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, 1996.

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, 1996 was 3,807,733 shares.

LECTEC CORPORATION

Table of Contents

LECTEC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

<S>	March 31, 1996 (Unaudited) <C>	June 30, 1995 <C>
ASSETS		
Current Assets		
Cash and cash equivalents	$ 229,852	$ 839,942
Receivables		
Trade, less allowance for doubtful accounts of $17,771 (unaudited) and $18,000 at March 31, 1996 and June 30, 1995, respectively	2,485,830	2,027,985
Refundable income taxes	125,357	119,540
Other	289,566	268,247
	2,900,753	2,415,772
Inventories		
Raw materials	1,142,953	1,162,559
Work-in-process	280,996	218,351
Finished goods	658,432	716,344
Total inventories	2,082,381	2,097,254
Prepaid expenses and other	134,359	229,796
Deferred tax asset	254,000	254,000
Total current assets	5,601,345	5,836,764
Property, Plant and Equipment - at Cost		
Building and improvements	1,625,321	1,673,069
Equipment	6,206,245	5,447,479
Furniture and fixtures	353,993	422,265
	8,185,559	7,542,813
Less accumulated depreciation	3,311,637	2,813,760
	4,873,922	4,729,053
Construction in progress	75,053	583,023
Land	247,731	247,731
	5,196,706	5,559,807
Other Assets		
Patents and trademarks, less accumulated amortization of $652,794 (unaudited) and $554,286 at March 31, 1996 and June 30, 1995, respectively	385,965	386,470
Goodwill, less accumulated amortization of $393,336 (unaudited) and $245,835 at March 31, 1996 and June 30, 1995, respectively	196,664	344,165
Long-term investments	1,193,750	568,156
Other	13,592	23,784
	1,789,971	1,322,575
	$12,588,022	$12,719,146

</TABLE>

See accompanying notes to the consolidated financial statements

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	March 31, 1996	June 30, 1995
LIABILITIES AND SHAREHOLDERS' EQUITY	(Unaudited)	
<S>	<C>	<C>

Current Liabilities		
Notes payable	$ 83,595	$ 0
Accounts payable	1,075,737	771,471
Accrued expenses		
Payroll related	260,054	375,282
Distributor bonuses	20,593	71,384
Product returns	0	77,831
Other	288,196	50,000
Total current liabilities	1,728,175	1,345,968
Deferred Income Taxes	167,000	167,000
Shareholders' Equity		
Common stock, $.01 par value: 15,000,000 shares authorized; issued and outstanding: 3,803,900 shares (unaudited) at March 31, 1996 and 3,786,500 shares at June 30, 1995	38,039	37,865
Additional paid-in capital	10,116,444	10,013,949
Unrealized losses on securities available-for-sale	(50,162)	(50,816)
Retained earnings	588,526	1,205,180
	10,692,847	11,206,178
	$12,588,022	$12,719,146

</TABLE>

See accompanying notes to the consolidated financial statements

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	Three months ended March 31,		Nine months ended March 31,	
	1996	1995	1996	1995
<S>	(Unaudited) <C>	(Unaudited) <C>	(Unaudited) <C>	(Unaudited) <C>
Revenues				
Product sales	$ 3,812,332	$ 4,232,402	$ 10,529,893	$ 10,822,734
Total revenues	3,812,332	4,232,402	10,529,893	10,822,734
Cost of goods sold	2,339,427	2,497,670	6,420,131	6,435,146
Gross profit	1,472,905	1,734,732	4,109,762	4,387,588
Operating expenses				
Selling, general and administrative	803,230	1,034,310	3,212,770	2,708,480
Research and development	531,675	449,235	1,546,226	1,337,607
	1,334,905	1,483,545	4,758,996	4,046,087
Operating profit (loss)	138,000	251,187	(649,234)	341,501
Other income (expense)				
Interest income	1,566	6,149	17,171	33,649
Dividend income	8,830	8,930	28,898	29,355
Interest expense	(3,916)	5,659	(10,331)	0
Other	0	(5,166)	0	2,693
	6,480	15,572	35,738	65,697
Earnings (loss) before income tax expense	144,480	266,759	(613,496)	407,198
Income tax expense	1,981	82,216	3,158	104,388
Net earnings (loss)	$ 142,499	$ 184,543	($ 616,654)	$ 302,810

Net earnings (loss) per common and common equivalent share				
Primary	$ 0.04	$ 0.05	($ 0.16)	$ 0.08
Fully diluted	$ 0.04	$ 0.05	($ 0.16)	$ 0.08
Weighted average number of common and common equivalent shares outstanding during the period				
Primary	3,872,428	3,808,253	3,870,896	3,806,196
Fully diluted	3,872,553	3,859,488	3,872,818	3,823,325

</TABLE>

See accompanying notes to the consolidated financial statements

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

<S>	Nine months Ended March 31, 1996 (Unaudited) <C>	Nine months Ended March 31, 1995 (Unaudited) <C>
Cash flows from operating activities:		
Net (loss) earnings	($ 616,654)	$ 302,810
Adjustments to reconcile net (loss) earnings to net cash used in operating activities:		
Depreciation and amortization	818,061	616,840
Loss on disposal of assets	300,000	0
Changes in operating assets and liabilities:		
Trade and other receivables	(517,771)	(618,139)
Inventories	(367,629)	(522,609)
Prepaid expenses and other	(24,079)	(125,920)
Accounts payable	304,266	96,538
Accrued expenses	(305,654)	100,539
Net cash used in operating activities	(409,460)	(149,941)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(288,891)	(1,196,780)
Investment in patents and trademarks	(98,003)	(105,877)
Purchase of marketable securities and other investments	0	(234,317)
Sale of marketable securities and other investments	0	1,613,354
Net cash (used in) provided by investing activities	(386,894)	76,380
Cash flows from financing activities:		
Issuance of common stock	102,669	36,569
Proceeds from notes payable	83,595	0
Net cash provided by financing activities	186,264	36,569
Net decrease in cash and cash equivalents	(610,090)	(36,992)
Cash and cash equivalents at beginning of period	839,942	785,770
Cash and cash equivalents at end of period	$ 229,852	$ 748,778

</TABLE>

See accompanying notes to the consolidated financial statements

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

Disclosures in Financial Statements

Nine months Ended   Nine months Ended

	March 31, 1996	March 31, 1995
	(Unaudited)	(Unaudited)
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest expense	$ 4,987	$ 0
Income taxes	27,632	94,462

Supplemental Schedule Of Noncash Activities:

During fiscal 1996 the Company recorded the sale of certain assets. The effect of the transaction during the nine months ended March 31, 1996 was as follows:

Reduction of accounts receivable	$ 32,791
Reduction of inventories	382,502
Reduction of prepaid expenses and other	135,708
Reduction of property and equipment	154,115
Reduction of accumulated depreciation	(74,176)
	$ 630,940

See accompanying notes to the consolidated financial statements

LECTEC CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 1996

(1) General

The accompanying consolidated financial statements include the accounts of LecTec Corporation (the "Company"), LecTec International Corporation, a wholly-owned subsidiary, and Pharmadyne Corporation, a fifty-one percent owned subsidiary(formerly Natus Corporation which was renamed Pharmadyne Corporation). 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) Sale of the Direct Marketing Related Assets of the Pharmadyne Subsidiary

During the quarter ended March 31, 1996 the Company completed the sale of the direct marketing related assets of the Pharmadyne Corporation subsidiary.

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

RESULTS OF OPERATIONS

Product sales for the third quarter of fiscal 1996 were $3,812,332 as compared with $4,232,402 for the third quarter of fiscal 1995. Product sales, for the third quarter, decreased overall by 9.9% from the prior year. The net decrease was the result of decreased medical tape product sales and decreased therapeutic product sales partially offset by increased conductive product sales. Conductive product sales, the Company's largest product group, increased by 15.2% from the prior year while medical tape product sales decreased by 14.5% and therapeutic product sales decreased by 44.6%. Conductive product sales increased for both diagnostic and hydrogel products as a result of volume increases and increased market share. The medical tape product sales decrease was primarily due to the absence of a major tape converter order in the current year as compared to the prior year. The therapeutic product sales decrease was primarily the result of decreased direct marketing sales of Natus brand named products, reductions in pain patch media sales and decreased sales of other therapeutic products. Product sales for the first nine months of fiscal 1996 were $10,529,893 as compared with $10,822,734 for the first nine months of fiscal 1995. Product sales, for the first nine months, decreased by 2.7% from the prior year as a result of decreased medical tape product sales and therapeutic product sales partially offset by increased conductive product sales. Conductive product sales increased by 8.6% from the prior year primarily as a result of volume increases and increased market share. Medical tape product sales decreased by 11.8% primarily due to the absence of a major tape converter order in the current year as compared to the prior year which more than offset increased sales due to a new product offering and sales to a major new retail customer. Therapeutic product sales decreased 16.6% from the prior year due to decreased direct marketing sales of Natus brand named products as a result of the sale of the direct marketing related assets of the Pharmadyne subsidiary, decreased pain patch media sales volumes and decreased sales of other therapeutic products.

Gross profit for the third quarter of fiscal 1996 was $1,472,905 as compared with $1,734,732 compared to the third quarter of fiscal 1995. Gross profit as a percent of total revenues for the third quarter of fiscal 1996 was 38.6% as compared to 41.0% for the third quarter of fiscal 1995. The decrease in gross profit percent for the third quarter was primarily a reflection of decreased sales of higher margin therapeutic products. Gross profit for the first nine months of fiscal 1996 was $4,109,762 as compared with $4,387,588 compared to the first nine months of fiscal 1995. Gross profit as a percent of total revenues for the first nine months of fiscal 1996 was 39.0% as compared to 40.5% for the first nine months of fiscal 1995. The decrease in gross profit percent for the first nine months was primarily due to decreased sales of higher margin therapeutic products as well as increased raw material costs for all products.

Selling, general and administrative expenses were $803,230 and $1,034,310 during the third quarters of fiscal 1996 and fiscal 1995, respectively. Selling, general and administrative expenses for the third quarters of fiscal 1996 and 1995, as a percentage of total revenues, were 21.1% and 24.4%, respectively. Selling, general and administrative expenses were $3,212,770 and $2,708,480 during the first nine months of fiscal 1996 and fiscal 1995, respectively. Selling, general and administrative expenses for the first nine months of fiscal 1996 and 1995, as a percentage of total revenues, were 30.5% and 25.0%, respectively. Selling, general and administrative expenses in the third quarter were reduced primarily due to completion of the sale of the direct marketing related assets of the Pharmadyne subsidiary. Increased selling, general and administrative expenses associated with the operations of the Pharmadyne subsidiary and the expenses associated with the sale of the direct marketing related assets of the Pharmadyne subsidiary were primarily responsible for the increase in the first nine months.

Research and development expenses for the third quarters of fiscal 1996 and 1995 were $531,675 and $449,235, respectively. Research and development expenses for the third quarter, as a percentage of total revenues, were 14.0% and 10.6% for fiscal 1996 and 1995, respectively. Research and development expenses for the first nine months of fiscal 1996 increased to $1,546,226 from $1,337,607 in fiscal 1995. Research and development expenses for the first nine months, as a percentage of total revenues, were 14.7% and 12.4% for fiscal 1996 and 1995, respectively. The increase in expense for both the third quarter and the first nine months is primarily attributable to the research and development costs associated with the non-nicotine smoking cessation product and the pain patch program.

Other income (expense) decreased in the third quarter of fiscal 1996 to $6,480 from $15,572 in the third quarter of fiscal 1995. Other income (expense) decreased in the first nine months of fiscal 1996 to $35,738 from $65,697 in the first nine months of fiscal 1995. The decline in both the third quarter and the first nine months resulted primarily from a reduction of interest and dividend income due to the liquidation of short-term investments to finance the acquisition of a new therapeutic products production line as well as to finance the losses associated with the Pharmadyne subsidiary.

The Company had earnings before income tax expense of $144,480 in the third quarter of fiscal 1996 compared to earnings before income tax expense of $266,759 in the third quarter of fiscal 1995. The Company had a loss before income tax expense of $613,496 in the first nine months of fiscal 1996 compared to earnings before income tax expense of $407,198 in the first nine months of fiscal 1995. The decrease in earnings before income taxes for the third quarter and the first nine months was primarily the result of the loss on the sale of the direct marketing related assets of the Pharmadyne subsidiary, the operating loss and parent Company expenses associated with the direct marketing activities of the Pharmadyne subsidiary and increased research and development expense.

The Company did not record a tax benefit in connection with losses generated during the first nine months as the losses relate primarily to the Pharmadyne subsidiary and cannot be utilized by the Company at this time.

LIQUIDITY AND CAPITAL RESOURCES

The Company has used internally generated cash to support growth and capital spending. The Company has a $1,000,000 line of credit available to meet current operating requirements. The Company estimates that capital expenditures will approach $400,000 for equipment and capital improvements during fiscal 1996 with expenditures anticipated to be financed by operations. 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 1996 of 3.24 as compared to 4.34 at the end of fiscal 1995. Working capital, at the end of the third quarter of fiscal 1996, decreased to $3,873,170 from $4,490,796 at the end of fiscal 1995.

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

None

(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 15, 1996*	*/s/ Erwin W. Templin II*
		Erwin W. Templin II, EVP & CFO

<TABLE> <S> <C>

<ARTICLE> 5

<S>	<C>
<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	JUN-30-1996
<PERIOD-END>	MAR-31-1996
<CASH>	229,852
<SECURITIES>	0
<RECEIVABLES>	2,918,524
<ALLOWANCES>	17,771
<INVENTORY>	2,082,381
<CURRENT-ASSETS>	5,601,345
<PP&E>	8,508,343
<DEPRECIATION>	3,311,637
<TOTAL-ASSETS>	12,588,022
<CURRENT-LIABILITIES>	1,728,175
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	38,039
<OTHER-SE>	10,654,808
<TOTAL-LIABILITY-AND-EQUITY>	12,588,022
<SALES>	10,529,893
<TOTAL-REVENUES>	10,529,893
<CGS>	6,420,131
<TOTAL-COSTS>	6,420,131
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	10,331
<INCOME-PRETAX>	(613,496)
<INCOME-TAX>	3,158
<INCOME-CONTINUING>	(616,654)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(616,654)
<EPS-PRIMARY>	(.16)
<EPS-DILUTED>	(.16)

</TABLE>