- (b) To enforce specific performance of Seller's obligations hereunder, including specifically the conveyance of the Property in the condition required hereby provided such action is commenced within one hundred eighty (180) days from such failure to close.

SECTION XIII

EXPENSE OF ENFORCEMENT

If either party brings an action at law or in equity to enforce or interpret this Purchase Agreement, the prevailing party in such action shall be entitled to recover reasonable attorneys' fees and court costs in addition to any other remedy granted.

SECTION XIV

BROKERS

Seller warrants to Buyer that in connection with this transaction Seller has not taken any action which would result in any real estate broker's fee being due or payable to any party. Buyer warrants to Seller that in connection with this transaction Buyer has not taken any action which would result in any real estate broker's fee, finder's fee or other fee being due or payable to any party. Seller and Buyer respectively agree to indemnify, defend and hold harmless the other from and against any and all other claims, fees, commissions and suits of any real estate broker or agent with respect to services claimed to have been rendered for or on behalf of such party in connection with the execution of this Purchase Agreement or the transaction set forth herein.

SECTION XV

NOTICE

All notices, demands and requests required or permitted to be given under this Purchase Agreement must be in writing and shall be deemed to have been properly given or served either by personal delivery or by the expiration of two (2) days after depositing the same in the United States mail, addressed to Seller or to Buyer, as the case may be, prepaid and registered or certified mail, return receipt requested, at the following addresses:

To Seller: Hillcrest Development
2424 Kennedy Street NE
Minneapolis, Minnesota 55413
Attention: Scott M. Tankenoff

With Copy to: Maun & Simon, PLC
2000 Midwest Plaza Building West
801 Nicollet Mall
Minneapolis, Minnesota 55402
Attention: Charles Bans

To Buyer: R & D Systems, Inc.
614 McKinley Place
Minneapolis, MN 55413
Attention: Tom Oland, CEO

With Copy to: Fredrikson & Byron, P.A.
900 Second Ave. S
Suite 1100
Minneapolis, MN 55402
Attention: Chuck Diessner

Rejection or refusal to accept or the inability to deliver notice hereunder because of changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request. Any party shall have the right from time to time and at any time upon at least ten (10) days' written notice thereof, to change their respective addresses, and each shall have the right to specify as its address any other address within the United States of America.

SECTION XVI

CONDEMNATION

In the event any portion of the Property is condemned or access thereto shall be taken, or in either case threatened, prior to the closing, and the taking renders the Property remaining unsuitable for the Buyer's current and/or anticipated use of the Property and Buyer notifies Seller in writing that it wishes to terminate this Purchase Agreement within thirty (30) days after written notice to Buyer of such condemnation action, then this Purchase Agreement shall terminate, neither party to this Agreement shall have any further liability to the other parties (except for Buyer's indemnity in Section IV(a) hereof), and the Deposit (exclusive of any interest earned thereon) shall be returned to Buyer.

If the Purchase Agreement is not terminated pursuant to the preceding sentence, the Purchase Price of the Property shall not be affected, it being agreed that if the award is paid prior to the closing of this transaction, such amount, insofar as it pertains to the Property, shall be held in escrow and delivered to Buyer at the time of closing; and if the award has not been paid prior to the closing of this transaction, then at the closing Seller shall assign to Buyer all of its right, title and interest with respect to such award and shall further execute any other instrument requested by Buyer to assure that such award is paid to Buyer. If Buyer fails to timely close the transaction and this agreement is terminated by Seller, any escrowed condemnation proceeds will be paid to Seller.

If Buyer does not terminate this Purchase Agreement, it shall have the right to contest the condemnation and/or the award resulting therefrom but such right shall terminate if Seller terminates this Purchase Agreement as a result of Buyer's default hereunder. If this Purchase Agreement is not

terminated, the parties shall cooperate in defending any such taking and/or maximizing the amount of the award. Neither party will take any action relating to the taking, without the other party's written consent prior to closing.

SECTION XVII

DAMAGE OCCURRING PRIOR TO CLOSING

If, prior to the closing date, all or any part of the Property is substantially damaged by fire, casualty, the elements or any other cause, Seller shall immediately give notice to Buyer of such fact and at Buyer's option (to be exercised with thirty (30) days after Seller's notice), this Purchase Agreement shall terminate, in which event neither party will have any further obligations under this Purchase Agreement and the Deposit (exclusive of any interest earned thereon) shall be returned to Buyer. If Buyer fails to elect to terminate despite such damage, Seller (whether the damage is "substantial" or not) to the extent reasonably possible shall promptly commence to repair such damage or destruction to the Property's prior condition and to mitigate further damages using the quality of materials and workmanship existing prior to the date of the casualty. If such damage shall be completely repaired prior to the closing date, then there shall be no reduction in the Purchase Price and Seller shall retain the proceeds of all insurance related to such damage. If such damage shall not be completely repaired prior to the closing date, at Buyer's election, (i) Seller shall assign to Buyer all right to receive the proceeds of all insurance related to such damage, less costs incurred by Seller in mitigating damage or making repairs that are reimbursable by insurance then in force, and the Purchase Price shall remain the same, or (ii) the closing shall be postponed pending complete restoration of the damage by Seller. For purposes of this Section, the words "substantially damaged" means damage that would cost \$7,000,000.00 or more to repair.

SECTION XVIII

LICENSE AGREEMENT AND PARKING EASEMENT

Seller, or its successor, ("Licensor") and Buyer agree to enter into a written license agreement at closing, under which Seller agrees to license to Buyer parking spaces (the "Licensed Real Property") in a form to be hereafter agreed to. At closing, Seller shall grant Buyer a parking easement in a form to be hereafter agreed to providing for the parking of up to 110 vehicles over part of the north one-half of the parking area commonly known as the MT-BN lot.

SECTION XIX

MERGER/BINDING AGREEMENT

All previous negotiations and understandings between Seller and Buyer or their respective agents and employees with respect to the transactions set forth herein are merged in this Purchase Agreement which alone fully and completely express the parties' rights, duties and obligations. This Purchase Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, heirs and personal representatives.

SECTION XX

EFFECTIVE DATE

The Effective Date of this Purchase Agreement shall be the date of the last party's execution; provided, however, that if the last party does not execute this Purchase Agreement and deliver a duly executed counterpart of the same to the first signing party within three (3) days of the first party's execution date, then the offer or commitment to be bound hereby by the first executing party shall automatically be revoked and withdrawn, whereupon neither party shall be bound hereto.

SECTION XXI

GOVERNING LAW

This Purchase Agreement shall be deemed to be a contract made under the laws of the State of Minnesota and for all purposes shall be governed and construed in accordance with the laws of said State.

SECTION XXII

ASSIGNMENT

Buyer shall have the right to assign at closing its interest in this Purchase Agreement to a third party, provided that assignee becomes personally responsible for Buyer's obligations herein.

SECTION XXIII

CONDITIONS PRECEDENT FOR BOTH SELLER AND BUYER

Notwithstanding any other provision hereof to the contrary, this Purchase Agreement, including, but not limited to, Section VIII hereof, shall be null and void and neither party shall hereafter be liable to the other unless (a) prior to February 5, 1999, both Seller and Buyer have executed the 2101 Kennedy Option and the Phase II Option; (b) prior to January 29, 1999, Buyer has delivered to Title the tenant estoppel letter required by Section VIII and Buyer's Board of Directors approves the execution of this Purchase Agreement and Buyer delivers a written copy of such resolution to Seller; and (c) prior to February 5, 1999, Buyer and Seller have agreed to the form and substance of the License Agreement, the Parking Easement and the Management Agreement as defined in Sections XVIII and XXV.

SECTION XXIV

PREPAID EXPENSES

Buyer and/or its assignee agrees to pay to Seller, following the closing on a monthly basis, the amounts described in Exhibit B hereto attached representing certain prepaid expense items previously paid by Seller. The obligations of Buyer and/or its assignee under this Section XXIV shall survive the closing.

SECTION XXV

MANAGEMENT CONTRACT

At the closing, Buyer and Seller shall enter into a management contract in the form to be hereafter agreed to covering (i) the Property, (ii) the property covered by the 2101 Kennedy Option, effective upon the Buyer and/or its assignee's acquisition of fee title to the same and (iii) the property covered by the Phase II Option effective upon the Buyer and/or its assignee's acquisition of fee title to the same. The initial management annual fee measured on a calendar year basis shall be \$213,250.00 for calendar year 1999 (and shall be prorated for calendar year 1999) and shall increase to \$250,000.00 when Buyer acquires the property subject to the 2101 Kennedy Option and shall increase by two percent for every year thereafter until the acquisition of fee title to 2001 Kennedy pursuant to the Phase II Option when the annual management fee shall increase to \$335,000.00 and then increase by two percent (2%) per year thereafter. The management fee shall include Seller's marketing expenses for leasing 2101 Kennedy and 2001 Kennedy but shall not include any broker's fees. Either party may terminate the management contract upon one hundred eighty (180) days prior written notice to the other but such termination shall not affect any liabilities which accrue prior to the effective date of termination.

IN WITNESS WHEREOF, the parties hereto have executed these presents intending to be bound by the provisions herein contained.

SELLER:

BUYER:

Hillcrest Development

R & D Systems, Inc.

By: Scott Tankenoff By: Thomas E. Oland

Its: General Partner Its: President

ACKNOWLEDGMENT BY TITLE

Title hereby agrees to act as escrow agent pursuant to the foregoing terms, it being understood that Title shall not be liable to either party if it acts in good faith in the performance of its duties herein.

First American Title Insurance Company

By: Rodney D. Ives

Its: Assistant Vice President

FIRST AMENDMENT TO PURCHASE AGREEMENT

THIS FIRST AMENDMENT to Purchase Agreement is dated this 5th day of February, 1999, by and between Hillcrest Development ("Seller") and R&D Systems, Inc. ("Buyer").

RECITALS

1. Seller and Buyer entered into a purchase agreement dated January 22, 1999, for the sale and purchase of real property legally described as Lots 8, 9, 16, and 17, Auditor's Subdivision Number 268, Hennepin County, Minnesota (Purchase Agreement").
2. The parties wish to amend the Purchase Agreement on the terms and conditions hereafter set forth.

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

1. Section XXIII is hereby deleted in its entirety and replaced with the following provision:

CONDITIONS PRECEDENT FOR BOTH SELLER AND BUYER

Notwithstanding any other provision hereof to the contrary, this Purchase Agreement, including, but not limited to, Section VIII hereof, shall be null and void and neither party shall hereafter be liable to the other unless (a) prior to February 8, 1999, both Seller and Buyer have executed the 2101 and the Phase II Option; (b) prior to January 29, 1999, Buyer has delivered to Title the tenant estoppel letter required by Section VIII and Buyer's Board of Directors approves the execution of this Purchase Agreement and Buyer delivers a written copy of such resolution to Seller; and (c) prior to February 11, 1999, Buyer and Seller have agreed to the form and substance of the License Agreement, the Parking Easement and the Management Agreement as defined in Sections XVIII and XXV.

2. Except as provided for above, all the terms and conditions of the Purchase Agreement shall remain in full force and effect.

Buyer: R&D Systems, Inc.

By: Thomas E. Oland

Its: President

Seller: Hillcrest Development

By: Scott Tankenoff

Its: General Partner

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