

**LECTEC CORPORATION
AUDIT COMMITTEE CHARTER
OCTOBER 2000**

The Audit Committee (the "Committee") is a committee of the Board of Directors (the "Board") of LecTec Corporation (the "Company") designed to assist the Board in monitoring (1) the integrity of the financial statements of the Company, (2) the adequacy of the Company's internal controls, (3) the independence and performance of the Company's outside auditors, and (4) conflict of interest transactions.

I. ROLES AND RESPONSIBILITIES

A. MAINTENANCE OF CHARTER. The Committee shall review and reassess the adequacy of this formal written charter on at least an annual basis.

B. FINANCIAL REPORTING. The Committee shall review and make recommendations to the Board regarding the adequacy of the Company's financial statements and compliance of such statements with financial standards. In particular, and without limiting such responsibilities, the Committee shall:

WITH RESPECT TO THE ANNUAL FINANCIAL STATEMENTS:

- Review and discuss the Company's audited financial statements with management and with the Company's outside auditors.
- Review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's audited financial statements.
- Discuss with the outside auditor the matters required to be discussed by Statement on Auditing Standards No. 61 (as modified or supplemented) relating to the conduct of the audit.
- Based on the foregoing, indicate to the Board whether the Committee recommends that the audited financial statements be included in the Company's Annual Report on Form 10-KSB.
- Prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's proxy statement.

WITH RESPECT TO QUARTERLY FINANCIAL STATEMENTS:

- Review with management and the outside auditors the Company's quarterly financial statements prior to the filing of its Form 10-QSB. The review may be conducted through a designated representative member of the Committee

C. INTERNAL CONTROLS. The Committee shall evaluate and report to the Board regarding the adequacy of the Company's financial controls. In particular, the Committee shall:

- Ensure that the outside auditors are aware that the Committee is to be informed of all control problems identified.
- Review with the Company's counsel legal matters that may have a material impact on the financial statements.
- Review the effectiveness of systems for monitoring compliance with laws and regulations relating to financial reporting, including any issues that might implicate Section 10A of the Securities Exchange Act of 1934.
- Receive periodic updates from management, legal counsel, and independent auditors concerning financial compliance.

D. RELATIONSHIP WITH OUTSIDE AUDITORS. The Committee shall:

- Interview, evaluate, and make recommendations to the Board with respect to the retention of, or replacement of, outside auditors.
- Ensure receipt from outside auditors of a formal written statement delineating all relationships between the outside auditor and the Company, consistent with Independence Standards Board Standard 1.
- Actively engage in a dialog with the outside auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the outside auditors.
- Take, or recommend that the Board take, appropriate action to oversee the independence of the outside auditors.
- Review and approve the fees to be paid to the outside auditor.

Notwithstanding the foregoing, the outside auditors shall be ultimately accountable to the Board and the Committee, as representatives of shareholders. The Board, upon recommendation from the Committee, shall have ultimate authority and responsibility to select, evaluate, and, where appropriate, replace the outside auditor (or to nominate the outside auditor to be proposed for shareholder approval in any proxy statement).

E. CONFLICT OF INTEREST TRANSACTIONS. The Committee shall:

- Review potential conflict of interest situations, including transactions between the Company and its officers, directors and significant shareholders.
- Make recommendations to the Board regarding the disposition of conflict of interest transactions in accordance with applicable law, including Minnesota Statutes Section 302A.255 if applicable.

II. MEMBERSHIP REQUIREMENTS

- The Committee shall consist of at least two directors chosen by the Board.
- Each member of the Committee shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement or will become able to do so within a reasonable period of time after his or her appointment to the Committee.
- At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or comparable experience or background (such as a position as a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities) which results in financial sophistication, recognized financial or accounting expertise.
- All Committee members shall be independent directors as defined in Rule 4200(a)(14) of the Nasdaq Marketplace Rules.

III. STRUCTURE

- The Committee shall appoint one of its members to act as a Chairperson, either generally or with respect to each meeting.
- The Committee Chairperson shall review and approve an agenda in advance of each meeting.
- The Committee shall meet at least twice annually, or more frequently as circumstances dictate.
- The Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee.
- The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations and the Company's corporate policies.