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, 2000

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: 0-28132

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.)

4700 Duke Drive, Suite 170
Mason, Ohio 45040-9374
(Address of principal executive offices) (Zip Code)

(513) 459-5000
(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
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Number of shares of Registrant's Common Stock ($.01 par value per share) issued and outstanding, as of September 11, 2000: 8,869,238.

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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, 2000	(Audited) January 31, 2000
Current assets:		
Cash and cash equivalents (restricted by long-term debt agreement)	$ 7,922,582	$ 5,411,920
Note receivable	525,000	--
Accounts receivable, net of allowance for doubtful accounts of $400,000 and $385,000, respectively	1,850,522	3,936,326
Unbilled receivables	1,002,722	1,138,941
Prepaid expenses related to unrecognized revenue	167,763	177,629
Other	267,704	258,506
Total current assets	11,736,293	10,923,322
Property and equipment:		
Computer equipment	2,669,828	4,423,753
Computer software	483,567	659,993
Office furniture, fixtures and equipment	1,232,471	1,379,043
Leasehold improvements	98,577	648,230
	4,484,443	7,111,019
Accumulated depreciation and amortization	(3,657,944)	(4,478,444)
	826,499	2,632,575
Capitalized software development costs, net of accumulated amortization of $1,250,228 and $1,100,228, respectively	929,701	869,701
Other	279,181	293,084
	$13,771,674	$14,718,682

See Notes to Condensed Consolidated Financial Statements.

LANVISION SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

Liabilities, Convertible Redeemable Preferred Stock and Stockholders' Equity

	(Unaudited) July 31, 2000	(Audited) January 31, 2000
Current liabilities:		
Accounts payable	$ 418,332	$ 666,647
Accrued compensation	393,659	433,046
Accrued other expenses	2,019,893	2,183,080
Deferred revenues	793,285	1,491,404
Total current liabilities	3,625,169	4,774,177
Long-term debt	6,000,000	6,000,000
Long-term accrued interest	1,835,929	1,331,289
Convertible redeemable preferred stock, $.01 par value per share 5,000,000 shares authorized	--	--
Stockholders' equity:		
Common stock, $.01 par value per share, 25,000,000 shares authorized, 8,896,500 shares issued	88,965	88,965
Capital in excess of par value	34,876,950	35,003,931
Treasury stock, at cost, 27,262 and 58,467 shares, respectively	(129,583)	(277,921)
Accumulated (deficit)	(32,525,756)	(32,201,759)
Total stockholders' equity	2,310,576	2,613,216
	$ 13,771,674	$ 14,718,682

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	
	2000	1999	2000	1999
Revenues:				
Systems sales	$ 607,874	$ 541,678	$ 878,935	$ 1,468,648
Services, maintenance and support	1,490,391	1,459,805	2,829,606	2,749,958
Service bureau operations	199,367	--	401,829	154,925
Total revenues	2,297,632	2,001,483	4,110,370	4,373,531
Operating expenses:				
Cost of systems sales	269,683	114,783	441,619	550,247
Cost of services, maintenance and support	905,686	979,010	1,833,790	1,909,055
Cost of service bureau operations	82,643	405,457	190,482	831,876
Selling, general and administrative	914,451	1,194,846	1,753,959	2,456,085
Product research and development	459,578	525,042	926,949	1,071,054
Total operating expenses	2,632,041	3,219,138	5,146,799	6,818,317
Operating (loss)	(334,409)	(1,217,655)	(1,036,429)	(2,444,786)
Other income expense:				
Interest income	127,148	39,188	231,860	88,132
Interest expense	460,367	401,572	900,948	782,405
Other income, net	28,802	--	1,381,520	--
Net (loss)	$ (638,826)	$(1,580,039)	$ (323,997)	$(3,139,059)
Basic net (loss) per common share	$ (.07)	$ (.18)	$ (.04)	$ (.36)
Diluted net (loss) per common share	$ (.07)	$ (.18)	$ (.04)	$ (.36)
Number of shares used in per common share computations	8,855,218	8,819,073	8,851,715	8,816,834

See Notes to Condensed Consolidated Financial Statements.

LANVISION SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months Ended July 31,

(Unaudited)

	2000	1999
Operating activities:		
Net (loss)	$ (323,997)	$(3,139,059)
Adjustments to reconcile net (loss) to net cash provided by (used for) operating activities:		
(Gain) on sale of property and equipment, net	(1,431,763)	--
Depreciation and amortization	492,603	955,358
Increase in long-term accrued interest	504,640	400,404
Cash provided by (used for) assets and liabilities:		
Accounts and unbilled receivables	2,222,022	798,209
Other current assets	668	23,618
Accounts payable and accrued expenses	(450,888)	(746,444)
Deferred revenues	(698,119)	425,569
Net cash provided by (used for) operating activities	315,166	(1,282,345)
Investing activities:		
Proceeds from disposal of property and equipment	2,057,000	9,006
Purchases of property and equipment	(61,764)	(46,484)
Capitalization of software development costs	(210,000)	(150,000)
Payment on note receivable	375,000	--
Other	13,903	12,204
Net cash provided by (used for) investing activities	2,174,139	(175,274)
Financing activities:		
Sale of treasury stock to employee stock purchase plan	21,357	13,243
Net cash provided by financing activities	21,357	13,243
Increase (decrease) in cash and cash equivalents	2,510,662	(1,444,376)
Cash and cash equivalents at beginning of period	5,411,920	5,445,498
Cash and cash equivalents at end of period	$ 7,922,582	$ 4,001,122
Supplemental cash flow disclosures:		
Interest paid	$ 364,000	$ 362,000

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, 2000, are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2001.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Company's significant accounting policies is presented beginning on page 20 of its 1999 Annual Report to Stockholders. Users of financial information for interim periods are encouraged to refer to the footnotes contained in the Annual Report to Stockholders when reviewing interim financial results. There has been no material change in the accounting policies followed by the Company during fiscal year 2000.

Note 3 - CHANGES IN BALANCE SHEET ACCOUNT BALANCES

The increase in cash and cash equivalents results primarily from the sale of the data center (discussed below) and the collection of accounts receivable subsequent to January 31, 2000.

The note receivable, in the amount of $525,000, represents the remaining balance of a $900,000 note received from the buyer of the data center, and is payable $75,000 per month, plus interest on the unpaid balance, through February, 2001.

The decrease in accounts receivables, net is due to lower revenues in the first six months of fiscal year 2000 compared to the six month period ended January 31, 2000 and the collection, during the first quarter, of receivables outstanding at January 31, 2000.

Other current assets consist of software and hardware awaiting installation (related to unrecognized revenue) and prepaid expenses, including commissions.

The decrease in property and equipment, net, is primarily the result of the sale of the Company's data center on February 11, 2000 for $2,000,000 in cash and a $900,000 note receivable. The sale generated a gain of approximately $1,400,000. The Company simultaneously entered into a service provider agreement with the buyer to continue to use the data center on a fee for service basis.

Other non-current assets consist primarily of prepaid long-term debt closing costs, which are amortized to expense over the life of the loan.

The decrease in accounts payable is due to the payment, subsequent to January 31, 2000, of year end purchases.

The decrease in accrued compensation results from the payment of year end bonuses.

The decrease in deferred revenues results from the recognition of revenue related to billings to customers recorded prior to revenue recognition.

Note 4 - STOCK OPTIONS

During the first six months of the current fiscal year, the Company granted 199,000 stock options under the 1996 Employee Stock Option Plan at an exercise price of approximately $1.50 per share. During the same period 82,500 options were forfeited under all plans.

Note 5 - EARNINGS PER SHARE

The basic net (loss) per common share is calculated using the weighted average number of common shares outstanding during the period.

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

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, as well as other Items in this Form 10-Q, 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, included herein. These risks and uncertainties include, but are not limited to, the impact of competitive products and pricing, product demand and market acceptance, new product development, key strategic alliances with vendors that resell LanVision products, the ability of the Company to control costs, availability of products produced from third party vendors, the healthcare regulatory environment, healthcare information systems budgets, availability of healthcare information systems trained personnel for implementation of new systems, as well as maintenance of legacy systems, fluctuations in operating results and other risks detailed from time to time in the LanVision Systems, Inc. filings with the Securities and Exchange Commission. 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 an eHealth Application Service Provider and a leading supplier of Healthcare Information Access Systems specializing in connectivity solutions that utilize the power of the Internet/Intranet to link hospitals, physicians, patients and payers to a robust Electronic Medical Record. The Company's products are complementary to existing clinical and financial systems, and use document imaging and workflow tools to ensure end users can electronically access all the various forms of healthcare information including clinician's handwritten notes, lab reports, photographs, insurance cards, etc. LanVision's eHealth solutions offer value to all of the constituents in the healthcare delivery process by enabling them to simultaneously access information from virtually any location, including the physician's desktop using Web browser technology. Web access to the entire medical record improves physician productivity and reduces administrative costs such as filing, storage, retrieval and upkeep of medical records and clinical costs, such as redundant diagnostic testing. The system enables healthcare providers to access, on a real-time basis, all the various forms of clinical and financial patient information from a single permanent healthcare information repository. The Company's solutions integrate a proprietary document imaging platform, application suites, and image and Web-enabling tools, that allow for the seamless merger of "back office" functionality with existing Clinical Information Systems at the desktop. The Company offers a robust document imaging/management infrastructure (Foundation Suite) that is built for high volume transaction processing and is optimized for the healthcare industry. In addition to providing the clinician access to information not previously available at the desktop, the Company's applications fulfill the administrative and legal needs of the Medical Records and Patient Financial Services departments. Furthermore, these systems have been specifically designed to integrate with any Clinical Information System. For example, the Company has integrated its products with selected systems from Shared Medical Systems Corporation, Cerner Corporation, IDX Systems Corporation, and Oacis Healthcare Holdings Corp. By offering electronic access to all the components of the Medical Record, this integration completes one of the most difficult tasks necessary to provide a true Computer Based Patient Record. The Company's systems deliver on-line enterprisewide 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.

Historically, the Company has derived its revenues from system sales involving the licensing of its Electronic Medical Record solution to Integrated Healthcare Delivery Networks ("IDN"). In a typical transaction, the Company enters into a perpetual license for the Company's Electronic

Medical Record Software Suite and licenses, sells other third party software and hardware components to the IDN. Additionally, the Company provides professional services, including implementation, training and product support.

With respect to systems sales, the Company earns its highest margins on proprietary LanVision software and the lowest margins on third-party hardware. Systems sales to customers may include different configurations of software and hardware, resulting in varying margins among contracts. The margins on professional services 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.

Beginning in 1998, the Company began offering customers the ability to obtain its Electronic Medical Record solution on a service bureau/eHealth basis as an Application Service Provider ("ASP"). The Company's eHealth Services division formerly known as the Virtual Healthware Services ("VHS") division established a centralized data center and installed the Company's Electronic Medical Record suite within the data center. Under this arrangement, customers electronically capture information and transmit the data to the centralized data center. The eHealth Services Division stores and manages the data using LanVision's Electronic Medical Record Suite of Applications, and customers can view, print or fax the information from anywhere using the LanVision Web-based applications.

The eHealth Services Division charges and recognizes revenue for these eHealth services on a per transaction or subscription basis as information is captured, stored, and retrieved.

In February 2000, the Company sold its centralized data center for $2,900,000. Simultaneous therewith, the Company entered into a service agreement with the buyer. Under the terms of this service agreement, in exchange for processing fees, the Company will continue to use the data center to provide ASP services to LanVision's current and future customers. Although LanVision sold the data center assets, the Company continues to market its eHealth solutions, which includes the recently announced eHealth agreement with eSmartHealth, Inc. that is discussed below. The Company will continue to provide its eHealth ASP services to customers through the continued use of the data center and by using other data center service providers.

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 Company has experienced extended sales cycles, which has adversely affected revenues. It is common for sales cycles to take six to eighteen months from initial contact to the execution of an agreement. As a result, the sales cycles can cause significant variations in quarter to quarter operating results. These agreements cover the entire implementation of the system 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 proprietary 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. Site-specific customization, interfaces with existing customer systems and other consulting services are sold on a fixed fee or a time and materials basis. Alternatively, with the Company's eHealth ASP services, the agreements generally provide for utilizing the Company's software and third party software on a fee per transaction or subscription basis.

Generally, revenue from systems sales is recognized when an agreement is signed and products are shipped. Revenue recognition related to routine installation, integration and project management 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 is recorded either on the percentage-of-completion method or revenue related to the delivered hardware and software components is deferred until such obligations are deemed insignificant, depending on the contractual terms. Revenues from consulting, training and services are recognized as the services are performed. Revenues from short-term support and maintenance agreements are recognized ratably over the term of the agreements. Billings to customers recorded prior to the recognition of the revenue are classified as deferred revenues. Revenue recognized prior to progress billings to customers is recorded as unbilled receivables.

The Company's eHealth Services Application Service Provider division was designed to overcome obstacles in the buying decision such as large capital commitment, length of implementation, and the scarcity of time for Healthcare Information Systems personnel to implement new systems. Customers pay for such services on a transaction or subscription basis, and the centralized data center application is operated and maintained by LanVision personnel and/or its agents. In 1999, the eHealth Services Division signed a four-year contract with The Health Alliance of Greater Cincinnati, a group of five hospitals in the Greater Cincinnati Area, to provide outsourced data center operations of its LanVision Electronic Medical Record System. Management believes more IDN's will begin to look for this type of eHealth application. Additionally, the Company believes its business model is especially well suited for the ambulatory marketplace. LanVision is actively pursuing remarketing agreements with Healthcare Information Systems providers to distribute the Company's eHealth solutions.

In 1998, the Company entered into a Remarketing Agreement with Shared Medical Systems Corporation ("SMS"). Under the terms of the agreement, SMS was granted an exclusive worldwide license to distribute ChartVision(R), On-Line Chart Completion(TM), WebView(TM) and Enterprisewide Correspondence(TM) to the SMS customer base and prospect base, as defined in the agreement, and a non-exclusive license to distribute all other LanVision products. If SMS distributes any other Electronic Medical Record product competing with LanVision's products, the Company may terminate the SMS Remarketing Agreement.

Under the terms of the agreement, SMS remits royalties to LanVision based upon SMS sublicensing the Company's software to SMS's customers. Twenty-five percent of the royalty is due 30 days following the end of the quarter in which SMS executes the end user license agreement with its customer. LanVision recognizes this revenue upon receipt of the royalty statement. LanVision records the remaining 75% of the Royalty when such payment due from SMS is fixed and determinable, which is generally when the software is shipped to the end user. Through July 31, 2000, SMS has sold ten systems to end-users.

In August, 2000, the Company entered into a new agreement with eSmartHealth, Inc. ("eSmart") which allows eSmart to utilize LanVision's MicroVision(TM) Electronic Medical Record ("EMR") product combined with web-based eSmart software to provide affordable, web-based EMR document management and viewing services to hospitals and clinics via the Internet. eSmart, in conjunction with their affiliate Alpharetta, Georgia based Smart Professional Photocopy Corporation d/b/a Smart Corporation, will distribute their services through Smart Corporation's extensive sales distribution network which currently consists of over 1,000 hospitals and 4,600 clinic customers throughout 46 states. LanVision will be compensated for use of its software based upon the number of EMR images eSmart scans and stores using the MicroVision application. The current estimate is that eSmart will begin using the LanVision software starting in the fiscal fourth quarter.

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 eHealth Service bureau operations are expected to increase over time, as more hospitals outsource services to LanVision's eHealth Service Division, its existing customer increases the volume of documents stored on the systems, the number of retrievals increase and new providers, such as eSmart, begin to utilize the software.

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 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, 2000, were $2,297,632, compared with $2,001,483 reported in the comparable quarter of 1999. Revenues for the first six months ended July 31, 2000, were $4,110,370, compared with $4,373,531 reported in the comparable period of 1999. Revenues for the first six months of fiscal 2000 continued to be affected because many healthcare organizations deferred new software purchases until all of their existing systems were Year 2000 compliant. Also, LanVision's remarketing partner ,Shared Medical Systems Corporation, was slow to implement existing contracts, which adversely affected revenue recognition because 75% of LanVision's revenues from such contracts is recognized only upon commencement of implementation activities on a contract by contract basis.

Additionally, healthcare institutions are assessing and implementing many new technologies. Although many of these systems do not compete with the LanVision products, these systems do compete for capital budget dollars and the available time of information systems personnel within the healthcare industries. However, management continues to believe that revenue from our Remarketing Agreement with SMS will increase in the future since LanVision's product has been fully integrated with the SMS product and the integrated product offering should be ready, very soon, for general availability to the SMS customer base. In addition, our web-based eHealth application, which is currently available and in production with our customers and available, through our Resellers for the Application Service Provider operating model, should further enhance revenues, through software royalties to LanVision with minimal additional cost. Both our Remarketing and Reseller Agreements should represent a greater percentage of the Company's total revenues in the future.

After an agreement is executed, LanVision does not record revenues until it delivers 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 accounted for approximately 38% of the revenues for the second quarter and 35% for the first six months of 2000 compared with 47% and 39%, respectively, of revenues in the comparable periods of the prior year.

OPERATING EXPENSES

Cost of Systems 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 mix of hardware and software of the systems or add-on sales delivered. The cost of systems sales as a percentage of systems sales for the second quarter of fiscal 2000 and 1999 were 44% and 21%, respectively, and 50% and 37%, respectively, for the first six months of fiscal 2000 and 1999. The higher cost reflects lower margins on the hardware sold during the current quarter compared to the comparable prior periods as well as increased software amortization expense.

Cost of Services, Maintenance and Support

The cost of services, 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 services, maintenance and support revenues, the cost of such services, maintenance and support was 61% and 67% for the second quarter of fiscal 2000 and 1999, respectively and 65% and 69% for the first six months of fiscal 2000 and 1999, respectively. The improvement in the cost of sales is due to reduced operating expenses and more effective utilization of the professional services and support staffs. The Company's support margins are highest on

LanVision's proprietary software. Accordingly, margins are expected to improve as more customers are added.

The LanVision Professional Services staff provides services on a time and material or fixed fee basis. The Professional Services staff periodically experiences some inefficiencies in the delivery of services, and certain projects have taken longer to complete than originally estimated, thus adversely affecting operating performance. Additionally, the Professional Services staff does spend a portion of its time on non-billable activities, such as selling additional products and services to existing clients, developing training courses and plans to move existing customers to LanVision's new product releases, etc. Management believes an increase in the number of new systems sold and the related backlog should improve the overall efficiency and operating performance of this group.

Cost of Service Bureau Operations

The cost of service bureau operations was significantly reduced with the sale of the data center. (See Note 3 of the Notes to Condensed Consolidated Financial Statements, above.) The Company now incurs expenses only for the outsourcing services it uses which are directly related to the Service Bureau Revenues generated by the VHS eHealth Services Division.

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 marketing expenses; and general corporate expenses, including occupancy costs. During the second quarter of fiscal 2000, Selling, General and Administrative expenses decreased to $914,451 compared with $1,194,846 in the comparable prior quarter and decreased to $1,753,959 in the first six months compared with $2,456,085 in the comparable prior six month period. The reductions in Selling, General and Administrative expenses is due to decreased staffing levels and reduced expenses in other areas. The Company has gradually reduced its direct sales staff as the Company focuses its sales efforts on indirect distribution through its current and future Remarketing, Reseller and ASP Partners. However, the Company may increase its direct sales force in the foreseeable future as market opportunities arise.

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. During the second quarter and first six months of fiscal 2000, research and development expenses were $459,578 compared with $525,042 in the comparable prior quarter and $926,949 in the first six months compared with $1,071,054 in the comparable prior six month period as a result of a reduction of staff and use of outside contractors, and an increase in capitalized software for new products under development. The Company monitors closely and augments its Research and Development staff, as necessary, to accelerate the development of new products. The Company capitalized, in accordance with

Statement of Financial Accounting Standards No. 86, $105,000 and $75,000 of product research and development costs in the second quarter of fiscal 2000 and 1999, respectively and $210,000 and $150,000 in the first six months of fiscal 2000 and 1999, respectively.

Operating loss

The operating loss for the second quarter of fiscal 2000 was $334,409 compared with an operating loss of $1,217,655 in the second quarter of fiscal 1999. The operating loss for the first six months of fiscal 2000 was $1,036,429 compared with $2,444,786 in the first six months of fiscal 1999. The decrease in the operating loss results primarily from: (1) continued stringent cost controls, and (2) the sale of the data center and the reduction in the associated expenses related thereto which approximated $300,000 in each of the first two quarters.

Interest income consists primarily of interest on invested cash. The increase in interest income results from increased cash balances and higher interest rates.

Interest expense relates to the long-term debt.

Other income, net

Other income, net of $28,802 relates to the disposal of fixed assets during the second quarter when the Company closed the Charlotte, North Carolina office and the $1,381,520 for the first six months results, relates primarily from the data center sale in the first quarter. (See Note 3 of the Notes to Consolidated Condensed Financial Statements, above.)

Net (loss)

The net loss for the second quarter of fiscal 2000 was $638,826 ($.07 per share) compared with a net loss of $1,580,039 ($.18 per share) in the second quarter of fiscal 1999. The net loss for the first six months of fiscal 2000 was $323,997 ($.04 per share) compared with a net loss of $3,139,059 ($.36 per share) in the first six months of fiscal 1999. Excluding the gain on the sale of the data center, the net loss for the first six months would have been $1,705,517, a decrease of $1,433,542 from the comparable loss in the first six months of fiscal 1999. This reduction results primarily from: (1) the continued stringent cost controls in all areas, and (2) the sale of the data center which resulted in an approximately $600,000 reduction in expenses related to the data center operations.

Notwithstanding the less than anticipated number of new customer agreements signed in the past, management continues to believe that the healthcare document imaging and workflow market is going to be a significant market. Management believes it has made the investments in the talent and technology necessary to establish the Company as a leader in this marketplace, and continues to believe the Company is well positioned to experience significant revenue growth primarily through third party distributors and remarketing partners.

Since commencing operations in 1989, the Company has incurred operating losses. Although the Company achieved profitability in fiscal years 1992 and 1993, the Company incurred a net loss in fiscal years 1994 through 1999. 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

Since its inception in 1989, the Company has funded its operations, working capital needs and capital expenditures primarily from a combination of cash generated by operations, a 1994 private placement of convertible redeemable preferred stock, an initial public offering and borrowings, including a $6,000,000 loan in 1998.

The Company's customers typically have been well-established hospitals, medical facilities or third party distributors with good credit histories, and payments have been received within normal time frames for the industry. However, some healthcare organizations have experienced significant operating losses as a result of limits on third-party reimbursements from insurance companies and governmental entities. Agreements with customers often involve significant amounts and contract terms typically require customers to make progress payments. Agreements with third party distributors normally require payment as LanVision's software is: (1) sublicensed and installed at end users or (2) as the LanVision software is utilized on a per transaction, subscription or similar "pay-as-you-use" basis.

The Company has no significant obligations for capital resources, other than noncancelable operating leases in the total amount of approximately $378,000, net of a sublease, payable over the next three years.

Over the last several years, the Company's revenues have been less than the Company's internal plans. However, during the same period, the Company has expended significant amounts for capital expenditures, product research and development, sales, support and consulting expenses. This resulted in significant net cash outlays over the last four and one half years. Although the Company has reduced staffing levels and related expenses, and improved operating performance, the Company's expenses continue to exceed its revenues. Accordingly, to achieve profitability, and positive cash flow, it is necessary for the Company to increase revenues or continue to reduce expenses. Management believes that the general release of enhanced products has significantly strengthened the product lines. Additionally, the SMS Remarketing Agreement has expanded the sales distribution capabilities, and management believes that market opportunities are such that the Company should be able to increase its revenues. However, there can be no assurance the Company will be able to increase its revenues.

At July 31, 2000, the Company had cash and cash equivalents of $7,922,582. Cash equivalents consist primarily of overnight bank repurchase agreements and short-term commercial paper. Under the terms of its loan agreement, as amended, the Company has agreed to maintain a minimum cash and investment balance of $4,775,000, which increases by $75,000 per month, which is equal to the note receivable payment from the sale of the data center, until February, 2001, at which time the minimum balance must be $5,300,000.

Management has significantly reduced operating expenses, and believes the Company can improve operating results in fiscal 2000. However, based upon current expenditure levels and in the absence of increased revenues, the Company would continue to operate at a loss. Accordingly, for the foreseeable future, management will need to continually assess its revenue prospects compared to its current expenditure levels. If it does not appear likely that revenues will increase, it may be necessary to further reduce operating expenses or raise cash through additional borrowings, the sale of assets, or other equity financing. Certain of these actions will require lender approval. However, there can be no assurance the Company will be successful in any of these efforts. If it is necessary to significantly reduce operating expenses, this could have an adverse affect on future operating performance.

The Company's long-term debt agreement, as amended on September 5, 2000, currently requires that the Company maintain, certain financial covenants including a Minimum Net Worth of $800,000 through January 31, 2001 and $1,100,000 thereafter. In addition, The Nasdaq SmallCap Market requires a minimum of $2,000,000 in Net Tangible Assets, or Net Worth, for continued listing on the SmallCap Market. Should LanVision's Net Worth decrease below the above noted minimums, it will be necessary to renegotiate the long-term debt covenants with the Lender and the Company's Common Stock could be delisted from The Nasdaq SmallCap Market. If that event were to occur, the Company would use its best efforts to have its Common Stock traded on The Nasdaq Over The Counter Bulletin Board, the NASD Pink Sheets or other Over The Counter Markets.

There can be no assurance that the Company's Lender will consent to a waiver of the Minimum Net Worth or other covenants if they are not met. However, management believes that the Company will be able to comply with the current covenants to avoid default of the long-term debt agreement.

To date, inflation has not had a material impact on the Company's revenues or expenses. Additionally, the Company does not have any significant market risk exposure at July 31, 2000.

In August, 2000, the Company announced that it had retained FAC/Equities, a division of First Albany Corporation, as a financial advisor to evaluate alternatives for maximizing shareholder value.

SIGNED AGREEMENTS - BACKLOG

LanVision enters into master agreements with its customers to specify the scope of the system to be installed and services to be provided by LanVision, the agreed upon aggregate price and the timetable for implementation. The master agreement typically provides that the Company will deliver the system in phases pursuant to the customer's purchase orders, thereby allowing the customer flexibility in the timing of its receipt of systems and to make adjustments that may arise based upon changes in technology or changes in customer needs. The master agreement also allows 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 master agreement, although there can be no assurance that this trend will continue in the future.

At July 31, 2000, the Company's customers (excluding customers of the eHealth Services Division) had entered into master 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 $5,846,000, compared with approximately $4,551,000 at the end of fiscal 1999. The systems and services are currently expected to be delivered over the next two to three years. In addition, the Company anticipates approximately $2,600,000 in transaction-based fee revenues for the eHealth Services Division's client over the remaining thirty-eight month life of the contract. Because implementation and service bureau eHealth fees are dependent upon the customer's schedule and usage, the Company is unable to predict accurately the amount of revenues in future periods.

The Company's master agreements also generally provide for an initial maintenance period and give the customer the right to subscribe for maintenance and support services on a monthly, quarterly or annual basis. Maintenance and support revenues for fiscal years 1999 and 1998 and 1997 were approximately $3,264,000, $2,755,000 and $2,151,000, respectively and are expected to increase as new or expanded systems are installed.

The commencement of revenue recognition varies depending on the size and complexity of the system, the implementation schedule requested by the customer and usage by customers of the VHS eHealth Services Division service bureau operations. Therefore, LanVision is unable to accurately predict the revenue it expects to achieve in any particular period. The Company's master agreements generally provide that the customer may terminate its agreement upon a material breach by the Company, or may delay certain aspects of the installation. There can be no assurance that a customer will not cancel all or any portion of master agreement or delay installations. A termination or installation delay of one or more phases of an agreement, or the failure of the Company to procure additional agreements, could have a material adverse effect on the Company's business, financial condition and results of operations.

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is not currently engaged in any material adverse litigation.

Item 3. DEFAULTS ON SENIOR SECURITIES

The Company is not in default under its existing Loan Agreement

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10(a) Second Amendment to Employment Agreement among LanVision Systems, Inc., LanVision, Inc. and Thomas E Perazzo, effective February 1, 2000

10(b) Third Amendment to Loan Agreement between LanVision Systems, Inc. and The HillStreet Fund, L.P. dated July 17, 1998, as amended

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 11, 2000

By: /s/ J. BRIAN PATSY
J. Brian Patsy
Chief Executive Officer and
President

DATE: September 11, 2000

By: /s/ PAUL W. BRIDGE, JR.
Paul W. Bridge, Jr.
Acting Chief Financial Officer and
Acting Treasurer

INDEX TO EXHIBITS

Exhibit No.		Exhibit
10(a)	#	Second Amendment to Employment Agreement among LanVision Systems, Inc., LanVision, Inc. and Thomas E. Perazzo, effective February 1, 2000
10(b)		Third Amendment to Loan Agreement between LanVision Systems, Inc. and The HillStreet Fund, L.P. dated July 17, 1998, as amended
11		Computation of Earnings (Loss) Per Common Share
27		Financial Data Schedule

Management Contract and Compensatory Agreement.

Exhibit 10(a)
LANVISION SYSTEMS, INC.

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This Second Amendment is entered into effective as of February 1, 2000 by and among LanVision Systems, Inc., LanVision, Inc. (collectively "LanVision") and Thomas E. Perazzo ("Employee").

WHEREAS, Employee is an employee of LanVision, and Employee and LanVision mutually desire to modify the terms of their employment relationship as provided herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this Second Amendment, the parties agree to the terms and conditions set forth herein.

1. MODIFICATION. This Second Amendment modifies and amends that certain Employment Agreement by and among LanVision and the Employee dated January 30, 1996, as amended effective January 29, 1999 (the "Employment Agreement"). Except as provided herein, all other terms and conditions of the Employment Agreement shall remain in full force and effect.

2. POSITION AND DUTIES. (A) Effective as of February 1, 2000 and through the period ending April 30, 2000 ("Q1 2000), LanVision and Employee agree that Employee shall serve LanVision solely in the capacity of LanVision's Chief Financial Officer. Employee shall have no other title, duties or obligations to LanVision other than as its Chief Financial Officer. During Q1 2000, LanVision and Employee agree that Employee shall be obligated to provide his services to LanVision on a half-time basis. For purposes of this Agreement, "half-time" shall mean 20 hours per week during LanVision's normal business hours.

(B) LanVision and Employee further agree that effective as of May 1, 2000, Employee shall resign as LanVision's Chief Financial Officer and LanVision shall accept such resignation, provided, however, that Employee shall thereafter continue as an employee of LanVision through October 31, 2000 (the "Termination Date") on the terms specified herein. During the period commencing May 1, 2000 and ending October 31, 2000 (the "Transition Period"), LanVision and Employee agree that Employee shall provide such services as LanVision reasonably requests to assist with the transition of his services to Employee's successor as Chief Financial Officer. LanVision and Employee agree to be reasonable in determining the nature of Employee's services required during the Transition Period and in establishing the time commitment to be required of Employee. LanVision and Employee shall mutually agree in advance as to what services are considered non-billable transition services versus billable services. If after April 30, 2000 and through October 31, 2000 LanVision requests Employee's billable services and such services are for mutually agreeable time periods and at mutually agreeable times, Employee will perform such services at a cost of $150 per hour.

3. COMPENSATION. (A) During Q1 2000, LanVision shall compensate Employee at his full fiscal year 1999 base salary notwithstanding that Employee will be working on a half-time basis. During the Transition Period, LanVision shall compensate Employee at a rate equal to one half of the amount that he would have been paid during the Transition Period if he had remained a full time employee of the Company, which amount shall in the aggregate equal one fourth of his fiscal year 1999 base salary and bonus (excluding any discretionary bonuses). Such payments shall be made in equal installments to Employee, payable on the last day of each applicable pay period in accordance with LanVision's existing policies and procedures. All such amounts shall be net of required withholdings under federal, state and local law.

(B) LanVision and Employee agree that the payment to Employee of all amounts due pursuant to Section 3(A) shall constitute the payment in full of all severance payment obligations due to Employee under the Employment Agreement, as amended by this Second Amendment.

4. STOCK OPTIONS. LanVision and Employee agree that all of the Employee's stock options to acquire shares of LanVision Systems, Inc. common stock, whether issued under the LanVision Systems, Inc. 1996 Employee Stock Option Plan (the "Plan") or otherwise, shall continue in full force and effect through the Termination Date and for the ninety day period following thereafter. Through the Termination Date, such stock options shall continue to vest in accordance with their stated terms and the terms of the Plan. In addition, the Company hereby accelerates the vesting in full of another 5,000 stock options having an exercise price of $1.375 per share that were granted to Employee in May 1999, which stock options would not otherwise vest prior to the Termination Date but for this acceleration. For the ninety day period following the Termination Date, only those options which vested on or prior to the Termination Date shall be exercisable.

5. DEBT REPAYMENT. On or before the Termination Date, Employee shall pay LanVision the full amount of principal and interest on that certain Promissory Note by and between LanVision and Employee in the original principal amount of $10,000.00. In lieu of making a lump sum payment, Employee may elect to repay such amounts to LanVision through payroll deduction at any time during Q1 2000 and/or the Transition Period. In the event that the Promissory Note has not been paid in full at the Termination Date, LanVision may offset the final payment due Employee under Section 3(A) against the amount due and, if such offset is insufficient to satisfy Employee's total obligation, Employee agrees that he will not be permitted to exercise any LanVision stock options until full payment is received by LanVision.

6. OUTSIDE EMPLOYMENT. Employee shall devote such time and attention to the performance of his duties with LanVision only as required in Section 2 hereof. Employee may engage in other employment, subject only to the confidentiality, property and non-compete provisions in Sections 7, 8 and 9 of the Employment Agreement.

7. TERMINATION. The Employment Agreement, as amended by this Second Amendment, will be deemed to terminate by mutual agreement of the parties, and the Employee's employment with LanVision will terminate, as of the Termination Date, except that any provisions of the Employment Agreement that by their terms continue in effect beyond any termination shall so continue in effect. Employee agrees to abide by all such continuing terms. On or before the Termination Date, Employee agrees to return to LanVision any and all LanVision property acquired during Employee's term of employment.

8. PLAN BENEFITS. As further consideration for Employee signing this Second Amendment, Employee shall receive coverage under LanVision's health insurance, dental insurance, and life insurance benefits provided through The Guardian Life Insurance Company and Fortis that Employee currently has will remain in effect through the Termination Date. Through the Termination Date, Employee may, at his option, apply the amount LanVision would normally pay for Employee's family health care coverage toward another health care provider of Employee's choice. Thereafter, Employee shall be entitled to exercise COBRA rights in accordance with federal law, provided Employee timely exercises Employee's COBRA rights by completing the appropriate forms, LanVision will pay the COBRA premiums for up to three months, i.e., through January 31, 2001. (Employee will receive separately a notice of COBRA rights, along with the necessary forms to be completed.) Employee acknowledges and agrees that Employee shall receive no benefits additional to those set forth above.

9. MUTUAL RELEASE. In consideration of the payments and benefits set forth above in this Second Amendment, such payments and benefits being good and valuable consideration:

(A) Employee acting of Employee's own free will, voluntarily, and on behalf of Employee and Employee's heirs, administrators, executors, successors, and assigns, releases LanVision and its subsidiaries, affiliates, directors, officers, and agents, jointly and severally ("Releasees"), from any and all debts, obligations, claims, demands, judgments, or causes of action of any kind whatsoever, in tort, contract, by statute, or on any other basis, for compensatory, punitive, or other damages, expenses, reimbursements, or costs of any kind, including but not limited to any and all claims, demands, rights, and/or causes of action arising out of Employee's employment with LanVision or any employment contract; or relating to purported employment discrimination or violations of civil rights under any applicable federal, state, or local statute or ordinance or any other claim, whether statutory or based on common law, arising by reason of Employee's employment with LanVision, the termination of that employment, or circumstances related thereto, or by reason of any other matter, cause, or thing whatsoever, from the first date of employment to the later of the date of this Second Amendment or the Termination Date, it being understood that nothing contained in this Section 9(A) shall be deemed to release the Releasees from their obligations under the Employment Agreement as amended by this Second Amendment nor from any obligation of Releasees to indemnify Employee for liability to third parties arising from his service as an officer and/or employee of LanVision; and

(B) LanVision, on behalf of itself, its successors, and assigns, releases Employee from any and all debts, obligations, claims, demands, judgments, or causes of action of any kind whatsoever, in tort, contract, by statute, or on any other basis, for compensatory, punitive, or other damages, expenses, reimbursements, or costs of any kind, including but not limited to any and all claims, demands, rights, and/or causes of action arising out of Employee's employment with LanVision or any employment contract; or any other claim, whether statutory or based on common law, arising by reason of Employee's employment with LanVision, the termination of that employment, or circumstances related thereto, or by reason of any other matter, cause, or thing whatsoever, from the first date of employment to the later of the date of this Second Amendment or the Termination Date, other than for Employee's repayment obligations set forth in Section 5 of this Second Amendment, it being understood that nothing contained in this Section 9(B) shall be deemed to release the Employee from his obligations under the Employment Agreement as amended by this Second Amendment.

10. DISCLOSURES; STATEMENTS. (A) LanVision shall make no disclosures concerning Employee's employment or other information regarding Employee, except for confirming employment, job title, dates of service, and rate of pay, plus additional information as, and only as, required pursuant to subpoena or otherwise required by law, including securities laws and regulations, unless otherwise consented to by Employee.

(B) Employee shall make no negative statements concerning, or take any action that derogates LanVision or other Releasees, or its or other Releasees' products, services, reputation, officers, employees, financial status, or operations, or otherwise damage any of LanVision's or other Releases' business relationships.

11. REMEDIES. Any action by Employee in material violation of the Employment Agreement, as amended by this Second Amendment, shall void LanVision's payment to Employee of all monies due during the Transition Period and result in an immediate termination of Employee's employment, with the effect that time period for exercising Employee's stock options shall expire on the ninetieth day after such actual termination date, and shall result in the immediate cancellation of the other benefits provided as consideration under this Agreement, and shall further require Employee to pay all reasonable costs and attorneys fees in defending any action Employee brings, plus any other damages to which LanVision may be entitled. Employee further consents to the issuance of a temporary restraining order, and/or injunction as an appropriate remedy for violation of the Employment Agreement, as amended by this Second Amendment, by Employee, and will not contest the entry of same if a violation is shown.

12. ARBITRATION. Any dispute between the parties about whether a violation of the Employment Agreement, as amended by this Second Amendment, by Employee has occurred shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

13. NO ADMISSION. The payment of the monies set forth in the Employment Agreement, as amended by this Second Amendment, does not constitute an admission of liability or violation of any applicable law, any contract provisions or any rule or regulation, as to which Releasees expressly deny liability.

14. SEVERABILITY. If any provision, or portion thereof, of the Employment Agreement, as amended by this Second Amendment, is held invalid or unenforceable under applicable statute or rule of law, only that provision or portion shall be deemed omitted from this Agreement, and only to the extent to which it is held invalid, and the remainder of the Employment Agreement, as amended by this Second Amendment, shall remain in full force and effect.

15. GOVERNING LAW. This Second Amendment shall be governed by and construed in accordance with the laws of the State of Ohio, excluding its conflict of laws.

16. ACKNOWLEDGMENT. Employee acknowledges that execution of this Second Amendment is voluntary and that Employee has been advised to consult with an attorney before executing this Second Amendment to ensure that Employee fully and thoroughly understands its legal significance.

17. COMPLETE AGREEMENT. The Employment Agreement, as amended by this Second Amendment, constitutes the complete agreement between the parties and no other representations have been made by the parties. This Second Amendment resolves all outstanding issues arising from Employee's employment and the parties agree that Employee is not entitled to receive any compensation or benefits from LanVision, other than as specifically provided herein.

LanVision Systems, Inc.

By: /s/ J. Brian Patsy

Title: President and CEO

Date: 6/19/00

LanVision, Inc.

By: /s/ J. Brian Patsy

Title: President and CEO

Date: 6/19/00

Employee

/s/ Thomas E. Perazzo

Thomas E. Perazzo
Date: 6/19/00

Exhibit 10(b)
LANVISION SYSTEMS, INC.

THIRD AMENDMENT TO LOAN AGREEMENT

THIS THIRD AMENDMENT TO LOAN AGREEMENT ("Amendment") is executed pursuant to and made a part of the Loan and Security Agreement dated July 17, 1998, by and between LANVISION SYSTEMS, INC., a Delaware Corporation ("Borrower"), and THE HILLSTREET FUND, L.P., a Delaware limited partnership ("Lender"), as amended by letter agreements dated March 18, 1999, April 12, 1999, September 14, 1999 and Amendment Number 1, dated November 25, 1998 and an Amendment dated February 11, 2000 (as amended, the "Loan Agreement").

WHEREAS, Borrower and Lender wish to further amend the Loan Agreement in accordance with the terms and provisions hereof.

NOW, THEREFORE, the parties agree as follows:

1. Waiver. Lender hereby agrees to waive Borrower's compliance with the following covenants set forth in the Amendment dated February 11, 2000:

   Section 6.4 (a) Minimum Revenues and Section 6.4 (b) Minimum EBIT for the July 31, 2000 Computation Date.

2. Amendments to Loan Agreement. The following amendments shall be made to the terms of the Loan Agreement:

   (a) Minimum Revenues and EBIT. Section 6.4 of the Loan Agreement shall be amended in its entirety to read as follows:

   "Section 6.4 Minimum Revenues and EBIT.

   (a) Minimum Revenues. On each of the Computation Dates set forth below, the Borrower shall not permit the total cumulative revenues (calculated for the period of time beginning on February 1, 2000 through such Computation Date) to be less than the minimum amount set forth bellow:

COMPUTATION DATE	MINIMUM CUMULATIVE REVENUES
October 31, 2000	$5,500,000
January 31, 2001	$8,800,000

(b) Minimum EBIT. On each Computation date set forth below, the Borrower shall not permit the total Cumulative EBIT (calculated for the period of time beginning on February 1, 2000 through such Computation Date) to be less than the minimum amount set forth below:

COMPUTATION DATE	MINIMUM CUMULATIVE EBIT
October 31, 2000	($415,000)
January 31, 2001	$400,000

Borrower and Lender shall amend this Agreement on or before February 28, 2001, to provide covenant compliance (at minimum levels acceptable to Lender) under Section 6.4(a) and 6.4 (b) above for April 30, 2001, and each Computation date thereafter."

(c) Net Worth. Section 6.5 of the Loan Agreement shall be amended in its entirety to read as follows:

"Section 6.5 Net Worth. At all times prior to January 31, 2001, Borrower shall maintain a minimum Net Worth of Eight-Hundred Thousand Dollars ($800,000), and at all times during the term of this Loan Agreement on or after January 31, 2001, Borrower shall maintain a minimum Net Worth of One Million One Hundred Thousand Dollars ($1,100,000)."

(b) Section 2 of the Loan Agreement shall be amended to add the following:

"Section 2.10 Special Payment. Borrower has accrued on its balance sheet at August 31, 2000 the sum of One Million Nine Hundred Forty-one Thousand Five Hundred Nineteen and 09/100 Dollars ($1,941,519.09) as a liability to Lender, representing the amount of the additional fee accrued through August 31, 2000 to guarantee Lender a minimum compounded annual internal rate of return of twenty-five percent (25%) at maturity on July 31, 2004 pursuant to Section 2.3(c) of the Loan Agreement (the "Yield Guarantee at Maturity"). Borrower has agreed to pay to Lender the sum of One Million Dollars ($1,000,000) of such accrued amount contemporaneously with the execution of this Third Amendment, September 5, 2000 (the "Special Payment"). Accordingly, upon payment in full of the Term Loan, Lender agrees to credit against the amount of the Yield Guarantee at Maturity due Lender an amount equal to the future value of One Million Dollars ($1,000,000), compounded at an assumed interest rate of six percent (6%) per annum from the date hereof to the date of payment of the Term Loan. The amount so computed is referred to as the "Future Credit Amount." For example, if the Loan is paid in full at maturity on July 31, 2004, the Future Credit Amount shall be equal to One Million Two Hundred Fifty-five Thousand, Four Hundred Forty-two and 63/100 Dollars ($1,255,442.63). Notwithstanding this Special Payment of One Million Dollars ($1,000,000), Borrower shall be liable to Lender for the full amount of the Yield Guarantee at Maturity as if this Special Payment had not been made, and will continue to accrue an amount to satisfy such Yield Guarantee at Maturity on a monthly basis as if this Special Payment had not been made.

"Section 2.11 Special Prepayment Fee with New Option to Prepay. Lender agrees that Borrower may prepay the Loan at any time upon payment of a "Special Prepayment Fee" (in addition to payment in full of the principal of the Term Loan and any accrued and unpaid interest and any other fees and expenses or other obligations due under the Loan Agreement) as follows. The Special Prepayment Fee shall be equal to (i) the amount of the Yield Guarantee at Maturity, but discounted to present value to the date of payment in full of the Loan, using an assumed discount rate of six percent (6%), minus (ii) the Future Credit Amount, computed in the same manner as specified in Section 2.10."

3. Reaffirmation of Covenants, Representations and Warranties. Borrower hereby agrees and covenants that all representations and warranties in the Loan Agreement including, without limitation, all of those representations and warranties set forth in Article 4, are true and accurate as of the date hereof. Borrower further reaffirms all covenants in the Loan Agreement and reaffirms each of the covenants set forth in Articles 5 & 6 thereof, as if fully set forth herein, except to the extent modified by this agreement.

Remainder of page intentionally left blank. Signature page follows.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Loan Agreement as of the 5th day of September, 2000.

LENDER:	BORROWER:
THE HILLSTREET FUND, L.P.	LANVISION SYSTEMS, INC.
By: HillStreet Capital, Inc.	By: /s/ J. Brian Patsy
Its: Investment Manager	J. Brian Patsy Chief Executive Officer
By: /s/ Chris Meininger Christian L. Meininger, President	
Date: 9/5/00	Date: 9/5/00

Exhibit 11

LANVISION SYSTEMS, INC.

COMPUTATION OF EARNINGS (LOSS) PER COMMON SHARE

	Three Months Ended July 31, 2000	Three Months Ended July 31, 1999
Net (loss)	$ (638,826)	$(1,580,039)
Average shares outstanding	8,855,218	8,819,073
Stock options:		
Total options	--	--
Assumed treasury stock buyback	--	--
Warrants assumed converted	--	--
Convertible redeemable preferred stock assumed converted	--	--
Number of shares used in per common share computation	8,855,218	8,819,073
Basic net (loss) per share of common stock	$ (.07)	$ (.18)
Diluted net (loss) per share of common stock	$ (.07)	$ (.18)

	Six Months Ended July 31, 2000	Six Months Ended July 31, 1999
Net (loss)	$ (323,997)	(3,139,059)
Average shares outstanding	8,851,715	8,816,834
Stock options:		
Total options	--	--
Assumed treasury stock buyback	--	--
Warrants assumed converted	--	--
Convertible redeemable preferred stock assumed converted	--	--
Number of shares used in per common share computation	8,851,715	8,816,834
Basic net (loss) per share of common stock	$ (.04)	$ (.36)
Diluted net (loss) per share of common stock	$ (.04)	$ (.36)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JULY 31, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1
U.S. DOLLARS

6-MOS
JAN-31-2001
FEB-01-2000
JUL-31-2000
1
7,922,582
0
3,253,244
(400,000)
0
11,736,293
4,484,443
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(323,997)
(.04)
(.04)