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, 2000.

[ ] 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: (952) 933-2291

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 10, 2000 was 3,890,994 shares.

LECTEC CORPORATION

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2000

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PART I - FINANCIAL INFORMATION

PART I - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS AND NOTES TO FINANCIAL STATEMENTS

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	March 31, 2000	June 30, 1999
	(Unaudited)	
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 35,910	$ 1,022,025
Receivables		
Trade, net of allowances of $116,921 (unaudited) and $101,751 at March 31, 2000 and June 30, 1999	2,537,196	2,335,314
Refundable income taxes	--	7,544
Other	3,716	8,687
	2,540,912	2,351,545
Inventories		
Raw materials	1,635,357	1,324,973
Work-in-process	46	69,324
Finished goods	712,134	602,227
Total inventories	2,347,537	1,996,524
Prepaid expenses and other	233,644	174,674
Deferred income taxes	354,000	354,000
Total current assets	5,512,003	5,898,768
PROPERTY, PLANT AND EQUIPMENT - AT COST		
Land	247,731	247,731
Building and improvements	1,938,996	1,841,742
Equipment	7,382,996	7,157,016
Furniture and fixtures	413,013	413,013
	9,982,736	9,659,502
Less accumulated depreciation	6,232,544	5,631,011
	3,750,192	4,028,491
OTHER ASSETS		
Patents and trademarks, less accumulated amortization of $1,258,829 (unaudited) and $1,154,698 at March 31, 2000 and June 30, 1999	168,787	199,971
Other	5,343	5,343
	174,130	205,314
	$ 9,436,325	$ 10,132,573

</TABLE>

See accompanying notes to the consolidated financial statements.

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - CONTINUED

<TABLE>
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	March 31, 2000	June 30, 1999
	(Unaudited)	
<S>	<C>	<C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Line of credit	$ 412,418	$ --
Accounts payable	2,223,804	1,676,776
Accrued expenses		
Payroll related	493,436	403,075
Retail support programs	431,756	165,472
Other	184,353	181,730
Total current liabilities	3,745,767	2,427,053

DEFERRED INCOME TAXES	197,000	197,000
SHAREHOLDERS' EQUITY		
Common stock, $.01 par value: 15,000,000 shares authorized; 3,890,494 shares (unaudited) and 3,876,476 shares issued and outstanding at March 31, 2000 and June 30, 1999	38,905	38,765
Additional paid-in capital	11,289,329	11,262,654
Accumulated other comprehensive loss	(11,841)	(11,841)
Deficit in retained earnings	(5,822,835)	(3,781,058)
	5,493,558	7,508,520
	$ 9,436,325	$ 10,132,573

</TABLE>

See accompanying notes to the consolidated financial statements.

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

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	Three months ended March 31,		Nine months ended March 31,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Net sales	$ 3,934,825	$ 3,196,311	$ 10,243,282	$ 9,202,645
Cost of goods sold	2,423,164	2,027,130	6,729,326	6,090,473
Gross profit	1,511,661	1,169,181	3,513,956	3,112,172
Operating expenses				
Sales and marketing	1,240,070	651,926	2,838,770	1,531,397
General and administrative	643,948	586,442	1,891,821	1,954,533
Research and development	264,896	298,367	844,860	864,405
	2,148,914	1,536,735	5,575,451	4,350,335
Loss from operations	(637,253)	(367,554)	(2,061,495)	(1,238,163)
Other income (expense), net	(6,075)	19,788	19,718	78,576
Loss before income taxes	(643,328)	(347,766)	(2,041,777)	(1,159,587)
Income tax expense	--	1,103	--	2,715
Net loss	$ (643,328)	$ (348,869)	$ (2,041,777)	$ (1,162,302)
Net loss per share - basic and diluted	$ (0.17)	$ (0.09)	$ (0.53)	$ (0.30)
Weighted average shares outstanding - basic and diluted	3,890,494	3,867,774	3,882,746	3,920,037

</TABLE>

See accompanying notes to the consolidated financial statements.

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

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	Nine Months Ended March 31,	
	2000	1999

<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (2,041,777)	$ (1,162,302)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	707,403	634,554
Gain on sale of equipment	(166)	--
Changes in operating assets and liabilities:		
Trade and other receivables	(189,367)	(436,801)
Refundable income taxes	--	52,000
Inventories	(351,013)	(174,800)
Prepaid expenses and other	(58,970)	(89,893)
Accounts payable	455,574	605,415
Accrued expenses	359,268	119,377
Net cash used in operating activities	(1,119,048)	(452,450)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(326,215)	(254,928)
Investment in patents and trademarks	(72,947)	(68,258)
Proceeds from sale of equipment	1,408	--
Net cash used in investing activities	(397,754)	(323,186)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings on line of credit	412,418	--
Issuance of common stock	26,815	--
Repurchases and retirement of common stock	--	(543,399)
Cash overdraft	91,454	--
Net cash provided by (used) in financing activities	530,687	(543,399)
Net decrease in cash and cash equivalents	(986,115)	(1,319,035)
Cash and cash equivalents at beginning of period	1,022,025	2,186,532
Cash and cash equivalents at end of period	$ 35,910	$ 867,497
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest expense	$ 5,233	$ --
Income taxes	--	22,128

</TABLE>

See accompanying notes to the consolidated financial statements.

LECTEC CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
QUARTERS ENDED MARCH 31, 2000 AND 1999
(UNAUDITED)

(1) GENERAL

The accompanying consolidated financial statements include the accounts of LecTec Corporation (the "Company") and LecTec International Corporation, a wholly-owned subsidiary which was dissolved and merged into LecTec Corporation on December 31, 1999. All significant intercompany balances and transactions have been eliminated in consolidation. The Company's financial statements for the three months and nine months ended March 31, 2000 should be read in conjunction with its Annual Report on Form 10-K and its Annual Report to Shareholders for the fiscal year ended June 30, 1999. The interim 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) NET LOSS

The Company's basic net loss per share amounts have been computed by dividing net loss by the weighted average number of outstanding common shares. The Company's diluted net loss per share amounts have been computed by dividing net loss by the weighted average number of outstanding common shares and common share equivalents, when dilutive. Options and warrants to purchase 976,705 and 888,822 shares of common stock with a weighted average exercise price of $5.83

and $7.56 were outstanding during the three months ended March 31, 2000 and 1999, but were excluded because they were antidilutive. Options and warrants to purchase 1,054,530 and 876,489 shares of common stock with a weighted average exercise price of $6.19 and $7.64 were outstanding during the nine months ended March 31, 2000 and 1999, but were excluded because they were antidilutive.

(3) COMPREHENSIVE LOSS

For the quarter and nine months ended March 31, 2000 and 1999, there were no items which the Company is required to recognize as components of comprehensive income (loss), therefore comprehensive loss was the same as net loss.

(4) SEGMENTS

The Company operates its business in one reportable segment - the manufacture and sale of products based on advanced skin interface technologies. Each of the Company's major product lines has similar economic characteristics, technology, manufacturing processes, and regulatory environments. Customers and distribution and marketing strategies vary within major product lines as well as overlap between major product lines. The Company's executive decision makers evaluate sales performance based on the total sales of each major product line and profitability on a total company basis, due to shared infrastructures, to make operating and strategic decisions. Net sales by major product line were as follows:

Three months ended March 31,	2000	1999
Conductive products	$1,988,864	$1,928,691
Medical tape products	525,149	701,701
Therapeutic consumer products	1,420,812	565,919
	$3,934,825	$3,196,311

Nine months ended March 31,	2000	1999
Conductive products	$5,493,225	$5,858,262
Medical tape products	1,546,511	2,168,121
Therapeutic consumer products	3,203,546	1,176,262
	$10,243,282	$9,202,645

(5) LINE OF CREDIT AND LIQUIDITY

In November 1999, the Company finalized a $2,000,000 line of credit which expires in November 2001. The line of credit is secured by the Company's receivables, inventory and equipment, and bears interest at the lending bank's prime rate plus three percentage points. Borrowings outstanding on the line of credit as of March 31, 2000, were $412,418. The credit agreement contains certain restrictive covenants which require the Company to maintain, among other things, specified levels of net worth and not to exceed specified cumulative losses. The Company was in compliance with all covenants as of March 31, 2000.

The Company had negative cash flows from operations of $1,119,048 for the nine months ended March 31, 2000. This cash requirement was satisfied principally from existing cash balances and the line of credit. Management is evaluating additional sources of capital that will be required to meet future operating cash flow requirements and the longer term expansion of the business.

(6) STOCK REPURCHASE PROGRAM

In April 1998, the Company's Board of Directors authorized a stock repurchase program pursuant to which up to 500,000 shares, or approximately 12.9% of the Company's outstanding common stock, may be repurchased. The shares may be purchased from time to time through open market transactions, block purchases, tender offers, or in privately negotiated transactions. The total consideration for all shares repurchased under this program cannot exceed $2,000,000. During the quarter ended March 31, 2000 no shares were repurchased and during the quarter ended March 31, 1999, 10,000 shares were repurchased for $19,062. During the nine months ended March 31, 2000 no shares were repurchased and during the nine months ended March 31, 1999, 175,650 shares were repurchased for $543,399. Through March 31, 2000 the Company has repurchased a total of 205,150 shares at a cost of $667,962 under this program.

(7) EMPLOYEE STOCK PURCHASE PLAN

The Company's employee stock purchase plan, adopted November 19, 1998, allows eligible employees to purchase shares of the Company's common stock through payroll deductions. The purchase price is the lower of 85% of the fair market value of the stock on the first or last day of each six-month period during which an employee participated in the plan. The Company has reserved

200,000 shares under the plan of which 14,018 shares were purchased by employees for $26,815 during the first nine months of fiscal 2000. As of March 31, 2000 employees have purchased a total of 29,144 shares for $59,821.

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

QUARTERS AND NINE MONTHS ENDED MARCH 31, 2000 AND 1999

RESULTS OF OPERATIONS

Net sales for the third quarter of fiscal 2000 were $3,934,825 compared to net sales of $3,196,311 for the third quarter of fiscal 1999, an increase of 23.1%. The increase was primarily the result of increased therapeutic consumer product sales which more than offset decreased medical tape sales. Therapeutic consumer product sales increased by 151.1% from $565,919 to $1,420,812 while conductive product sales, the Company's largest product group, increased by 3.1% and medical tape product sales decreased by 25.2%. The therapeutic consumer product sales increase was primarily the result of initial sales of a new acne product to Neutrogena Corporation as well as increased TheraPatch(R) sales volume, especially TheraPatch Vapor products. The decrease in medical tape product sales was primarily due to the absence of sales to a former low-margin slit roll tape customer.

Net sales for the first nine months of fiscal 2000 were $10,243,282 compared to net sales of $9,202,645 for the first nine months of fiscal 1999, an increase of 11.3%. The increase was primarily the result of increased therapeutic consumer product sales which more than offset decreased medical tape and conductive product sales. Therapeutic consumer product sales increased by 172.4% from $1,176,262 to $3,203,546 while conductive product sales, the Company's largest product group, decreased by 6.2% and medical tape product sales decreased by 28.7%. The therapeutic consumer product sales increase was primarily the result of increased TheraPatch sales volume, especially TheraPatch Vapor products and initial sales of the new acne product to Neutrogena Corporation. The conductive product sales decrease was primarily the result of the absence of sales to a former customer who began manufacturing their own product in the fourth quarter of fiscal 1999. Sales to the former customer in the first nine months of fiscal 1999 were approximately $485,000. Medical tape product sales decreased primarily due to reduced sales to a low-margin slit roll tape customer and decreases in sales volume to several other low-margin medical tape customers.

Gross profit for the third quarter of fiscal 2000 was $1,511,661 compared to $1,169,181 for the third quarter of fiscal 1999, an increase of 29.3%. Gross profit as a percent of net sales for the third quarter of fiscal 2000 was 38.4% compared to 36.6% for the third quarter of fiscal 1999. The increase in gross profit for the quarter resulted primarily from increased sales volume and the favorable impact of a change in the sales mix toward higher-margin therapeutic consumer products which more than offset increased labor costs. Labor costs were higher in the current quarter primarily due to an increase in staffing levels and overtime related to the production of therapeutic patch products.

Gross profit for the first nine months of fiscal 2000 was $3,513,956 compared to $3,112,172 for the first nine months of fiscal 1999, an increase of 12.9%. Gross profit as a percent of net sales for the first nine months of fiscal 2000 was 34.3% compared to 33.8% for the first nine months of fiscal 1999. The increase in gross profit for the nine months resulted primarily from increases sales volume and the favorable impact of a change in the sales mix toward higher-margin therapeutic consumer products which more than offset increased labor costs and depreciation expense. Labor costs were higher in the current nine months primarily due to an increase in staffing levels and overtime related to the production of therapeutic consumer patch products.

Sales and marketing expenses were $1,240,070 and $651,926 during the third quarters of fiscal 2000 and 1999, and as a percentage of net sales, were 31.5% and 20.4%. The increase in sales and marketing expenses for the quarter was primarily due to increased media advertising expenses, retail slotting fees and cooperative expenses related to sales of the TheraPatch product line. The Company anticipates that sales and marketing expenses as a percent of sales for the fourth quarter of fiscal 2000

will be comparable to the third quarter of fiscal 2000 due to marketing programs associated with the TheraPatch product line.

Sales and marketing expenses were $2,838,770 and $1,531,397 during the first nine months of fiscal 2000 and 1999, and as a percentage of net sales, were 27.7% and 16.6%. The increase in sales and marketing expenses for the first nine months was primarily due to increased retail slotting fees and advertising and cooperative expenses related to the TheraPatch product line.

General and administrative expenses were $643,948 and $586,442 during the third quarters of fiscal 2000 and 1999, and as a percentage of net sales, *were 16.4% and 18.4%. The increase in general and administrative expenses for the quarter was primarily due to increased consulting expenses.*

General and administrative expenses were $1,891,821 and $1,954,533 during the first nine months of fiscal 2000 and 1999, and as a percentage of net sales, were 18.5% and 21.2%. The decrease in general and administrative expenses for the first nine months of fiscal 2000 was primarily due to decreased legal expenses. Legal expenses in the prior year included approximately $126,000 of expenses associated with the renegotiation and modification of the license agreement for the development and commercialization of cotinine.

Research and development expenses for the third quarters of fiscal 2000 and 1999 were $264,896 and $298,367, and as a percentage of net sales, were 6.7% and 9.3%. The decrease in research and development expense for the current quarter primarily reflects decreased test-run production costs and supplies.

Research and development expenses for the first nine months of fiscal 2000 and 1999 were $884,860 and $864,405, and as a percentage of net sales, were 8.3% and 9.4%. The decrease in research and development expense for the first nine months of fiscal 2000 primarily reflects increased labor costs which were more than offset by a decrease in test-run production costs and supplies.

Other income (expense), net, decreased in the third quarter of fiscal 2000 to net expense of $6,075 from net income of $19,788 in the third quarter of fiscal 1999. Other income, net, decreased in the first nine months of fiscal 2000 to $19,718 from $78,576 in the first nine months of fiscal 1999. Both of the fiscal 2000 decreases were primarily the result of decreased interest income due to lower cash and cash equivalent balances and higher interest expense in the third quarter of fiscal 2000 related to the line of credit.

The Company recorded a loss before income taxes of $643,328 in the third quarter of fiscal 2000 compared to a loss before income taxes of $347,766 for the third quarter of fiscal 1999. The Company recorded a loss before income taxes of $2,041,777 in the first nine months of fiscal 2000 compared to a loss before income taxes of $1,159,587 for the first nine months of fiscal 1999. The increased loss in the current year third quarter and first nine months was primarily the result of increased sales and marketing expenses related to retail sales of the Company's TheraPatch products. The increased sales and marketing expenses more than offset an increase in gross profit that resulted from increased sales volume and a shift in the sales mix toward higher-margin therapeutic consumer products. The Company expects to incur similar losses in the fourth quarter of fiscal 2000 as it continues to incur increased sales and marketing expenses related to retail sales of TheraPatch consumer products.

The Company recorded no income tax expense or benefit in the third quarter and first nine months of fiscal 2000 compared to nominal income tax expense in the third quarter and first nine months of the prior year. There was no income tax benefit recorded during the third quarter and first nine months of fiscal 2000 since the loss benefit may not be realizable by the Company. Income tax expense in the third quarter and first nine months of fiscal 1999 reflects minimal tax expense associated with the Company's foreign sales corporation subsidiary.

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

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents decreased by $986,115 to $35,910 during the first nine months of fiscal 2000. Accounts receivable increased by $189,367 to $2,540,912 primarily due to increased sales for March 2000 as compared to June 1999. Inventories increased by $351,013 to $2,347,537 primarily due to increased raw materials and finished goods inventory related to therapeutic products which was partially offset by decreased finished goods inventory of medical tape. Accounts payable of $2,223,804 at March 31, 2000 increased by $547,028 during the first nine months primarily due to increased payables related to increased manufacturing production. Capital spending for manufacturing equipment and plant improvements totaled $326,215 during the first nine months of fiscal 2000. There were no material commitments for capital expenditures at March 31, 2000.

The Company had working capital of $1,766,236 and a current ratio of 1.5 at March 31, 2000 compared to working capital of $3,471,715 and a current ratio of 2.4 at June 30, 1999.

There was no long-term debt outstanding at March 31, 2000 or June 30, 1999. The Company finalized a $2,000,000 asset-based line of credit in November, 1999 and borrowings outstanding on the line of credit were $412,418 as of March 31, 2000. The Company was in compliance with all covenants as of March 31, 2000.

Management believes that internally-generated cash flow and the secured line of credit will be sufficient to support anticipated operating requirements through the fourth quarter of the current fiscal year that will end June 30, 2000. Management expects additional sources of cash in the next six months to include the proceeds from a mortgage or a sale and leaseback transaction of its corporate facility in Minnetonka, Minnesota, along with equipment financing to fund planned capital expenditures in the next six to twelve months. Additional sources of capital that will be required to enable the Company to meet its obligations, operating cash flow requirements and to support the longer term growth and expansion of the business are currently being evaluated by management. Maintaining adequate levels of working capital depends in part upon the success of the Company's products in the marketplace, the relative profitability of those products and the Company's ability to control operating expenses. Funding of the Company's operations in future periods is expected to require additional investments in the Company in the form of equity or debt. There can be no assurance that the Company will achieve desired levels of sales or profitability, or that future capital infusions will be available.

FORWARD-LOOKING STATEMENTS

From time to time, in reports filed with the Securities and Exchange Commission (including this Form 10-Q), 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 buying patterns of major customers; competitive forces including new products or pricing pressures; costs associated with and acceptance of the Company's TheraPatch brand strategy; impact of interruptions to production; dependence on key personnel; need for regulatory approvals; changes in governmental regulatory requirements or accounting pronouncements; and ability to satisfy funding requirements for operating needs, expansion or capital expenditures.

PART I - FINANCIAL INFORMATION
ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has no history of, and does not anticipate in the future, investing in derivative financial instruments, derivative commodity instruments or other such financial instruments. Transactions with international customers are entered into in U.S. dollars, precluding the need for foreign currency hedges. Additionally, the Company invests in money market funds and short-term commercial paper, which experience minimal volatility. Thus, the exposure to market risk is not material.

PART II

OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

None.

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Item No.	Item	Method of Filing
27	Financial data schedule	Filed herewith

(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 11, 2000*	*/s/ Rodney A. Young*
		Rodney A. Young, Chief Executive Officer & President
Date	*May 11, 2000*	*/s/ Deborah L. Moore*
		Deborah L. Moore, Chief Financial Officer

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