UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 July 31, 1997

or

[ ] 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: 0-28123

LANVISION SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware	31-1455414
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Financial Way, Suite 400
Cincinnati, Ohio 45242-5859
(Address of principal executive offices) (Zip Code)

(513) 794-7100
(Registrant's telephone number, including area code)

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 ___

Number of shares of Registrant's Common Stock ($.01 par value per share) issued and outstanding, as of September 8, 1997: 8,896,500.

This report consists of 29 pages, and the Exhibit Index appears on page 20.

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PART I. FINANCIAL INFORMATION
Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

LANVISION SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

Assets

	(Unaudited) July 31, 1997	(Audited) January 31, 1997
Current assets:		
Cash and cash equivalents	$ -	$ 664,223
Investment securities	9,190,608	16,407,270
Accounts receivable, net of allowance for doubtful accounts of $235,000 and $205,000, respectively	2,892,887	2,934,230
Unbilled receivables	609,743	663,626
Other	1,093,245	572,968
Total current assets	13,786,483	21,242,317
Property and equipment:		
Computer equipment	2,044,564	1,536,513
Computer software	321,144	173,359
Office furniture, fixtures and equipment	1,316,391	962,880
Leasehold improvements	378,784	267,244
	4,060,883	2,939,996
Accumulated depreciation and amortization	(1,099,580)	(687,832)
	2,961,303	2,252,164
Investment securities	9,706,042	9,520,279
Capitalized software development costs, net of accumulated amortization of $593,563 and $533,563, respectively	382,367	244,366
Other	73,065	40,519
	$ 26,909,260	$ 33,299,645

See Notes to Condensed Consolidated Financial Statements.

LANVISION SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

Liabilities and Stockholders' Equity

	(Unaudited) July 31, 1997	(Audited) January 31, 1997
Current liabilities:		
Accounts payable	$ 812,094	$ 1,249,337
Accrued compensation	734,263	555,235
Accrued other expenses	1,267,881	1,073,167
Deferred revenues	936,096	500,783
Total current liabilities	3,750,334	3,378,522
Stockholders' equity:		
Preferred stock, $.01 par value per share, 5,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $.01 par value per share, 25,000,000 shares authorized, 8,896,500 shares issued and outstanding	88,965	88,965
Capital in excess of par value	35,110,817	35,110,817
Accumulated (deficit)	(11,736,195)	(5,359,265)
Unrealized net gains on investment securities, net	125,527	80,606
Treasury stock, at cost, 90,500 shares	(430,188)	-
Total stockholders' equity	23,158,926	29,921,123
	$ 26,909,260	$ 33,299,645

See Notes to Condensed Consolidated Financial Statements.

LANVISION SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Three and Six Months Ended July 31,

(Unaudited)

	Three Months Ended		Six Months Ended	
	1997	1996	1997	1996
Revenues:				
Systems sales	$ 428,286	$ 2,769,442	$ 1,598,847	$ 4,443,759
Service, maintenance and support	1,140,500	600,695	2,083,132	1,039,871
Total revenues	1,568,786	3,370,137	3,681,979	5,483,630
Operating expenses:				
Cost of systems sales	535,352	1,516,278	1,164,880	2,513,162
Cost of service, maintenance and support	1,246,671	767,851	2,353,757	1,249,048
Selling, general and administrative	2,353,707	1,397,457	4,923,942	2,453,670
Product research and development	1,247,535	297,445	2,229,850	577,181
Total operating expenses	5,383,265	3,979,031	10,672,429	6,793,061
Operating (loss)	(3,814,479)	(608,894)	(6,990,450)	(1,309,431)
Interest income	283,256	470,313	613,520	470,351
Interest expense	-	-	-	79,684
Net (loss)	$ (3,531,223)	$ (138,581)	$ (6,376,930)	$ (918,764)
(Loss) per common share	$ (.40)	$ (.02)	$ (.72)	$ (.12)
Number of shares used in per common share computation	8,813,446	8,896,500	8,849,312	7,664,288

See Notes to Condensed Consolidated Financial Statements.

LANVISION SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months Ended July 31,

(Unaudited)

	1997	1996
Operating activities:		
Net (loss)	$ (6,376,930)	$ (918,764)
Adjustments to reconcile net (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	471,749	86,376
Cash provided by (used for) assets and liabilities:		
Accounts and unbilled receivables	95,226	(981,156)
Other assets	(520,277)	(642,310)
Accounts payable and accrued expenses	(63,501)	1,061,903
Deferred revenues	435,313	(56,635)
Net cash provided by (used for) operating activities	(5,958,420)	(1,450,586)
Investing activities:		
Purchases of investment securities	(16,149,732)	-
Sales of investment securities	23,225,552	-
Purchases of property and equipment	(1,120,887)	(411,844)
Capitalization of software development costs	(198,000)	(80,000)
Other	(32,548)	-
Net cash provided by (used for) investing activities	5,724,385	(491,844)
Financing activities:		
Payments on line of credit, net	-	(600,000)
Issuance of common stock	-	34,304,782
Purchase of treasury stock	(430,188)	-
Net cash provided by (used for) financing activities	(430,188)	33,704,782
Increase (decrease) in cash	(664,223)	31,762,352
Cash and short term cash equivalents at beginning of period	664,223	-
Cash and short term cash equivalents at end of period	$ -	$ 31,762,352
Supplemental cash flow disclosures:		
Income taxes paid	$ -	$ -
Interest paid	$ -	$ 79,684

See Notes to Condensed Consolidated Financial Statements.

LANVISION SYSTEMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 - BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by the Company without audit, in accordance with generally accepted accounting principles for interim financial information, pursuant to the rules and regulations applicable to quarterly reports on Form 10-Q of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Condensed Consolidated Financial Statements have been included. These Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes thereto included in the LanVision Systems, Inc. Annual Report on Form 10-K, Commission File Number 0-28132. Operating results for the three and six months ended July 31, 1997, are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 1998.

Note 2 - CASH EQUIVALENTS

Short-term cash equivalents at January 31, 1997, include demand deposits, overnight repurchase agreements and money market funds (which invests in U.S. Treasury Securities). For purposes of the Condensed Consolidated Statements of Cash Flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Note 3 - PUBLIC OFFERING OF COMMON STOCK

On April 18, 1996, the Company issued 2,912,500 Shares of Common Stock in an initial public offering. The net proceeds to the Company, before expenses, was $35,211,147.

Note 4 - CHANGES IN ACCOUNT BALANCES

Interest income consists primarily of interest on investment securities, and interest expense consists of interest on outstanding indebtedness, prior to the initial public offering, in the first quarter of fiscal 1996.

Other current assets consist primarily of prepaid insurance, and acquired software and hardware awaiting installation. The increase at July 31, 1997, results primarily from the acquisition of hardware and software purchased for installation at a prospective customer and increases in prepaid insurance.

The decrease in current investment securities results from the sale of short-term investments to fund current operations and purchase additional fixed assets.

The decrease in accounts payable is due to a reduction in purchases of hardware and third party software for resale and reduced levels of capital expenditures.

The increase in deferred revenues relates primarily to the increase in prepaid maintenance fees and advance payments on customer installations for which revenue has been deferred until the projects are completed.

Note 5 - EARNINGS PER SHARE

On April 18, 1996, the Company issued 2,912,500 shares of Common Stock in an Initial Public Offering and issued 1,496,000 common shares upon conversion of the Company's Convertible Redeemable Preferred Stock. (See Note 3.) Per share data and numbers of common shares contained in these Condensed Consolidated Financial Statements and in Management's Discussion and Analysis of Financial Condition and Results of Operations reflect the 4,408,500 shares issued.

The (loss) per common share is calculated using the weighted average number of common shares outstanding during the period. During the first six months of fiscal 1996, the common shares outstanding (7,664,288), assumes the conversion of the Convertible Redeemable Preferred Stock to 1,496,000 shares of Common Stock, on an if converted basis as of the beginning of the year, and the issuance of 2,912,500 common shares on April 18, 1996, the date of the Initial Public Offering.

The (loss) per common share calculation, excludes the effect of the common stock equivalents (stock options) as the inclusion thereof would be antidilutive.

In February, 1997, the Financial Accounting Standards Board issued Financial Accounting Standards No. 128, Earnings per Share. Currently management is assessing the effect of this pronouncement on its calculation of earnings per share. However, it does not appear the pronouncement will have any material effect upon the previously reported earnings per share of the Company.

Note 6 - COMMITMENTS

On August 28, 1997, the Company announced that its new Virtual Healthware Services division had entered into an agreement with The Detroit Medical Center to provide document imaging, workflow and related services from a Cincinnati, Ohio-based data center. The Company currently estimates that approximately $5,600,000 in capital expenditures will be required between now and

January 31, 1999, to support this agreement, and enable the Company to provide similar services for up to an additional four hospitals.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In addition to historical information contained herein, this Discussion and Analysis contains forward-looking statements. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements, including those discussed below. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The Company undertakes no obligation to publicly release the results of any revision to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

RESULTS OF OPERATIONS:

GENERAL

LanVision is a leading provider of healthcare information access systems that enable hospitals and integrated healthcare networks to capture, store, manage, retrieve and process vast amounts of clinical and financial patient information. The Company's systems deliver on-line enterprise-wide access to fully-updated patient information which historically was maintained on a variety of media, including paper, magnetic disk, optical disk, x-ray film, video, audio and microfilm. LanVision's systems, which incorporate data management, document imaging and workflow technologies, consolidate patient information into a single repository and provide fast and efficient access to patient information from universal workstations located throughout the enterprise, including the point of patient care. The systems are specifically designed to meet the needs of physicians and other medical and administrative personnel and can accommodate multiple users requiring simultaneous access to patient information, thereby eliminating file contention. By providing access to all forms of patient information, the Company believes that its healthcare information access systems are essential components of the computer-based patient record.

The Company's revenues are derived from the licensing and sale of systems comprised of internally developed software, third party software and hardware, and from professional services, maintenance and support services. The professional services include consulting, implementation, training, project management and custom software development and currently are provided only to the company's customers with installed systems or who are in the process of installing systems. Revenues from professional services, maintenance and support services typically are expected to increase as the number of installed systems increases, although the margins on these revenues are expected to fluctuate based upon the negotiated terms of the agreement with each customer and the Company's ability to fully utilize its professional services, maintenance and support services staff. The highest margin on systems sales is on proprietary software with lower margins on third party hardware and software. Systems sales to any given customer may include differing configurations of software and hardware, resulting in varying margins among contracts.

The decision by a healthcare provider to replace, substantially modify or upgrade its information systems is a strategic decision and often involves a large capital commitment requiring an extended approval process. The sales cycle for the Company's systems have typically taken six to eighteen months, or sometimes longer, from initial contact to the execution of an agreement. As a result, the length of the sales cycle causes variations in quarter to quarter results. The agreements cover the entire implementation of the systems and specify the implementation schedule, which typically takes place in one or more phases. The agreements generally provide for the licensing of the Company's software and third party software with a one-time perpetual license fee that is adjusted depending on the number of workstations using the software. Third party hardware is usually sold outright, with a one-time fee charged for installation and training. Specific software customization, development of interfaces to existing customer systems and other professional services are sold on a fixed fee or a time and material basis.

LanVision enters into agreements with its customers to specify: the scope of the systems to be installed and services to be provided by LanVision, the agreed upon aggregate price and the preliminary timetable for implementation. The agreements typically provide that the Company will deliver the systems in phases, thereby allowing the customer flexibility in the timing of its receipt of systems and to make adjustments that may arise upon changes in technology or changes in customer needs. Some of the Company's agreements provide that the customer may terminate its agreement upon a material breach by the Company may delay certain aspects of the installation and may terminate the agreement after completion of any particular phase at the customer's discretion without penalty and without regard to the Company's performance. To date, no customer has terminated a master agreement. However, customers have delayed or suspended future phases and often modified the original configuration in the Master Agreement. The sales agreements also allow the customer to request additional components as the installation progresses, which additions are then separately negotiated as to price and terms. Historically, customers have ultimately purchased systems and services in addition to those originally contemplated by the original agreement, although there can be no assurance that this trend will continue in the future.

The Company recently announced the formation of a new division, Virtual Healthware Services ("VHS"), which will provide, as a service bureau, high quality, transaction-based document imaging and workflow related services to healthcare providers from a centralized data center. The VHS (Service Bureau) offers an alternative to purchasing health information access systems for hospitals, outpatient clinics and integrated delivery networks. VHS will utilize LanVision applications across an Intranet. VHS will establish a centralized data center(s) capable of serving hospitals and integrated healthcare delivery networks throughout the United States. The centralized data center will maintain the computers, software and other equipment necessary to provide data base services, magnetic storage, optical storage, and network services, which will be used in providing electronic medical record and other information to and from hospitals and integrated delivery networks. Additionally, VHS will provide the equipment and personnel necessary to provide on-site scanning and indexing services at the hospital or integrated delivery network. Customers will be charged per transaction fees for documents scanned, stored and retrieved from the VHS data center. On August 22, 1997 VHS signed a three year agreement with The Detroit Medical Center which the Company expects will generate in excess of $6,000,000 in revenues over the initial three year term. Revenue is expected to commence in the first quarter of fiscal 1998.

UNEVEN PATTERNS OF QUARTERLY OPERATING RESULTS

The Company's revenues from systems sales have varied, and may continue to vary, significantly from quarter to quarter as a result of the volume and timing of systems sales and delivery. Professional services revenues also fluctuate from quarter to quarter as a result of the timing of the installation of software and hardware, project management and customized programming. Revenues from maintenance services do not fluctuate significantly from quarter to quarter, but have been increasing as the number of customers increase. Revenues from VHS services is expected to increase over time, as more documents are stored on the systems and the number of retrievals increase from the ever increasing data base of stored documents. Because a significant percentage of the Company's operating costs are expensed as incurred, a variation in the usage of VHS services, the timing of systems sales and installations and the resulting revenue recognition, can cause significant variations in operating results from quarter to quarter. Accordingly, the Company believes that quarter-to-quarter comparisons of its revenues and operating results from the above factors and the significant expansion of operations, as discussed below, may not necessarily be meaningful and should not be relied upon as indicators of future performance.

Generally, revenue from systems sales is recognized when an agreement is signed and products are shipped. Revenue recognition related to routine installation, integration and other insignificant obligations is deferred until the work is performed. If an agreement requires the Company to perform services and modifications that are deemed significant to system acceptance, revenue related to the delivered hardware and/or software components is deferred until such obligations are deemed insignificant. Revenue from consulting, training and implementation and the VHS division is recognized as the services are performed. Revenue from short-term support and maintenance agreements is recognized ratably over the term of the agreements. Because the progress billing terms and conditions of the agreements often do not coincide with the revenue recognition, billings to customers prior to the recognition of the revenue are classified as deferred revenue. Revenue recognized prior to progress billings to customers is recorded as unbilled receivables. Revenues from VHS services will be invoiced monthly based upon the. number of document images added to the system, other data electronically transmitted to the system, quantity of information stored and the retrieval of information. Retrieval revenue will be dependent upon the customer usage, but retrieval is expected to increase as more documents are archived and more retrievals are made from an expanding system. The VHS Data Center is expected to begin operations in February, 1998. The Company believes that VHS could be a substantial portion of its business going forward.

The Company's revenues and operating results may vary significantly from quarter to quarter as a result of a number of other factors, many of which are outside the Company's control. These factors include the relatively high purchase price of a LanVision document imaging and workflow system, unpredictability in the number and timing of systems sales, length of the sales cycle, delays in the installation process and changes in the customer's financial condition or budget. As a result, period to period comparisons may not be meaningful with respect to the past operations of the Company nor are they necessarily indicative of the future operations of the Company.

REVENUES:

Revenues for the second fiscal quarter ended July 31, 1997, were $1,568,786 compared with $3,370,137 in the comparable quarter of 1996. Revenues for the six months ended July 31, 1997, were $3,681,979 compared with $5,483,630 in the comparable period of 1996. There was one new agreement signed in the second quarter, the Medical College of Georgia Hospital and Clinics. There were two new agreements executed during the first quarter of 1997 (Memorial Sloan-Kettering Cancer Center of New York City and Lakeland Health Services, for its Highland Park Hospital, in Highland Park, IL). The three new agreements contributed approximately $451,000 in revenues during the three months and approximately $1,349,000 in the six months ended July 31, 1997. Portions of these new agreements will be implemented in future periods. The remaining revenues came from implementation of previously signed agreements (backlog) and from add-on sales to existing customers. As previously discussed, after an agreement is executed, LanVision does not record revenues until it ships the hardware and software or performs the agreed upon services. The commencement of revenue recognition varies depending on the size and complexity of the system and the scheduling of the implementation, training, interface development and other services requested by the customer. Accordingly, significant variations in revenues can result as more fully discussed under "Uneven Patterns of Quarterly Operating Results." Three customers, including one of the new customers mentioned above, accounted for approximately 49% of the revenues for the first six months of 1997 and three customers accounted for 49% of the revenues for the first six months of 1996.

OPERATING EXPENSES:

Cost of System Sales

The cost of systems sales includes amortization of capitalized software development costs on a straight-line basis, royalties and the cost of third party software and hardware. Cost of systems sales as a percentage of systems sales may vary from period to period depending on the hardware and software configuration of the systems sold. The cost of systems sales as a percentage of systems sales for the second quarter of 1997 and 1996 were 125% and 55%, respectively, and 73% and 57%, respectively for the first six months of 1997 and 1996. Cost of system sales exceeded system sales revenue because (1) system sales primarily consisted of hardware with low margins; (2) cost of sales includes the amortization, on a straight-line basis, of capitalized software and; (3) cost of sales includes costs related to warranty.

Cost of Service, Maintenance and Support

The cost of service, maintenance and support includes compensation and benefits for support and professional services personnel and the cost of third party maintenance contracts. As a percentage of service, maintenance and support revenues, the cost of such service, maintenance and support was 109% and 128% for the second quarter of fiscal 1997 and 1996, respectively and 113%, and 120%, respectively, for the first six months of 1997 and 1996.

The service, maintenance and support staff consisted of thirty and thirty-two employees, respectively, in the first and second quarters of 1997 compared with fifteen and twenty-two in the comparable prior quarters. LanVision's Professional Services and Customer Support staffs were expanded, subsequent to the initial public offering, in anticipation of increases in systems sales. The number of new systems sales has been less than expected, and accordingly, revenue from professional services and support has been less than the Company's internal plan.

Selling, General and Administrative

Selling, General and Administrative expenses consist primarily of: compensation and related benefits and reimbursable travel and living expenses related to the Company's sales, marketing and administrative personnel; advertising and marketing expenses, including trade shows and similar type sales and market expenses; and general corporate expenses, including occupancy costs. During the second quarter of fiscal 1997, selling, general and administrative expenses increased to $2,353,707 compared with $1,397,457 in the comparable prior quarter and increased to $4,923,942 in the first six months compared with $2,453,670 in the comparable prior period. During the second through fourth quarters of fiscal 1996, the company significantly expanded its direct sales and marketing and indirect sales operations, including the infrastructure necessary to support its anticipated future operations, in order to take advantage of the growth market opportunities in the healthcare information systems market. At the end of the second quarter of 1997, the selling, general and administrative staff consisted of 50 employees compared with 31 employees at the end of the second quarter of 1996. Additionally, expenses for advertising, trade shows and other marketing programs for the first six months of fiscal 1997, were approximately $342,000 greater than the first six months of fiscal 1996. Selling, general and administrative expenses include $180,000 in the first quarter of fiscal 1997, related to an employee severance agreement.

Product Research and Development

Product research and development expenses consist primarily of: compensation and related benefits; the use of independent contractors for specific development projects; and an allocated portion of general overhead costs, including occupancy. At July 31, 1997, the product research and development staff consisted of twenty-nine employees compared with fourteen employees at July 31, 1996. In addition, the Company has increased substantially the use of independent contractors and software development firms to supplement the internal research and development staff. The majority of product research and development expenses for the current quarter and last six months relate to: the continued enhancement and increased functionality of ChartVision(R) and development of version 2 of AccountVision(TM); the development of new products to expand the breadth of the product portfolio, including, On-Line Chart Completion(TM) which automates the identification of deficiencies in patient charts and automatic routing to appropriate personnel for on-line processing and completion, MultiView(TM) , an add-on module to ChartVision to enable the display of multiple documents and enable users to pre-define search criteria and tailor data, Correspondence module to fulfill requests for information by allowing electronic searches and distribution of patient information and OmniVision(TM), an image enabling and workflow technology software that allows access to information through existing hospital applications. The Company capitalized, in accordance with Statement of Financial Accounting Standards No. 86, $198,000, and $80,000 of product research and development costs in the first six months of fiscal 1997 and 1996, respectively.

Net loss

The net loss for the second fiscal quarter of 1997 was $3,531,223 ($.40) compared with a net loss of $138,581 ($.02) in the second quarter of 1996. The net loss for the first six months of 1997 was $6,376,930 ($.72) compared with a net loss of $918,764 ($.12) in the first six months of 1996. The increased operating loss is due to the significant expansion of the Company discussed in the previous paragraphs and fewer new systems sales than expected. The shortfall in systems sales occurred for several reasons: intense competition from other healthcare document imaging and workflow providers; growing pains resulting from the addition of many new employees and several management changes; extended sales cycles where several potential customers have either indefinitely postponed or delayed plans to implement document imaging due to a variety of operating/capital decisions, including potential mergers, reprioritization of projects, change in management, etc. Additionally, it has taken the Company longer than anticipated to deliver products in development. Late delivery of products has resulted in less revenue to existing customers and adversely affected the Company's competitive position.

In spite of the shortfalls in new customer agreements, management continues to believe that the healthcare document imaging and workflow market is going to be a significant market. The Company continues to focus on this market, even though expenses are well ahead of revenues over the past two quarters as the employee base expanded. Management believes it has made the investments in the talent and technology necessary to establish the Company as a leader in this marketplace.

Since commencing operations in 1989, the Company has from time to time incurred operating losses. Although the Company achieved profitability in fiscal years 1992 and 1993, the Company incurred a net loss in fiscal years 1994, 1995 and 1996. In view of the Company's prior operating history, there can be no assurance that the Company will be able to achieve consistent profitability on a quarterly or annual basis or that it will be able to sustain or increase its revenue growth in future periods. Based upon the expenses associated with current and planned staffing levels, profitability is dependent upon increasing revenues.

LIQUIDITY AND CAPITAL RESOURCES

On April 18, 1996, the Company, in its Initial Public Offering, issued 2,912,500 Shares of Common Stock, with net proceeds to the Company, before expenses, of $35,211,147. The Company has no significant obligations for capital resources other than operating leases for the existing facilities. However, the Company anticipates spending approximately $5,600,000 for the furniture, building improvements and equipment necessary to establish the new VHS division. Additionally, because VHS is a start up operation and because the revenue stream will start small and then grow as more data is stored and retrieved, management expects VHS will operate at a loss and negative cash flow for at least the first year of operation. Since the public offering, the Company's operating losses, capital expenditures, and working capital needs have decreased cash and investments by approximately $15,000,000. Additionally, based upon the expenses associated with the current staffing levels, profitability and positive cash flow is dependent upon increasing revenues. Management believes the Company will be able to increase revenues and believes existing cash and cash equivalents, and investment securities, as well as cash provided from operations, will be sufficient to meet anticipated cash requirements. However, management anticipates the capital expenditures needed by the VHS division will be funded by a combination of short and long-term debt, which is yet to be secured.

The Company's customers typically have been well-established hospitals or medical facilities with good credit history, and payments have been received within normal time frames for the industry. Agreements with customers often involve significant amounts, and contract terms typically require customers to make progress payments

SIGNED AGREEMENTS - BACKLOG

At July 31, 1997, the Company's customers had entered into agreements for systems and services (excluding support and maintenance) which had not yet been delivered, installed and accepted which, if fully performed, would generate sales of approximately $7,600,000. See "Results of Operations: General" for a description of the Company's agreements with customers. The systems and services related to the agreements are expected to be delivered or performed, based upon customer implementation schedules, over the next two to three years. Of the backlog at July 31, 1997, the Company has received purchase orders for approximately $3,100,000 of systems and services (excluding maintenance).

In addition, the Company's agreements also generally provide for an initial maintenance period and give the customer the right to subscribe for maintenance services on a monthly, quarterly or annual basis.

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is not currently engaged in any litigation.

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

(d) Use Of Proceeds

(1) Effective date of the Registration Statement (Commission File Number 2-01494) for which Use of Proceeds information is provided is April 17, 1996.

(2) The offering date of the Registration Statement was April 18, 1996.

(3) The Managing Underwriters were:

Jefferies & Company, Inc.
Unterberg Harris
McDonald & Company Securities, Inc.

(4) The Securities Registered was - Common Stock, $.01 Par Value.

(5) Aggregate offering price of securities registered and sold to date for the account of:

Issuer -		
Amount Registered	2,912,500	Shares
Aggregate Price of Offering Amount Registered	$37,862,500	
Amount Sold	2,912,500	Shares
Aggregate Offering Price of Amount Sold	$37,862,500	
Selling Security Holders -		
Amount Registered	750,000	Shares
Aggregate Offering Price of Amount Registered	$9,750,000	
Amount Sold	750,000	Shares
Aggregate Offering Price of Amount Sold	$9,750,000	

(6) Amount of expenses incurred for the Registrant's account in connection with the issuance and distribution of the Securities Registered, all of which were made to "others" and none to directors, officers, general partners or affiliates of the Registrant.

Underwriting Discount and Commission	$2,651,353
Finders Fees	-
Expenses paid to or for Underwriters	-

Other Expenses, Estimated at	$906,365

(7) Net offering proceeds to the Registrant after total expenses above $34,304,782.

(8) From the effective date of the Registration Statement through the end of the quarterly period of this Form 10-Q, the Registrant made direct or indirect payments to "others" in the amounts listed below. No payments direct or indirect were made to Directors, Officers, General Partners, or Affiliates of the Registrant.

Construction of plant, building and facilities	$ -
Purchase and installation of machinery and equipment	$ 3,454,682
Purchase of real estate	$ -
Acquisition of other business(es)	$ -
Repayment of indebtedness	$ 1,110,266
Working capital	$ 1,508,689 *
Expanded Staff, facilities, advertising, and software development	$ 10,880,881 *
Repurchase of treasury stock	$ 430,188
Temporary investment in U.S. Treasury Securities	$ 16,920,076

*Represents estimates.

Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Stockholders held on May 27, 1997, the following members were elected to the Board of Directors:

	Votes For	Votes Withheld
J. Brian Patsy	7,699,824	111,250
Eric S. Lombardo	7,699,624	111,450
Z. David Patterson	7,699,524	111,550
George E. Castrucci	7,698,024	113,050

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

(10) Material Contracts:

(1) First Amendment to Lease Between Green Realty Corporation and LanVision, Inc.

(2) Second Amendment to Lease Between Fairview Plaza Associates Limited Partnership and LanVision, Inc.

(11) Computation of Earnings (Loss) Per Common Share

(27) Financial Data Schedule

(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.

LANVISION SYSTEMS, INC.

DATE:	September 8, 1997	By:	/s/ J. BRIAN PATSY
			J. Brian Patsy Chief Executive Officer and President
DATE:	September 8, 1997	By:	/s/ THOMAS E. PERAZZO
			Thomas E. Perazzo Vice President, Chief Financial Officer and Treasurer

INDEX TO EXHIBITS

Exhibit 10.1
LANVISION SYSTEMS, INC.

FIRST AMENDMENT TO LEASE BETWEEN GREEN REALTY CORPORATION AND LANVISION, INC.

Amendment to Lease

This Amendment to Lease made the 6th day of June 1997 by and between Green Realty Corporation ("Lessor") and Lan Vision, Inc. ("Lessee").

WITNESSETH:

WHEREAS, Lessor and Lessee entered into a Lease Agreement (the "Lease") dated April 7, 1997 respecting approximately 10,000 square feet of office space in the building known as 5481 Creek Road, Cincinnati, Ohio 45242 (the "Premises").

NOW THEREFORE, in consideration of the foregoing Premises and the mutual covenants herein contained, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, Lessor and Lessee hereby agree as follows:

1. In addition to Lessee's lease of the above referenced Premises, Lessee hereby leases from Lessor approximately 5,000 square feet of space in the building known as 5481 Creek Road, Cincinnati, Ohio 45242, and more particularly shown on Exhibit A attached hereto and incorporated herein (the "Additional Premises") beginning July 1, 1997 and running coterminus with the lease term for the Premises outlined in Section 1 of the Lease entitled Demise & Term.

2. The rental for the Additional Premises shall be the same rental per square foot as the rental for the Premises outlined in Section 2 of the Lease entitled Rental with the rental adjustments outlined in Section 3 of the Lease entitled Right to Renew.

3. Lessee is leasing the Additional Premises in "as is" condition with the following exceptions:

    A. Where needed, Lessor shall replace the ceiling tiles.

    B. Where needed, Lessor shall repair the lights.

4. Beginning July 1, 1997, all references in the Lease to the Premises shall include the Additional Premises and shall refer to a total of approximately 15,000 square feet of space.

5. Lessee may install, at its sole cost and expense, double doors in the Additional Premises, upon prior written approval of Lessor, which consent shall not be unreasonably withheld.

6. To the extent not modified by this Amendment to Lease, all provisions of the Lease shall apply to the Additional Premises.

7. Lessee will be entitled to have "top billing" on all signage for the building.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Amendment to Lease to be duly executed as of the date and year indicated below each signature.

Signed and acknowledged in the presence of:

/s/ Angela M. Woodward
- ------------------------------------

Printed Name: Angela M. Woodward

/s/ Kimberly A. Hiner
- ------------------------------------

Printed Name: Kimberly A. Hiner

LESSOR:
Green Realty Corporation

By: /s/ Andrew J. Green

Title: President

Date: 6-10-97

LESSEE:
Lan Vision, Inc.

By: /s/ Eric S. Lombardo

Eric S. Lombardo

Title: Executive Vice President

Date: 6-6-97

Signed and acknowledged in the presence of:

/s/ Alan J. Hartman
- ------------------------------------

Printed Name: Alan J. Hartman

/s/ Kimberly S. Farris
- ------------------------------------

Printed Name: Kimberly S. Farris

(Attached as an Exhibit is a floor plan showing existing space and expanded space.)

LESSOR NOTARY

STATE OF }
} SS:
COUNTY OF }

BE IT REMEMBERED that on this 10th day of June, 1997 before me, the subscribed notary public, personally appeared Andrew J. Green who, I am satisfied, is the person who signed the within instrument as President of Green Realty Corporation, and he thereupon acknowledged that said instrument made by such corporation was signed, sealed with its corporate seal and delivered by him as such officer, and is his voluntary act and deed and is the voluntary act and deed of such corporation, made by virtue of authority from its Board of Directors.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

/s/ Janet A. Hahn

Notary Public

My commission expires:

11-27-99 NOTARIAL SEAL

LESSEE NOTARY

STATE OF OHIO }
} SS:
COUNTY OF HAMILTON }

BE IT REMEMBERED that on this 6th day of June, 1997 before me, the subscribed notary public, personally appeared Eric S. Lombardo who, I am satisfied, is the person who signed the within instrument as Executive Vice Pres of LanVision, Inc., and he thereupon acknowledged that said instrument made by such corporation was signed, sealed with its corporate seal and delivered by him as such officer, and is his voluntary act and deed and is the voluntary act and deed of such corporation, made by virtue of authority from its Board of Directors.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

/s/ Carol Daniels Richmond

Notary Public

My commission expires:

9-30-2001 NOTARIAL SEAL

Exhibit 10.2

LANVISION SYSTEMS, INC.

SECOND AMENDMENT TO LEASE BETWEEN FAIRFIEW PLAZA ASSOCIATES LIMITED PARTNERSHIP AND LANVISION, INC.

SECOND AMENDMENT TO LEASE
BETWEEN FAIRVIEW PLAZA ASSOCIATES LIMITED PARTNERSHIP, LESSOR, AND
LANVISION, INC., LESSEE

This AMENDMENT, made and entered into this 21st day of May, 1997, by and between FAIRVIEW PLAZA ASSOCIATES LIMITED PARTNERSHIP, Lessor, and LANVISION, INC., Lessee;

WHEREAS, the parties hereto have previously entered into a lease agreement dated February 26, 1996, regarding 1,659 rentable square feet of office space at 5970 Fairview Road, Suite 250, which lease was amended on August 12, 1996 to extend the lease term through September 30, 1999 and relocate Lessee to 3,770 rentable square feet of office space in Suite 700;

WHEREAS, the parties hereto desire to enter into this Second Amendment to Lease as hereinafter set forth:

1) RELOCATION: Lessee will relocate to Suite 650 of 5970 Fairview Road (the "Premises").

2) NEW SQUARE FOOTAGE: The new square footage of the Premises is 8,141 rentable square feet (7,269 usable square feet) as outlined on Exhibit "A".

3) LEASE TERM: The new term shall be approximately sixty (60) months, beginning on June 15, 1997 or the date the Tenant Improvements for the Premises referred to in Exhibit "B" are substantially completed and the Premises are suitable for occupancy, whichever is later (the "Commencement Date")and ending June 14, 2002 (the "Term").

4) TENANT IMPROVEMENTS: Lessor shall provide a tenant improvement allowance of $15.00 per rentable square foot below the finished ceiling.

Lessor will provide the labor and materials to finish the ceiling, including new building standard ceiling tile throughout, all necessary lighting, mechanical, HVAC, and sprinkler adjustments or additions. Lessor will also provide architectural and engineering services for purposes of obtaining construction drawings.

It is understood and agreed that the specifications in Exhibit "A" and Exhibit "B" are accepted and approved by Lessee, as attached. If the tenant improvement work is less than the tenant improvement allowance, the unused portion may be applied to cabling, moving costs, supplemental air conditioning unit, or logo signage. If more than the tenant improvement allowance is needed for tenant improvements, Lessee shall be directly responsible and shall pay such costs in full prior to occupancy.

Lessee shall purchase from Lessor one used Mini-Mate Air Conditioning unit in the amount of $3000.00. Lessee may apply the unused portion of the tenant improvement allowance towards the cost of the supplemental air conditioning unit. The unit will be installed by Lessor, which will be vented to the outside of the building, and will be separately metered. Lessee will be responsible for payment of the power bill for operation of the supplemental air conditioning, as well as any necessary repairs or maintenance to the unit.

5) MOVING ALLOWANCE: Lessor will contribute up to $5,993.00 toward reimbursing Lessee for the cost of the physical move or cabling costs, in addition to any unused portion of the tenant improvement allowance used for such costs.

6) RENTAL RATE: The base rental rate for the new space will be $17.00 per rentable square foot. The new monthly base rental, effective on the Commencement Date will be $11,533.08.

7) RENTAL ESCALATIONS: The base rental will be escalated per the original lease as specified in Paragraphs 11 and 12 on page 2 of the original lease.

8) AUGUST 12, 1996 FIRST AMENDMENT TO LEASE: The August 12, 1996 First Amendment to Lease by and between Lessor and Lessee with respect to 5970 Fairview Road, Suite 700 shall terminate effective upon the Commencement Date of the Second Amendment to Lease. Except as to obligations and liabilities which have accrued under the August 12, 1996 First Amendment to Lease, which obligations and liabilities shall continue, all obligations and liabilities which accrue after the Commencement Date of the Second Amendment to Lease shall be of no further force or effect.

9) RIGHT OF FIRST REFUSAL: Lessee is hereby granted a right of first refusal to lease that certain 4,000 square feet of rentable space adjacent to the Premises and shown on Exhibit "A" attached hereto and incorporated herein by reference (the "Adjacent Space") beginning on the date hereof and continuing through the date that is twelve (12) months prior to the expiration of the Term, as extended (if extended). If Lessor receives a bona fide written offer for the Adjacent Space within the period described above (other than an offer from any tenant currently occupying the Adjacent Space), Lessor shall notify Lessee in writing, and Lessee shall have ten (10) business days from the date of such notice to notify Lessor in writing of Lessee's exercise of its right of first refusal. If Lessee gives written notice of such exercise, the Adjacent Space shall be

incorporated into the Premises by a written amendment executed by Lessor and Lessee upon the then current terms of this Lease. Notwithstanding the foregoing, with respect to tenant improvements, the $15.00 per rentable square foot allowance will be pro-rated over the then-remaining Term of this Lease.

Except as herinabove stated, the terms and conditions of the original Lease and Amendments thereto shall remain if full force and effect.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Second Amendment as of the date first set forth above.

LESSOR: Fairview Plaza Associates Limited

Partnership

By: Fairview Plaza Limited Partnership
Its General Partner

ATTEST: By: American Asset Corporation
Its General Partner

/s/ Mary H. Hoagland By: /s/ Paul L. Herndon

Mary H. Hoagland
Assistant Secretary

Paul L. Herndon
Vice President

(CORPORATE SEAL)

ATTEST: LESSEE: LANVISION, INC.

/s/ Alan J. Hartman By: /s/ Eric Lombardo

By: Alan J. Hartman Printed Name Eric S. Lombardo

Title: General Counsel Title: Executive Vice President

(CORPORATE SEAL)

(Attached as Exhibit A is the floor plan of the space, and as Exhibit B a list of 26 tenant improvements.)

Exhibit 11
LANVISION SYSTEMS, INC.

COMPUTATION OF EARNINGS (LOSS) PER COMMON SHARE

	Three Months Ended July 31, 1997	Three Months Ended July 31, 1996
Net (loss)	$ (3,531,223)	$ (138,581)
Weighted average number of shares outstanding	8,813,446	8,896,500
(Loss) per common share amount	$ (.40)	$ (.02)

	Six Months Ended July 31, 1997	Six Months Ended July 31, 1996
Net (loss)	$ (6,376,930)	$ (918,764)
Weighted average number of shares outstanding	8,849,312	7,664,288
(Loss) per common share amount	$ (.72)	$ (.12)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JULY 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

3-MOS
JAN-31-1998
FEB-01-1997
JUL-31-1997
0
9,190,608
3,502,630
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0
13,786,483
4,060,883
1,099,580
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23,069,961
26,909,260
3,681,979
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3,518,637
10,672,429
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0
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(6,379,930)
0
(6,379,930)
0
0
0
(6,376,930)
(0.72)
0