SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1995.

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: 0-16159

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

Minnesota	41-1301878
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10701 Red Circle Drive, Minnetonka, Minnesota	55343
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (612) 933-2291

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

Securities registered pursuant to Section 12(g)of the Act: Common stock, par value $0.01 per share.

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 X No

The number of shares outstanding of the registrant's common stock as of May 1, 1995 was 3,784,903 shares.

LECTEC CORPORATION

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LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

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ASSETS	March 31, 1995 (Unaudited)	June 30, 1994
<S>	<C>	<C>
Current assets		
Cash and cash equivalents	$748,778	$785,770
Short-term investments	0	1,396,800
Receivables		
Trade, less allowance for doubtful accounts of $28,762 (unaudited) and $16,402	2,134,154	1,762,507
Other	467,064	220,572
	2,601,218	1,983,079
Inventories		
Raw materials	1,360,253	1,224,609
Work-in-process	185,209	185,307
Finished goods	749,182	362,119
Total inventories	2,294,644	1,772,035
Prepaid expenses and other	255,561	101,737
Deferred tax asset	77,000	77,000
Total current assets	5,977,201	6,116,421
Property, Plant and Equipment - at Cost		
Building and improvements	1,528,704	1,426,072
Equipment	5,453,651	3,413,165
Furniture and fixtures	406,542	309,560
	7,388,897	5,148,797
Less accumulated depreciation	2,667,778	2,285,900
	4,721,119	2,862,897
Construction in progress	551,654	1,594,974
Land	247,731	247,731
	5,520,504	4,705,602
Other Assets		
Patents and trademarks, less accumulated amortization of $523,586 (unaudited) and $436,125 at March 31, 1995 and June 30, 1994, respectively	381,382	362,966
Goodwill, less accumulated amortization of $196,668 (unaudited) and $49,167 at March 31, 1995 and June 30, 1994, respectively	393,332	540,833
Long-term marketable securities at lower of cost or market, net of allowances of $68,682 (unaudited) and $60,964 at March 31, 1995 and June 30, 1994, respectively	578,718	568,673
Other	32,457	60,361
	1,385,889	1,532,833

	$12,883,594	$12,354,856

</TABLE>

See accompanying notes to the consolidated financial statements

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

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LIABILITIES AND SHAREHOLDER'S EQUITY	March 31, 1995 (Unaudited)	June 30, 1994
<S>	<C>	<C>
Current liabilities		
Accounts payable	$1,057,066	$960,528
Accrued expenses		
Payroll related	361,498	343,560
Profit sharing contribution	42,607	46,918
Deferred compensation	28,429	27,848
Other	86,331	0
Total current liabilities	1,575,931	1,378,854
Deferred Income Taxes	139,000	139,000
Shareholders' Equity		
Common stock, $.01 par value: 15,000,000 shares authorized; issued and outstanding: 3,770,000 shares (unaudited) at March 31, 1995 and 3,757,000 shares at June 30, 1994	37,700	37,570
Additional paid-in capital	9,845,518	9,809,079
Allowance for long-term marketable securities	(68,682)	(60,964)
Retained earnings	1,354,127	1,051,317
	11,168,663	10,837,002
	$12,883,594	$12,354,856

</TABLE>

See accompanying notes to the consolidated financial statements

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

<TABLE>
<CAPTION>

	Three months ended March 31,		Nine months ended March 31,	
	1995	1994	1995	1994
Revenues	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<S>	<C>	<C>	<C>	<C>
Product sales	$4,232,402	$2,252,783	$10,822,734	$7,849,547
Contract research	0	0	0	15,275
Total revenues	4,232,402	2,252,783	10,822,734	7,864,822
Cost of goods sold	2,497,670	1,490,172	6,435,146	4,876,905
Gross profit	1,734,732	762,611	4,387,588	2,987,917
Operating expenses				
Selling, general and administrative	1,034,310	418,463	2,708,480	1,183,217
Research & development	449,235	349,385	1,337,607	1,032,133
	1,483,545	767,848	4,046,087	2,215,350

Operating profit	251,187	(5,237)	341,501	772,567
Other income (expense)				
Interest income	6,149	8,139	33,649	59,814
Dividend income	8,930	12,269	29,355	54,088
Interest expense	5,659	(944)	0	(1,883)
Other	(5,166)	3,007	2,693	3,024
	15,572	22,471	65,697	115,043
Earnings before income taxes and equity in losses of unconsolidated subsidiary	266,759	17,234	407,198	887,610
Income tax expense (benefit)	82,216	(6,020)	104,388	244,111
Earnings before equity in losses of unconsolidated subsidiary	184,543	23,254	302,810	643,499
Equity in losses of unconsolidated subsidiary	0	(3,769)	0	(133,646)
Net earnings	$184,543	$19,485	$302,810	$509,853
Net earnings per common and common equivalent share				
Primary	$0.05	$0.01	$0.08	$0.13
Fully diluted	$0.05	$0.01	$0.08	$0.13
Weighted average number of common and common equivalent shares outstanding during the period				
Primary	3,808,253	3,813,439	3,806,196	3,802,385
Fully diluted	3,859,488	3,813,457	3,823,325	3,802,432

</TABLE>

See accompanying notes to the consolidated financial statements

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

	Nine months Ended March 31, 1995	Nine months Ended March 31, 1994
Cash flows from operating activities	(Unaudited)	(Unaudited)
<S>	<C>	<C>
Net earnings	$302,810	$509,853
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	616,840	363,473
Provision for losses on accounts receivable	12,360	27,572
Equity in losses of unconsolidated subsidiary	0	133,646
Changes in operating accounts, current assets and liabilities		
Trade and other receivable	(630,499)	(598,435)
Inventories	(522,609)	(666,197)
Prepaid expenses and other	(125,920)	(49,780)
Accounts payable	96,538	206,877
Income taxes payable	0	107,869
Accrued expenses	100,539	11,555
Net cash (used) provided by operating activities	(149,941)	46,433

Cash flows from investing activities		
Purchase of property, plant and equipment	*(1,196,780)*	*(1,216,084)*
Investment in patents and trademarks	*(105,877)*	*(7,833)*
Purchase of marketable securities and other investments	*(234,317)*	*(1,729,946)*
Sale of marketable securities and other investments	*1,613,354*	*2,845,989*
Net cash provided (used) in investing activities	*76,380*	*(107,874)*
Cash flows from financing activities		
Issuance of common stock	*36,569*	*14,975*
Retirement of common stock	*0*	*(3,619)*
Net cash provided (used) by financing activities	*36,569*	*11,356*
Net increase (decrease) in cash and cash equivalents	*(36,992)*	*(50,085)*
Cash and cash equivalents at beginning of period	*785,770*	*433,754*
Cash and cash equivalents at end of period	*$748,778*	*$383,669*

</TABLE>

See accompanying notes to the consolidated financial statements

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

Disclosures in Financial Statements

Supplemental Disclosures of Cash Flow Information

<TABLE>
<CAPTION>

	Nine months Ended March 31, 1995 (Unaudited)	Nine months Ended March 31, 1994 (Unaudited)
<S>	*<C>*	*<C>*
Cash paid during the period for:		
Interest expense	*$0*	*$1,883*
Income taxes	*94,462*	*175,066*

</TABLE>

See accompanying notes to the consolidated financial statements

LECTEC CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 1995

(1) General

The accompanying consolidated financial statements include the accounts of LecTec Corporation (the "Company"), LecTec International Corporation, a wholly-owned subsidiary, and Natus Corporation, a fifty-one percent owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation. The interim financial statements are unaudited and in the opinion of management, reflect all adjustments (which consist only of adjustments of a normal recurring nature) necessary for a fair *presentation of results for the periods presented. Results for interim periods are not necessarily indicative of results for the year.*

(2) Stock Dividend

During June 1994, the Board of Directors declared a 5% stock dividend payable to shareholders of record as of July 15, 1994 which was paid on July 29, 1994. The weighted average number of common shares outstanding for all periods presented has been retroactively adjusted to give effect to the stock dividends.

(3) Natus Corporation

The Company began consolidating Natus' results of operations effective April 1, 1994. The Company has restated the Consolidated Financial Statements to reflect Natus, using the equity method, for all fiscal 1994 quarters prior to April 1, 1994.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Product sales for the third quarter of fiscal 1995 were $4,232,402 as compared with $2,252,783 for fiscal 1994. Product sales for the first nine months of fiscal 1995 were $10,822,734 as compared with $7,849,547 for fiscal 1994. Product sales, for the third quarter, increased by 87.9%, reflecting growth in all product groups over the same period of fiscal 1994. Conductive products, the Company's largest product group, increased by 26.4% over the same period of last year. Medical tape sales increased 101.1% primarily due to the receipt of a major tape converter order. Therapeutic product sales experienced a 382.8% increase over the same period last year, mainly due to the increased sales of the analgesic patch through Natus Corporation. Product sales, for the first nine months, increased by 37.9% as compared to the first nine months period of fiscal 1994, primarily as a result of the growth in our Conductive and Therapeutic product groups plus the inclusion of sales of non analgesic patch Natus products.

The Company had no contract research revenues for the third quarter of fiscal 1995 or the first nine months of fiscal 1995. In fiscal 1994, the Company had no contract research revenues for the third quarter and $15,275 for the nine months period.

Gross profit as a percent of total revenues for the third quarter of fiscal 1995 was 41.0% as compared to 33.9% for the third quarter of fiscal 1994. For the first nine months, gross profit as a percent of total revenues was 40.5% in fiscal 1995 and 38.0% in fiscal 1994. The increase in gross profit percent for the quarter and first nine months reflects the impact of the consolidation of higher margin Natus product sales with LecTec.

Selling, general, and administrative expenses for the third quarter, as a percentage of total revenues, were 24.4% and 18.6% for fiscal 1995 and 1994, respectively. For the first nine months, selling, general, and administrative expenses, as a percentage of total revenues, were 25.0% and 15.0% for fiscal 1995 and 1994, respectively. The increase in expenses for fiscal 1995 for the three month and nine month periods are primarily related to the consolidation of Natus with LecTec for fiscal 1995, the higher selling costs associated with the Natus direct selling organization and the inclusion of goodwill amortization related to the acquisition of Natus Corporation.

Research and development expenses for the third quarter, as a percentage of total revenues, were 10.6% and 15.5% for fiscal 1995 and 1994, respectively. Actual expenses for the third quarter of fiscal 1995 increased to $449,235 from $349,385 in 1994. For the first nine months, research and development expenses as a percent of total revenues, were 12.4% and 13.1%, respectively. Actual expenses for the first nine months of fiscal 1995 increased to $1,337,607 from $1,032,133 in 1994. LecTec has been aggressively moving forward with the research and development of a non-nicotine active ingredient for alleviating symptoms of tobacco withdrawal. The Company completed the Phase I clinical trials during the fourth quarter of fiscal 1994. Due to encouraging findings on safety and toxicity levels, plus preliminary indications of efficacy from the initial clinical trials, the Company commenced the Phase II clinical study in September 1994. In December 1994, McNeil Consumer Products, a division *of Johnson & Johnson, decided not to exercise its option to proceed with the research, development and licensing agreement previously signed with LecTec Corporation, thereby relinquishing all licensing agreement rights to the non-nicotine smoking cessation product. The McNeil action provides LecTec with the opportunity to establish a new marketing alliance under which the Company retains maximum rights to the product. In March, 1995, the Company released preliminary findings from an ongoing study by the Addiction Research Center of the National Institute of Drug Abuse which found that the non-nicotine smoking cessation product has a very low potential for addictiveness. Furthermore, in April, 1995, the Company announced completion of the Phase II clinical study and results which indicate the non-nicotine smoking cessation product has been found to be effective at assisting smokers to quit by alleviating tobacco withdrawal symptoms. The Company has a strategy of developing therapeutic products internally through clinical trials to market-ready status. Although the Company will continue to seek strong partners to market selected therapeutic products and help defray development costs, this in-house strategy permits LecTec to negotiate with potential partners from a position of strength. The Company anticipates research and development expenses will continue in the range of 10% to 15% of revenues. The Company will also continue product development in the Conductive and Medical Tape product groups.*

Other income (expense) decreased in the third quarter of fiscal 1995 to $15,572 from $22,471 in the third quarter of 1994. Other income (expense) for the first nine months of fiscal 1995 decreased to $65,697 from $115,043 in the same period of fiscal 1994. The decline resulted from the liquidation of short-term investments to finance the acquisition of a new medical tape production line and a new therapeutic production line plus the increases in receivables and inventory necessary to support the growing business.

Earnings before income taxes and equity in losses of unconsolidated subsidiary for the third quarter, as a percent of total revenues, increased from 0.8% in fiscal 1994 to 6.3% in fiscal 1995. Earnings before income taxes and equity in losses of unconsolidated subsidiary for the third quarter were $17,234 and $266,759 in 1994 and 1995, respectively. For the first nine months earnings before income taxes and equity in losses of unconsolidated subsidiary as a percent of total revenues decreased from 11.3% in fiscal 1994 to 3.8% in fiscal 1995. Earnings before income taxes and equity in losses of unconsolidated subsidiary for the first nine months were $887,610 and $407,198 in 1994 and 1995, respectively. The increase in earnings before income taxes and equity in losses of unconsolidated subsidiary for the quarter was the result of increased sales, the inclusion of Natus Corporation sales and increased margins which were offset to a lesser degree by increased selling, general and administrative expenses associated with the inclusion of Natus Corporation and increased research and development expenses. The decrease in earnings before income taxes and equity in losses of unconsolidated subsidiary for the nine months was the result of significantly reduced margins on medical tape plus the increased selling, general and administrative expenses associated with the inclusion of Natus Corporation and increased research and development expenses.

Liquidity and Capital Resources

The Company has used internally generated cash to support growth and capital spending. The Company continues to have an unused $1,000,000 line of credit available to meet current operating requirements. The Company estimates that capital expenditures will exceed $1,300,000 for equipment and capital improvements during fiscal 1995. The Company continues to have a strong Balance Sheet with no long term debt and a current ratio at the end of the third quarter of fiscal 1995 of 3.79 as compared to 7.45 at the end of the same period of 1994. Working capital, at the end of the third quarter of fiscal 1995, decreased to $4,401,270 from $5,957,622 at the end of the same period of fiscal 1994.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

There have been no changes in the rights of security holders.

Item 3. Defaults Upon Senior Securities
Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

The registrant is not aware of any other information of material importance to be included in this report.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - EX.27 Financial Data Schedule for SEC use.

(b) Reports on Form 8-K

None

SIGNATURES

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.

LECTEC CORPORATION

Date May 12, 1995 */s/ Erwin W. Templin II*
Erwin W. Templin II, EVP & CFO

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