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 DECEMBER 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 February 1, 1997 was 3,835,989 shares.

LECTEC CORPORATION

FORM 10-Q - QUARTERLY REPORT FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 1996

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LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Unaudited) December 31, 1996	June 30, 1996
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 590,432	$ 800,693
Receivables		
Trade, net of allowances of $34,185 (unaudited) and $74,208 at December 31, 1996 and June 30, 1996, respectively	2,179,318	1,847,736
Refundable income taxes	55,580	55,580
Other	43,277	182,247
	2,278,175	2,085,563
Inventories		
Raw materials	1,457,279	1,144,078
Work-in-process	532,059	229,974
Finished goods	363,909	637,275
Total inventories	2,353,247	2,011,327
Prepaid expenses and other	171,844	123,099
Deferred income taxes	429,000	429,000
Total current assets	5,822,698	5,449,682
PROPERTY, PLANT AND EQUIPMENT - AT COST		
Building and improvements	1,632,423	1,629,630
Equipment	6,480,038	6,414,132
Furniture and fixtures	369,398	354,985
	8,481,859	8,398,747
Less accumulated depreciation	3,881,429	3,533,503
	4,600,430	4,865,244
Construction in progress	18,632	-
Land	247,731	247,731
	4,866,793	5,112,975
OTHER ASSETS		
Patents and trademarks, less accumulated amortization of $768,136 (unaudited) and $687,871 at December 31, 1996 and June 30, 1996, respectively	402,321	417,681
Goodwill, less accumulated amortization of $540,837 (unaudited) and $442,503 at December 31, 1996 and June 30, 1996, respectively	49,163	147,497
Long-term investments	591,159	574,806
Investment in limited liability company	522,924	606,167
Other	258	10,195
	1,565,825	1,756,346
	$12,255,316	$12,319,003

See accompanying notes to the consolidated financial statements.

</TABLE>

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LECTEC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	(Unaudited) December 31, 1996	June 30, 1996
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LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 736,127	$ 894,846
Accrued expenses		
Payroll related	362,315	304,527
Other	173,393	10,285
Total current liabilities	1,271,835	1,209,658
DEFERRED INCOME TAXES	174,000	174,000
SHAREHOLDERS' EQUITY		
Common stock, $.01 par value: 15,000,000 shares authorized; issued and outstanding: 3,836,000 shares (unaudited) at December 31, 1996 and 3,835,800 shares at June 30, 1996	38,360	38,358
Additional paid-in capital	10,452,887	10,368,166
Unrealized losses on securities available-for-sale	(27,813)	(44,166)
Retained earnings	346,047	572,987
	10,809,481	10,935,345
	$ 12,255,316	$ 12,319,003

See accompanying notes to the consolidated financial statements.

</TABLE>

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LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	(Unaudited) Three months ended December 31,		(Unaudited) Six months ended December 31,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Net sales	$ 3,028,118	$ 3,255,110	$ 6,001,601	$ 6,717,561
Cost of goods sold	1,938,591	1,957,457	3,836,985	4,080,704
Gross profit	1,089,527	1,297,653	2,164,616	2,636,857
Operating expenses				
Selling, general and administrative	882,157	1,468,050	1,435,373	2,409,540
Research and development	411,726	503,518	911,928	1,014,551
	1,293,883	1,971,568	2,347,301	3,424,091
Loss from operations	(204,356)	(673,915)	(182,685)	(787,234)
Other income (expense)				
Interest income	(8,737)	5,782	8,018	15,605
Dividend income	10,117	10,937	19,549	20,068
Interest expense	(33)	(6,415)	(1,263)	(6,415)
Other	-	-	15,000	-
	1,347	10,304	41,304	29,258
Loss before income taxes and equity in losses of unconsolidated subsidiary	(203,009)	(663,611)	(141,381)	(757,976)

Income tax expense	913	176	2,316	1,177
Loss before equity in losses of unconsolidated subsidiary	(203,922)	(663,787)	(143,697)	(759,153)
Equity in losses of unconsolidated subsidiary	60,402	-	83,243	-
Net loss	$ (264,324)	$ (663,787)	$ (226,940)	$ (759,153)
Net loss per common share	($ 0.07)	($ 0.17)	($ 0.06)	($ 0.20)
Weighted average number of common shares outstanding during the period	3,835,989	3,796,824	3,835,973	3,792,566

See accompanying notes to the consolidated financial statements.

</TABLE>

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LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Unaudited) Six months Ended December 31, 1996	(Unaudited) Six months Ended December 31, 1995
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	$(226,940)	$(759,153)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	526,525	540,304
Gain on sale of equipment	(15,000)	-
Equity in losses of unconsolidated subsidiary	83,243	-
Changes in operating assets and liabilities:		
Trade and other receivables	(192,612)	189,166
Inventories	(341,920)	(374,784)
Prepaid expenses and other	(38,808)	(76,380)
Accounts payable	(75,124)	5,944
Accrued expenses	220,896	283,154
Net cash used in operating activities	(59,740)	(191,749)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(101,744)	(222,873)
Proceeds from sale of equipmnent	15,000	-
Investment in patents and trademarks	(64,905)	(67,488)
Net cash used in investing activities	(151,649)	(290,361)
Cash flows from financing activities:		
Issuance of common stock	1,128	50,206
Proceeds from notes payable	-	83,595
Net cash provided by financing activities	1,128	133,801
Net decrease in cash and cash equivalents	(210,261)	(348,309)
Cash and cash equivalents at beginning of period	800,693	839,942
Cash and cash equivalents at end of period	$ 590,432	$ 491,633

See accompanying notes to the consolidated financial statements.

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<TABLE>
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LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) Six months Ended December 31, 1996	(Unaudited) Six months Ended December 31, 1995
<S>	<C>	<C>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest expense	$ 5,957	$ -
Income taxes	6,000	20,725
Supplemental Schedule Of Noncash Activities:		
Conversion of subsidiary's notes payable to equity	$ 83,595	$ -
During fiscal 1996 the Company recorded the disposition of certain assets. The effect of the transaction during the six months ended December 31, 1995 was as follows:		
Reduction of accounts receivable		$ 9,168
Reduction of inventories		420,988
Reduction of prepaid expenses and other		185,765
Reduction of property and equipment		156,160
Reduction of accumulated depreciation		(69,215)
		$ 702,866

See accompanying notes to the consolidated financial statements.

</TABLE>

LECTEC CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Quarters Ended December 31, 1996 and 1995

(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 sixty-one percent owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation. The Company's financial statements for the three and six months ended December 31, 1996 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, 1996. 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) Increase in Ownership Interest in Pharmadyne Corporation

On September 5, 1996 the Company exercised a warrant to purchase 227,959 additional shares of Pharmadyne Corporation at $1 per share by converting a portion of an outstanding note receivable with Pharmadyne. This increased the Company's ownership interest in Pharmadyne Corporation from 51% to 61%.

(3) Recently Adopted Accounting Standards

The Company implemented Statement of Financial Accounting Standards (SFAS) 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," effective July 1, 1996. SFAS 121 establishes guidance for when to recognize and how to measure impairment losses of long-lived assets and certain identifiable intangibles, and how to value long-lived assets to be disposed of. The adoption of this Standard did not have a material effect on the Company's financial position.

Additionally, the Company implemented SFAS 123 "Accounting for Stock-Based Compensation," which established financial accounting and reporting standards for stock-based employee compensation plans. This Statement defines and encourages the use of a fair value based method of accounting for an employee stock option or similar equity instrument. The Statement allows the use of the intrinsic value based method of accounting as prescribed by current existing accounting standards for options issued to employees. The Company adopted this Standard effective July 1, 1996, and management has elected to utilize the intrinsic value based method of accounting for stock-based compensation.

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

Three and Six Months Ended December 31, 1996 and 1995

Results of Operations

Net sales for the second quarter of fiscal 1997 were $3,028,118 as compared with $3,255,110 for the second quarter of fiscal 1996, a decrease of 7.0%. The decrease was primarily the result of the absence of Pharmadyne Corporation direct marketing related sales due to the divestiture of the direct marketing related assets in the third quarter of fiscal 1996. Conductive product sales, the Company's largest product group, decreased by 0.7% from the prior year while medical tape sales increased by 42.4% and therapeutic product sales decreased by 70.5%. Medical tape sales increased primarily due to volume increases and sales to several new customers. The therapeutic product sales decrease was primarily the result of the absence of direct marketing related sales as discussed above. Net sales for the first six months of fiscal 1997 were $6,001,601 as compared with $6,717,561 for the first six months of fiscal 1996, a decline of 10.7%. The decrease was also due primarily to the absence of Pharmadyne Corporation direct marketing related sales due to the divestiture of the direct marketing related assets in the third quarter of fiscal 1996. Conductive sales increased by 5.3% from the prior year primarily as a result of volume increases and the timing of orders from major customers. Medical tape sales decreased by 1.5% from the prior year. Therapeutic product sales decreased 66.1% from the prior year primarily as a result of the absence of Pharmadyne direct marketing related sales as discussed above.

Gross profit for the second quarter of fiscal 1997 was $1,089,527 as compared with $1,297,653 for the second quarter of fiscal 1996. Gross profit as a percent of net sales for the second quarter of fiscal 1997 was 36.0% as compared to 39.9% for the second quarter of fiscal 1996. The decrease in gross profit percent for the quarter was primarily the result of the absence of higher margin Pharmadyne direct marketing related sales. Gross profit for the first six months of fiscal 1997 was $2,164,616 as compared with $2,636,857 for the first six months of fiscal 1996. Gross profit as a percent of net sales for the first six months of fiscal 1997 was 36.1% as compared to 39.3% for the first six months of fiscal 1996. The decrease in gross profit percent for the first six months was also primarily the result of the absence of higher margin Pharmadyne direct marketing related sales.

Selling, general and administrative expenses were $882,157 and $1,468,050 during the second quarters of fiscal 1997 and fiscal 1996, respectively, and as a percentage of net sales, were 29.1% and 45.1%, respectively. Selling, general and administrative expenses were $1,435,373 and $2,409,540 during the first six months of fiscal 1997 and fiscal 1996, respectively, and as a percentage of net sales were 23.9% and 35.9%, respectively. The decrease in selling, general and administrative expenses for both the quarter and first six months was primarily due to the absence in fiscal 1997 of expenses associated with the direct marketing operations of the Pharmadyne subsidiary. These decreases were partially offset by an increase in administrative expenses associated with hiring a new executive staff, separation costs associated with several former executives and expanding the sales and marketing department.

Research and development expenses for the second quarters of fiscal 1997 and 1996 were $411,726 and $503,518, respectively, and as a percentage of net sales, were 13.6% and 15.5%, respectively. Research and development expenses for the first six months of fiscal 1997 decreased to $911,928 from $1,014,551 in the first six months of fiscal 1996. Research and development expenses for the first six months, as a percentage of net sales, were 15.2% and 15.1% for fiscal 1997 and 1996, respectively. The decrease in R&D expense for both the quarter and first six months reflects reductions in research costs associated with the further development of the cotinine-based smoking cessation product.

Other income decreased in the second quarter of fiscal 1997 to $1,347 from $10,304 in the second quarter of fiscal 1996. Other income increased in the first six months of fiscal 1997 to $41,304 from $29,258 in the first six months of fiscal 1996. The decline in the second quarter resulted primarily from a reduction of interest income. The increase in the first six months resulted primarily from a gain on the sale of equipment recorded in the first quarter of fiscal 1997.

The Company had a loss before income taxes and equity in losses of an unconsolidated subsidiary of $203,009 for the second quarter of fiscal 1997 compared to a loss of $663,611 for the second quarter of fiscal 1996. The Company had a loss before income taxes and equity in losses of an unconsolidated subsidiary of $141,381 for the first six months of fiscal 1997 compared to a loss of $757,976 for the first six months of fiscal 1996. The decrease in the loss for both the three and six month periods compared to the prior year was primarily the result of the absence in fiscal 1997 of the losses from the direct marketing operations of the Pharmadyne subsidiary.

The Company did not record a tax benefit in connection with losses generated for the three and six month periods ended December 31, 1996 and 1995 due to the uncertainty of the future realization of such tax benefits.

On March 12, 1996, the Company contributed the direct marketing related assets of Pharmadyne Corporation to Natus L.L.C. (an Arizona limited liability company) in exchange for a 15% interest in Natus L.L.C. During the second quarter and first six months of fiscal 1997, the Company's pro-rata share of Natus L.L.C.'s net loss (based on a 15% equity ownership position) totaled $60,402 and $83,243, respectively.

Inflation has not had a significant impact on the Company as it has generally been able to adjust its selling prices as the costs of materials and other expenses have changed.

Liquidity and Capital Resources

Cash and cash equivalents decreased by $210,261 to $590,432 during the first six months of fiscal 1997. Long-term investments increased by $16,353 to $591,159 during the first six months of fiscal 1997 due to investment value appreciation. Capital spending for various equipment totaled $101,744 during the first six months of fiscal 1997. There were no material commitments for capital expenditures at December 31, 1996.

Working capital, at the end of the first six months of fiscal 1997, increased to $4,550,863 from $4,240,024 at the end of fiscal 1996. The Company has a current ratio at the end of the first six months of fiscal 1997 of 4.58 as compared to 4.51 at the end of fiscal 1996.

The Company has no outstanding short or long-term debt at December 31, 1996, and is currently negotiating a short-term revolving line of credit in the event it is needed to meet current operating requirements. Shareholders' equity decreased by $125,864 to $10,809,481 during the first six months of fiscal 1997.

Management believes that internally-generated cash, existing cash and investment assets and the anticipated short-term credit line will be sufficient for supporting anticipated growth and capital spending requirements for the remainder of fiscal 1997.

Statements about the remaining fiscal 1997 outlook are forward-looking and, therefore, involve certain risks and uncertainties, including but not limited to: buying patterns of customers, competitive forces and other factors detailed from time to time in filings with the Securities and Exchange Commission.

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

The Regular Annual Meeting of Shareholders of the Company was held on November 18, 1996. The following matters were voted on by Shareholders:

1. The election of five directors to serve on the Board of Directors for a term of one year and until their successor is

duly elected and qualified.

2. *The ratification of the appointment of Grant Thornton, LLP as the Company's independent auditor for the Company's current fiscal year.*

3. *The approval of an amendment to increase the shares reserved for the 1989 Stock Option Plan from 500,000 shares to 800,000 shares.*

4. *The approval of an amendment to the 1989 Stock Option Plan to allow for gifting of fully vested and exercisable options.*

5. *The approval of an amendment to the 1991 Directors' Stock Option Plan to allow for gifting of fully vested and exercisable options.*

The results of the voting on these matters were as follows:

1. *Board of Directors:*

	For	Against/Abstain	Total
Lee M. Berlin	3,256,935	237,548	3,494,483
Alan C. Hymes	3,252,212	242,271	3,494,483
Paul O. Johnson	2,958,643	535,840	3,494,483
Alan J. Wilensky	3,185,679	308,804	3,494,483
Rodney A. Young	3,428,122	66,361	3,494,483

Write in votes:
Thomas E. Brunelle 3,003

2. *Appointment of Grant Thornton, LLP as independent auditor for the Company:*

For	Against	Abstain	Total
3,414,009	42,590	37,884	3,494,483

3. *Increase shares reserved for the 1989 Stock Option Plan:*

For	Against	Abstain	Total
3,267,067	177,743	49,673	3,494,483

4. *Allow for gifting of fully vested and exercisable options - 1989 Stock Option Plan:*

For	Against	Abstain	Total
2,934,032	484,885	75,566	3,494,483

5. *Allow for gifting of fully vested and exercisable options - 1991 Directors' Stock Option Plan:*

For	Against	Abstain	Total
2,929,940	493,067	71,476	3,494,483

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 February 14, 1997 *\/s\/ Rodney A. Young*

Rodney A. Young, CEO & Pres.

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