UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2004.

[ ] 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 small business issuer 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)

(952) 933-2291
(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed from last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 issuer's common stock as of May 12, 2004 was 4,017,327 shares.

Transitional Small Business Disclosure Format (Check one):

Yes [ ] No [X]

LECTEC CORPORATION

REPORT ON FORM 10-QSB FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2004

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FORWARD-LOOKING STATEMENTS

From time to time, in reports filed with the Securities and Exchange Commission (including this Form 10-QSB), in press releases, and in other communications to shareholders or the investment community, the Company may provide forward-looking statements concerning possible or anticipated future results of operations or business developments which are typically preceded by the words "believes", "expects", "anticipates", "intends", "will", "may", "should" or similar expressions. Such forward-looking statements are subject to risks and uncertainties which could cause results or developments to differ materially from those indicated in the forward-looking statements. Such risks and uncertainties include, but are not limited to, the Company's dependence on major customers and the continuance of prepayment terms; competitive forces including new products or pricing pressures; impact of interruptions to production; dependence on key personnel; need for regulatory approvals; changes in governmental regulatory requirements or accounting pronouncements; ability to satisfy funding and capital requirements for operating needs, expansion or capital expenditures and the matters discussed on the "Cautionary Statements" filed as Exhibit 99.01 to the Company's Report on Form 10-KSB for the year ended December 31, 2003.

PART I - FINANCIAL INFORMATION

ITEM 1- CONDENSED FINANCIAL STATEMENTS AND NOTES TO CONDENSED FINANCIAL STATEMENTS

LECTEC CORPORATION
CONDENSED BALANCE SHEETS

<TABLE>
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<S>	(Unaudited) March 31, 2004 <C>	December 31, 2003 <C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 733,506	$ 483,844
Trade and other receivables, net of allowances of $41,767 and $46,000 at March 31, 2004 and December 31, 2003	100,254	203,866
Inventories:		
Raw materials	540,267	465,050
Work-in-process	15,087	41,354
Finished goods	222,504	587,065
	777,858	1,093,469
Prepaid expenses and other	222,255	220,813
Total current assets	1,833,873	2,001,992
PROPERTY, PLANT AND EQUIPMENT - AT COST, NET	409,474	477,063
OTHER ASSETS:		
Patents and trademarks, less accumulated amortization of $1,328,434 and $1,305,180 at March 31, 2004 and December 31, 2003	219,814	211,595
	$ 2,463,161	$ 2,690,650

</TABLE>

See notes to condensed financial statements.

LECTEC CORPORATION
CONDENSED BALANCE SHEETS - CONTINUED

<TABLE>
<CAPTION>

	(Unaudited) March 31, 2004	December 31, 2003
<S>	<C>	<C>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Current maturities of long-term obligations	231,826	232,564
Accounts payable	377,996	336,749
Accrued expenses	370,651	361,828
Reserve for sales returns and credits	208,626	140,557
Customer deposits	1,215,897	1,710,282
Total current liabilities	2,404,996	2,781,980
LONG-TERM OBLIGATIONS, LESS CURRENT MATURITIES	60,442	62,438
COMMITMENTS AND CONTINGENCIES	-	-
SHAREHOLDERS' DEFICIT:		
Common stock, $.01 par value: 15,000,000 shares authorized; 3,979,327 shares issued and outstanding at March 31, 2004 and December 31, 2003	39,793	39,793
Additional paid-in capital	11,627,507	11,550,743
Accumulated deficit	(11,669,577)	(11,744,304)
	(2,277)	(153,768)
	$ 2,463,161	$ 2,690,650

</TABLE>

See notes to condensed financial statements.

LECTEC CORPORATION
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

<TABLE>
<CAPTION>

	Three months ended March 31, 2004	Three months ended March 31, 2003
<S>	<C>	<C>
Net sales	$ 2,479,300	$ 1,645,690
Cost of goods sold	1,733,535	1,154,391
Gross profit	745,765	491,299
Operating expenses:		
Sales and marketing	67,948	198,077
General and administrative	450,901	482,365
Research and development	147,240	101,532
Loss on sale of building	-	52,375
	666,089	834,349
Income (loss) from operations	79,676	(343,050)
Other income (expense):		
Interest expense	(4,791)	(18,932)
Other, net	(158)	2,496
Net income (loss)	$ 74,727	$ (359,486)
Net income (loss) per share:		
Basic	$ 0.02	$ (0.09)

Diluted	$ 0.02	$ (0.09)
Weighted average shares outstanding:		
Basic	3,979,327	3,966,395
Diluted	4,140,735	3,966,395

</TABLE>

See notes to condensed financial statements.

LECTEC CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>
<CAPTION>

	Three months ended March 31,	
	2004	2003
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 74,727	$ (359,486)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Loss on sale of building	-	52,375
Depreciation and amortization	90,843	138,285
Compensation expense related to repriced stock options	76,765	-
Changes in operating assets and liabilities:		
Trade and other receivables	103,612	131,770
Inventories	315,611	(159,089)
Prepaid expenses and other	(1,442)	8,584
Accounts payable	41,247	172,637
Accrued expenses and other	76,891	(179,888)
Customer deposits	(494,385)	(37,103)
Net cash provided by (used in) operating activities	283,869	(231,915)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	-	(5,927)
Proceeds from sale of property, plant and equipment	-	845,000
Investment in patents and trademarks	(31,473)	(30,678)
Net cash provided by (used in) investing activities	(31,473)	808,395
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgage note payable	-	(820,000)
Repayment of long-term obligations	(2,734)	(30,877)
Net cash used in financing activities	(2,734)	(850,877)
Net increase (decrease) in cash and cash equivalents	249,662	(274,397)
Cash and cash equivalents at beginning of period	483,844	671,588
Cash and cash equivalents at end of period	$ 733,506	$ 397,191
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest expense	$ 1,455	$ 17,168
SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES:		
Fair value of warrants issued in connection with the sale of building	$ -	$ 158,000
Value of free rent received in connection with the sale of building	$ -	$ 228,512

</TABLE>

See notes to condensed financial statements.

LECTEC CORPORATION
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2004 AND 2003

(Unaudited)

(1) GENERAL

The accompanying condensed financial statements include the accounts of LecTec Corporation (the "Company") as of and for the three month periods ended March 31, 2004 and 2003. The Company's condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and should be read in conjunction with the Company's Annual Report on Form 10-KSB for the year ended December 31, 2003. The interim condensed financial statements are unaudited and in the opinion of management, reflect all adjustments 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) MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

BUSINESS SUMMARY

LecTec Corporation (the "Company") is a health care and consumer products company that develops, manufactures, and markets products based on its advanced skin interface technologies. Primary products include a complete line of over-the-counter ("OTC") therapeutic patches and a line of skin care products. The Company markets and sells its products to consumers through other health care consumer products companies, retail outlets (food, chain drug, and mass merchandise stores), and directly from the Internet. All of the products manufactured by the Company are designed to be effective, safe, and highly compatible with skin.

CRITICAL ACCOUNTING POLICIES

Some of the most critical accounting policies include:

Revenue Recognition

For domestic sales, revenue is recognized when the product has been shipped to the customer and collection is probable. For international sales, revenue is recognized when the product is received by the customer and collection is probable.

Inventories

Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or market.

LIQUIDITY, GOING CONCERN, AND WIND DOWN OF MANUFACTURING OPERATIONS

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. However, the Company has experienced recurring negative cash flows from operations and net losses resulting in an accumulated deficit of $11,669,577 as of March 31, 2004 and, as of that date, the Company's current liabilities exceeded its current assets by $571,123. In addition, the Company's two largest customers have indicated their intention to discontinue their supply arrangements with the Company during 2004. It is management's intent to wind down its manufacturing operations, sell off manufacturing assets, renegotiate its facility leases and fund continuing operations with royalty income from licensing agreements or from other income derived from protection of rights pertaining to the Company's intellectual property.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon profitable operations of the Company and access to working capital financing. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company cease operations or be unable to continue in existence.

In connection with the pending cessation of manufacturing operations, the Company has implemented employee reduction and retention programs to reduce the number of employees needed to support the wind down of manufacturing operations while retaining those employees who are critical to that process and to managing the Company's ongoing licensing agreements and intellectual property portfolio. The Company is exploring its alternatives with respect to the sale of its manufacturing assets, the renegotiation or termination of its leases and other contractual obligations, and other adjustments resulting directly from the Company's exit from manufacturing operations. In addition, the Company will be considering other possible fundamental changes in future periods that could include, among other things, a sale of its remaining assets or of the business as a whole.

At March 31, 2004, the Company's cash resources are insufficient to fund operations for the foreseeable future without the continuation of prepayment terms on future product orders with the Company's major customers or obtaining additional outside capital or funding. Furthermore, the Company does not have any other financing resources in place from which the it can borrow or obtain additional working capital. These factors raise substantial doubt about its ability to continue as a going concern.

There can be no assurance that sources of additional capital or funds will be available on terms acceptable to the Company, if at all. If the Company is not successful in obtaining additional funding, or in continuing prepayment terms on future product orders with its major customers, it may not be able to continue as a going concern.

(3) NET INCOME (LOSS) PER SHARE

The Company's basic net income (loss) per share amounts have been computed by dividing net income (loss) by the weighted average number of outstanding common shares. The Company's diluted net income (loss) per share amounts have been computed by dividing net income (loss) by the weighted average number of outstanding common shares and common share equivalents, when dilutive. Options and warrants to purchase 302,861 and 1,189,415 shares of common stock with weighted average exercise prices of $4.39 and $2.00 were outstanding during the three-month periods ended March 31, 2004 and 2003, respectively, but were excluded from the calculation because they were anti-dilutive.

(4) SEGMENTS

The Company operates its business in one reportable segment - the manufacture and sale of products based on advanced skin interface technologies. The Company also has only one major product line - therapeutic topical skin patch products for the consumer market. The Company's products have similar economic characteristics, technology, manufacturing processes, and regulatory environments. Customers and distribution and marketing strategies vary within individual products as well as overlap between products. The Company's executive decision makers evaluate sales performance based on the total sales of each product and profitability on a total company basis, due to shared infrastructures, to make operating and strategic decisions. Net sales by product line for the three-month periods ended March 31, 2004 and 2003 were as follows:

<TABLE>
<CAPTION>

	Three months ended March 31,	
	2004	2003
<S>	<C>	<C>
Therapeutic consumer products	$2,476,426	$1,641,614
Skin care products	2,874	4,076
	$2,479,300	$1,645,690

</TABLE>

(5) LONG-TERM OBLIGATIONS

In May 2002, the Company entered into a $220,000 promissory note with a major customer related to the costs incurred by the customer associated with resolving a packaging issue that previously had been recorded as a sales credit by the Company. The principal balance of the note was originally due in December 2003 and is subject to ongoing negotiations regarding payment. Interest is accrued at the prime rate plus 2.0% (effective rate of 6.0% at March 31, 2004). The promissory note is collateralized by substantially all of the Company's assets.

The Company has capital lease obligations related to its leased corporate facility as well as leased computer and production equipment. Capital lease obligations are due through June 2013 in various monthly installments up to $879 and carry interest up to 19.1%. The obligations are generally collateralized by equipment. At March 31, 2004, the principal balance remaining on capital lease obligations was $72,268.

(6) CUSTOMER DEPOSITS

The Company receives advance payments from customers for future product orders and records these amounts as liabilities. At March 31, 2004, the Company had recorded customer deposits of $1,215,897.

(7) SALE OF CORPORATE FACILITY

In February 2003, the Company sold its corporate facility in Minnetonka, Minnesota for an aggregate purchase price of $910,270, repaid the balance of the mortgage note payable of $820,000, and recorded a loss on sale of $52,375 during the quarter ended March 31, 2003. In connection with the sale, the Company entered into a lease of its corporate facility which granted the Company free rent for the twelve months following the sale/leaseback transaction and thereafter extends the lease at costs based on current market conditions. The lease has been extended to February 2005 at a base rent per month of $10,853. Also in connection with the sale, the purchaser received a warrant to purchase 200,000 shares of common stock at $0.90 per share.

(8) STOCK BASED COMPENSATION

In July 2002, 803,958 stock options with a weighted average exercise price of $4.54 per share were re-priced to $0.81 per share. At March 31, 2004, 198,500 of these options were outstanding, 196,833 of which were exercisable. No compensation expense was recorded by the Company in connection with the re-pricing, as the exercise price exceeded the market price on the date of the re-pricing. However, at March 31, 2004 the ending market price for the Company's common stock exceeded the exercise price of the re-priced options. Accordingly, compensation expense of $76,765 was recorded for the three months ended March 31, 2004.

The Company utilizes the intrinsic value method of accounting for stock based employee compensation plans. All options granted had an exercise price equal to the market value of the underlying common stock on the date of grant and no compensation cost related to stock option grants is reflected in net income or loss for the three months ended March 31, 2004 and 2003. The following table illustrates the effect on net income or loss if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-based Compensation:

<TABLE>
<CAPTION>

	Three months ended March 31, 2004	Three months ended March 31, 2003
<S>	<C>	<C>
Net income (loss), as reported	$74,727	$(359,486)
Less: compensation expense determined under the fair value method	(26,805)	(49,954)
Pro-forma net income (loss)	$47,922	$(409,440)
Net income (loss) per share:		
Basic, as reported	$ 0.02	$ (0.09)
Basic, pro-forma	0.01	(0.10)
Diluted, as reported	0.02	(0.09)
Diluted, pro-forma	0.01	(0.10)

</TABLE>

The pro-forma information above should be read in conjunction with the related historical information.

The weighted average fair value of options granted during the three months ended March 31, 2004 and 2003 was $1.09 and $0.56. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option valuation model with the following weighted-average assumptions used for all grants during the three months ended March 31, 2004 and 2003; zero dividend yield, expected volatility of 179% and 144%, risk-free interest rates of 2.72% and 3.24% and expected lives of 3.0 and 4.0 years, respectively.

Management believes the Black-Scholes option valuation model currently provides the best estimate of fair value. However, the Black-Scholes option valuation model was developed for use in estimating the fair value of traded *options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of several subjective assumptions. The Company's employee and director stock options have characteristics different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate.*

(9) INCOME TAXES

No federal or state income taxes were provided for the quarter ended March 31, 2004, due to available tax credit and net operating loss carryforwards to the current period. The provision for income tax benefits for the quarter ended March 31, 2003 has been offset by a valuation allowance for deferred taxes.

(10) RECENT ACCOUNTING PRONOUNCEMENTS

In November 2002, the Financial Accounting Standards Board (FASB) issued Financial Interpretations No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". FIN 45 addresses the disclosure requirements of a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. FIN 45 also requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements of FIN 45 were effective for the Company for the year ended December 31, 2002. The liability recognition requirements are applicable prospectively to all guarantees issued or modified after January 1, 2003. The Company currently does not have guarantees within the scope of this pronouncement, and therefore this interpretation is not anticipated to have an impact on the Company's consolidated financial position or results of operations

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities". FIN 46 is an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," and addresses consolidation by business enterprises of variable interest entities. FIN 46 applies immediately to variable interest entities created or obtained before January 31, 2003 and applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. This interpretation is not anticipated to have an impact on the Company's consolidated financial position or results of operations.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

THREE MONTHS ENDED MARCH 31, 2004 AND 2003

RESULTS OF OPERATIONS

Total net sales for the first quarter of 2004 were $2,479,300 compared to net sales of $1,645,690 for the first quarter of 2003, an increase of 50.7%. The increase was the result of higher therapeutic consumer contract manufacturing sales due to product acceptance and a stronger cough/cold season.

Contract manufacturing net sales increased 74.6% to $2,328,771 for the first quarter of 2004 from $1,333,538 for the same period in the prior year. Contract manufacturing net sales for the first quarter of 2004 includes sales of $601,973, or 24.3% of total net sales, from two customers for which the Company does not anticipate any future orders.

Therapeutic branded consumer product net sales decreased 71.8% in the first quarter of 2004 to $88,076 from $312,152 for the same period in the prior year. The branded consumer product sales decrease was attributable to a reduction in the number of TheraPatch products available and the lack of retail advertising and support programs.

Gross profit for the first quarter of 2004 was $745,765, compared to $491,299 for the first quarter of 2003, an increase of 51.7%. Gross profit as a percent of net sales for the first quarter of 2004 was 30.1% compared to 29.9% for the first quarter of the prior year. The increase in gross profit dollars for the first quarter of 2004 resulted primarily from the increased contract manufacturing sales volume. The slight increase in gross profit as a percentage of net sales for the first quarter of 2004 resulted primarily from lower inventory obsolescence costs offset in part by first quarter 2004 accruals for employee severance costs related to the manufacturing wind down (see "Wind Down of Manufacturing Operations" below).

Sales and marketing expenses were $67,948 and $198,077 during the first quarters of 2004 and 2003, and as a percentage of net sales, were 2.7% and 12.0%, respectively. The decrease in sales and marketing expenses was primarily *due to reductions in salaries and related benefits, travel expenditures, broker commissions and other retail-related costs, and the elimination of advertising expenses, as the Company retrenched to a position of pursuing contract manufacturing opportunities that reduced the sales force and consolidated the consumer and contract marketing efforts. Currently the Company has no employee sales force and operates with a staff of two part time sales/customer service employees.*

General and administrative expenses were $450,901 and $482,365 during the first quarters of 2004 and 2003, and as a percentage of net sales, were 18.2% and 29.3%, respectively. The decrease in general and administrative expenses was primarily due to declines in headcount, consulting costs, corporate legal fees, travel and entertainment expenses, building depreciation and bad debt expense, offset in part by first quarter 2004 compensation expense related to re-priced stock options outstanding (see Note 8 of Notes to Condensed Financial Statements in Item 1 of this Report), accruals for employee severance costs and rent expense related to the Company's sale and leaseback of its corporate facility in Minnetonka, Minnesota (see Note 7 of Notes to Condensed Financial Statements in Item 1 of this Report). The Company anticipates general and administrative expenditures will continue to decrease during the manufacturing wind down period (see "Wind Down of Manufacturing Operations" below).

Research and development expenses for the first quarters of 2004 and 2003 were $147,240 and $101,532, and as a percentage of net sales, were 5.9% and 6.2%, respectively. The increase in research and development expenses resulted primarily from an increase in first quarter 2004 patent-related legal costs, accruals for employee severance costs and compensation expense related to re-priced stock options outstanding (see Note 8 of Notes to Condensed Financial Statements in Item 1 of this Report), offset in part by decreases in headcount and compensation-related expenses due to staff turnover. The Company anticipates research and development expenditures will decrease during the manufacturing wind down period (see "Wind Down of Manufacturing Operations" below).

During the quarter ended March 31, 2003, the Company recorded a loss of $52,375 on the February 2003 sale and leaseback of its Minnetonka, Minnesota corporate facility. The Company also repaid an outstanding mortgage note payable in connection with the building sale (see Note 7 of Notes to Condensed Financial Statements in Item 1 of this Report).

Interest expense declined in the first quarter of 2004 to $4,791 from $18,932 in the first quarter of 2003. The decline resulted primarily from the absence of mortgage interest in connection with the sale of the Minnetonka, Minnesota corporate facility in February 2003. Other expense for the first quarter of 2004 was $158 compared to other income of $2,496 for the first quarter of 2003. The decline was primarily the result of decreased interest income on overnight investment of available operating cash.

The Company recorded net income of $74,727 for the first quarter of 2004 compared to a net loss of $359,486 for the first quarter of 2003. The improvement in income (loss) was primarily the result of higher contract manufacturing sales coupled with lower operating expenses resulting from the shift in focus to contract manufacturing and the related cost reduction efforts.

No federal or state income taxes were provided for the first quarter of 2004, due to available tax credit and net operating loss carryforwards to the current period. The provision for income tax benefits for the first quarter of fiscal 2003 has been offset principally by a valuation allowance for deferred taxes.

Inflation has not had a significant impact on the Company's operations or cash flow.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased by $249,662 during the quarter ended March 31, 2004 to $733,506 at quarter-end. The increase in cash and cash equivalents during the first quarter of 2004 was due to cash provided by operating activities of $283,869. Trade and other receivables decreased $103,612 during the first quarter of 2004 to $100,254 at March 31, 2004, primarily due to lower branded consumer products sales. Inventories decreased by $315,611 during the first quarter of 2004 to $777,858 at March 31, 2004, from $1,093,469 at December 31, 2003, due primarily to the shipment of several lots of contract manufacturing finished goods in January and February 2004 which were produced in the fourth quarter of 2003. Accounts payable increased $41,247 during the first quarter of 2004 to $377,996 at March 31, 2004, from $336,749 at December 31, 2003, primarily due to the timing of inventory purchases and raw material receipts.

There was no capital spending for the first quarter of 2004 and there were no material commitments for capital expenditures at March 31, 2004.

Investments in patents and intellectual property was $31,473 for the quarter ended March 31, 2004. Cash used in financing activities totaled $2,734 for the quarter ended March 31, 2004, due to the repayment of long-term capital lease obligations.

The Company had a working capital deficit of $571,123 and a current ratio of 0.76 at March 31, 2004 compared to a working capital deficit of $779,988 and a current ratio of 0.72 at December 31, 2003. The improvement in the working capital deficit and current ratio during the quarter ended March 31, 2004 is primarily due to first quarter 2004 shipments against product prepayments received in 2003.

In May 2002, the Company and Novartis Consumer Health, Inc. ("Novartis"), the Company's largest customer, amended and restated its Supply Agreements, incorporating a number of changes that included a vehicle for prepayment against future orders. Since that time the Company has been receiving advance payments on future production orders from Novartis. At March 31, 2004, the amount owed to Novartis under product prepayment deposits was approximately $1,070,000. In exchange for this product prepayment program, the Company agreed to a conversion of a payable of $220,000 to a note payable, the execution of a non-exclusive license agreement that would survive the Company in the event of default on the Supply Agreements and the grant of a security interest in most of the Company's assets. The Company has also been receiving advance product payments from other customers. Maintaining adequate levels of working capital to support the Company's manufacturing operations has been and will be dependent upon the continuation of these advance product payments.

WIND DOWN OF MANUFACTURING OPERATIONS

In September 2003, the Company learned that, as a result of a change in its internal supplier selection criteria, Novartis intends to stop using LecTec as a contract manufacturer for its topical patches during 2004. In addition, Johnson & Johnson Consumer Products Company, the Company's second largest customer, has indicated that it also intends to stop using the Company as a contract manufacturer in 2004.

Novartis and Johnson & Johnson accounted for approximately 55% and 16% of the Company's net sales for the year ended December 31, 2003. Based on these anticipated changes, the Board of Directors has determined that the Company will cease manufacturing operations prior to the end of the third quarter of 2004. The Company anticipates that it will enter into a licensing agreement with Novartis and possibly other contract manufacturing customers to enable them to use the Company's proprietary patch technology in producing topical patch products in the future. However, there can be no assurance that the Company will be successful in entering into these licensing agreements. The Company currently believes that it will be able to wind down and exit its manufacturing operations and facility lease obligations without defaulting on its contractual obligations to any contract manufacturing customer. However, there can be no assurance that the Company will be able to exit manufacturing or its facility lease without defaulting on contractual obligations or other debts which become due and payable.

It is management's intent to wind down its manufacturing operations, sell off manufacturing assets, renegotiate its facility leases and fund continuing operations with royalty income from licensing agreements or from other income derived from protection of rights pertaining to the Company's intellectual property. However, there can be no assurance that the Company will be successful in the wind down of manufacturing operations, selling off the manufacturing assets, renegotiating its manufacturing facility lease, negotiation of license agreements, or in the protection of the Company's rights related to intellectual property.

In connection with the pending cessation of manufacturing operations, the Company has implemented employee reduction and retention programs to reduce the number of employees needed to support the wind down of manufacturing operations while retaining those employees who are critical to that process and to managing the Company's ongoing licensing agreements and intellectual property portfolio. The Company is exploring its alternatives with respect to the sale of its manufacturing assets, the renegotiation or termination of its leases and other contractual obligations, and other adjustments resulting directly from its exit from manufacturing operations. In addition, the Company will be considering other possible fundamental changes in future periods that could include, among other things, a sale of its remaining assets or of the business as a whole.

The Company believes its existing cash and cash equivalents will not be sufficient to fund operations through 2004. The Company currently does not have any new or additional committed sources of capital or financing identified, and there can be no assurance that additional funding will be available in a timely manner, on acceptable terms, or at all. In addition, the Company may not be successful in winding down its manufacturing operations without defaulting on its existing contractual obligations, and may require additional funds for its ongoing operations during the wind down period. If adequate funds are not available, the Company may be forced to further scale-back, eliminate certain aspects of or cease operations entirely in the near future, or attempt to obtain funds through unfavorable arrangements with partners or others that may require the Company to relinquish rights to certain technologies or potential markets or which otherwise may be materially unfavorable to the Company. The survivability of the Company is also dependant upon the Company continuing to receive cash under the prepayment agreement it has with Novartis, its largest customer. All these factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, to obtain additional financing as may be required, and ultimately to attain successful operations.

ITEM 3 - CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based upon this evaluation, the principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in timely alerting them to the material information relating to the Company required to be included in the reports we file or submit under the Exchange Act.

During the quarter ended March 31, 2004, there were no changes in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None.

ITEM 2 - CHANGES IN SECURITIES AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

<TABLE>
<CAPTION>

Item No.	Item
31.01	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.02	Certification of Acting Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.01	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
99.01	Cautionary Statements (incorporated herein by reference to Exhibit 99.01 to the Company's Report on Form 10-KSB for the fiscal year ended December 31, 2003).

</TABLE>

(b) REPORTS ON FORM 8-K

No Reports on Form 8-K were filed during the quarter covered by this Report.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LECTEC CORPORATION

Date May 12, 2004

By /s/ Timothy P. Fitzgerald

Timothy P. Fitzgerald
Chief Executive Officer & President
(principal financial officer)

EXHIBIT 31.01

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Timothy P. Fitzgerald, Chief Executive Officer and President of LecTec Corporation, a Minnesota corporation, certify that:

1. I have reviewed this quarterly Report on Form 10-QSB of LecTec Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have;

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: May 12, 2004

/s/ Timothy P. Fitzgerald

Timothy P. Fitzgerald
Chief Executive Officer and President

EXHIBIT 31.02

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Timothy P. Fitzgerald, Chief Executive Officer and President of LecTec Corporation, a Minnesota corporation, certify that:

1. I have reviewed this quarterly Report on Form 10-QSB of LecTec Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have;

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: May 12, 2004

/s/ Timothy P. Fitzgerald

Timothy P. Fitzgerald
Chief Executive Officer and President

EXHIBIT 32.01

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of LecTec Corporation (the "Company") on Form 10-QSB for the quarter ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy P. Fitzgerald, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

1. *The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and*

2. *The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.*

/s/ Timothy P. Fitzgerald

Timothy P. Fitzgerald
Chief Executive Officer and President
(principal executive and financial officer)
May 12, 2004