UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 31, 2001

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.)

5481 Creek Road
Cincinnati, Ohio 45242-4001
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12 (b) of the Act:

None

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock, $.01 par value
(Title of Class)

(continued)

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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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. X

The aggregate market value of the voting stock held by nonaffiliates of the registrant, computed using the closing price as reported by The Nasdaq Stock Market for the Registrant's Common Stock on April 23, 2001, was $3,623,189.00.

The number of shares outstanding of the Registrant's Common Stock, $.01 par value, as of April 23, 2001:

8,879,241.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Annual Report to Stockholders for the year ended January 31, 2001, are incorporated by reference into Part II of this Form 10-K to the extent stated herein. Except with respect to information specifically incorporated by reference in this Form 10-K, the Annual Report is not deemed to be filed as a part hereof.

Portions of the Registrant's Definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 30, 2001, are incorporated by reference into Part III of this Form 10-K to the extent stated herein. Except with respect to information specifically incorporated by reference in this Form 10-K, the Definitive Proxy Statement is not deemed to be filed as a part hereof.

FORWARD-LOOKING STATEMENTS

In addition to historical information contained herein, this Annual Report on Form 10-K 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. Factors that might cause such differences include, but are not limited to, those discussed in the sections entitled "Item 1. Business" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." 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 Registrant undertakes no obligation to publicly revise these forward-looking statements, to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in other documents the Company files from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K.

PART I

ITEM 1. BUSINESS

General

LanVision Systems, Inc. ("LanVision"(TM) or the "Company") is an Application Service Provider ("ASP") and 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. LanVision'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 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-based 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.

LanVision'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. LanVision 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, LanVision's applications fulfill 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, LanVision has integrated its products with selected systems from Siemens Medical Solutions Health Services Corporation, formerly known as Shared Medical Systems Corporation, and Cerner Corporation. 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. LanVision'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, LanVision has derived its revenues from systems sales involving the licensing, either directly or through remarketing partners, of its Electronic Medical Record solution to Integrated Healthcare Delivery Networks ("IDN"). In a typical transaction, LanVision, or its remarketing partners, enter into a perpetual, term license or fee-for-service agreement for LanVision's Electronic Medical Record software suite and may license or sell other third-party software and hardware components to the IDN. Additionally, LanVision, or its remarketing partners, provides professional services, including implementation, training and product support.

With respect to systems sales, LanVision earns its highest margins on proprietary LanVision software or ASP services 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 LanVision's ability to fully utilize its professional services, maintenance and support services staff.

Beginning in 1998, LanVision began offering customers the ability to obtain its Electronic Medical Record solution on a service bureau basis as an Application Service Provider. LanVision's ASP Division, formerly known as the Virtual Healthware Services Division, established a centralized data center and installed LanVision's Electronic Medical Record suite, called ASPeNSM (Application Service Provider eHealth Network) within the data center. Under this arrangement, customers electronically capture information and transmit the data to the centralized data center. The ASP 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 ASP Division charges and recognizes revenue for these services on a per transaction or subscription basis as information is captured, stored, and retrieved.

In February 2000, LanVision sold its centralized data center for $2.9 million. Simultaneously therewith, LanVision entered into a one-year service agreement with the buyer. Under the terms of this service agreement, which can be renewed annually at the sole option of the Company in exchange for processing fees, LanVision 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, it continues to market its ASP solutions, which include agreements with eSmartHealth, Inc., now known as Smart Health Services and Provider HealthNet Services, Inc., which agreements are discussed below. LanVision continues to provide its ASP solutions through the data center and intends to utilize other data center service providers.

In August 2000, LanVision entered into an agreement with Smart Health Services ("Smart"), which allows Smart to utilize LanVision's MicroVision(TM) Electronic Medical Record ("EMR") product combined with Web-based Smart software to provide affordable, Web-based EMR document management and viewing services to hospitals and clinics via the Internet. Smart Health Services, in conjunction with its 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 Smart scans and stores using the MicroVision ASP application.

In November 2000, LanVision entered into an agreement with Provider HealthNet Services, Inc. ("PHNS") which allows PHNS to offer LanVision's MicroVision EMR product to provide EMR document management and viewing services to PHNS' customer base. PHNS is a healthcare industry information technology and business outsourcing company, which provides information technology and professional management of information systems, medical records and related business processes to hospitals and other healthcare providers on a shared basis to improve healthcare services and reduce costs. The relationship with LanVision will allow PHNS to more effectively use information technology and the LanVision document imaging and management solution for medical records and other business processes to improve healthcare services and reduce costs for its customers. The LanVision ASP services allow PHNS to offer a state-of-the-art, ASP-based EMR solution, which contributes to increased process efficiency for medical records functions. PHNS currently provides medical record, transcription and/or coding management outsourcing services to sixteen hospitals, many of which, LanVision was advised by PHNS, are considering an EMR solution. The LanVision services to be provided by PHNS will be delivered on an ASP basis through a centralized data center staffed by seasoned information technology professionals with healthcare experience. LanVision will be compensated by PHNS for use of its software based upon the number of encounters, or patient visits, to each hospital using the LanVision EMR solution. PHNS is a privately held, Dallas based company which currently has over 420 experienced healthcare information technology and business process employees that provide outsourcing services to 16 hospitals in nine states

To date, LanVision has recorded no revenues from Smart or PHNS and cannot currently predict, with any certainty, when revenues will be generated from these two new partners. However, it is probable that revenues could commence late in fiscal year 2001.

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. Since inception, LanVision 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 LanVision's proprietary software and third-party software with a perpetual or term license fee that is adjusted depending on the number of concurrent users or workstations using the software. Third-party hardware is 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 LanVision's ASP services, the agreements generally provide for utilizing its 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 LanVision 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 ASP 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 per transaction or subscription basis, and the centralized data center applications are operated and maintained by LanVision personnel and/or its agents. In 1999, the ASP 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. LanVision believes that more IDN's will begin to look for this type of ASP application. Additionally, LanVision 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 LanVision's ASP solution.

In 1998, LanVision entered into a five year Remarketing Agreement with Siemens Medical Solutions Health Services Corporation ("SMS"), formerly Shared Medical Systems Corporation. 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, LanVision may terminate the SMS Remarketing Agreement

Under the terms of the Agreement, SMS remits royalties to LanVision based upon SMS sublicensing LanVision'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. The remaining 75% of the royalty is due 30 days following the end of the quarter in which SMS commences software implementation activities. LanVision records this revenue when the 75% payment due from SMS is fixed and determinable, which is when software implementation activities commence. Through January 31, 2001, SMS has sold 14 systems to end-users, which represent approximately $4,319,000 in systems sales royalties to LanVision.

Healthcare Industry Background

Healthcare expenditures continue to grow at a significant rate and are projected to total $2.2 trillion and reach 16.2% of the U.S. Gross Domestic Product by 2008. In response to this growth, the healthcare industry is undergoing significant change as competition and cost-containment measures imposed by governmental and private payers have created significant pressures on healthcare providers to control healthcare costs while providing quality patient care. At the same time, the healthcare delivery system is experiencing a shift from a highly fragmented group of non-allied healthcare providers to integrated healthcare networks which combine all of the services, products and equipment necessary to address the needs of healthcare customers. As a result, healthcare providers are seeking to cut costs, increase productivity and enhance the quality of patient care through improved access to information throughout the entire hospital or integrated healthcare network.

Today, the majority of the patient records are paper-based. The inefficiencies of paper-based records increases the cost of patient care. Physicians often cannot gain access to medical records at the time of patient visits, and multiple users cannot simultaneously access the record when only a single copy of the paper-based patient record is available. Based upon LanVision's experience in installing its systems, a typical 500 bed hospital can produce 15,000 to 20,000 pages of new patient information each day even with computerized admission, billing, laboratory and radiology systems, and individual physician document retrieval requests can be as high as 100 documents per physician per day. The volume of medical images in the patient record is expanding as well. In addition to classic images such as x-rays and CAT scans, new image forms such as digitized slides, videos and photographs proliferate. Thus, the ability to store and retrieve images of voluminous paper records and medical images on a timely basis is a critical feature of a complete Computerized Patient Record ("CPR").

In order to simultaneously reduce costs and enhance the level of patient care, hospitals and other healthcare providers are requiring comprehensive, cost-effective information systems that deliver rapid access to fully updated and complete patient information. Traditional Healthcare Information Systems are inadequate because: (i) they do not capture large amounts of the patient records which are paper-based and stored in various sites throughout the enterprise; (ii) computerized patient data is generated using a variety of disparate systems which cannot share information; and (iii) multimedia medical information such as x-rays, CAT scans, MRI's, video and audio information are frequently inaccessible at the point of patient care. Accordingly, hospitals and other healthcare providers have begun to increase their information systems expenditures. In the eleventh Annual Healthcare Information and Management Systems Society ("HIMSS") Leadership Survey, healthcare business issues were driving Information Technology priorities with over half of the respondents indicating that cost pressures would continue to be a driving force in improving operational efficiencies. Included in the top ten Information Technology priorities was the implementation of Computerized Patient Records. Respondents believe that implementing eHealth and HIPAA (Health Insurance Portability and Accountability Act of 1996) strategies (See Regulations Relating to Confidentiality below.) will consume most of the Information Technology budget, because use of interactivity/eHealth solutions has become a competitive weapon. Providers, payers and suppliers know that the consequences of ignoring an eHealth Strategy will result in the loss of market share.

LanVision believes that the new HIPAA regulations will be a tremendous impetus for IDN's to begin seriously looking at LanVision products and services as a means of ensuring compliance with the new Federal regulations. The Medical Records Institute recently released its annual survey of Electronic Health Records Trends and Usage. One of the more interesting findings indicated that forty-one percent of the 299 respondents indicated that they were considering implementing an electronic patient record via an Application Service Provider (such as LanVision) over the next two years. In addition, many of the respondents indicated that they were looking toward the ASP to provide connectivity to departmental systems, payers and health plans.

Document imaging and workflow technologies are essential elements of a CPR because they allow for the storage of unstructured data (i.e., patient record elements other than data or text, such as photographs, images of a document, video, x-ray images) and they enable digitized x-rays, CAT scans, MRI's, video and audio information to be accessed and delivered to the caregiver at the point of patient care. LanVision believes the demand for its Healthcare Information Access Systems, which can supply imaging capabilities to the CPR, will increase in future years.

Also, the HIMSS Leadership Survey indicated that 69% of the survey respondents were interested in outsourcing Information Technology functions in ASP services. Additionally, the Information Technology individuals responding to the HIMSS Leadership Survey indicated that security related to patient records to meet HIPAA regulations was the second most important Information Technology priority within their institutions. The number one priority was to deploy Internet technology to support eHealth by moving healthcare transactions to the Web and enhancing Web-based disease management within the community.

In addition to mandated HIPAA Federal regulations, the healthcare industry is being strongly encouraged by many professional medical organizations to make greater use of information technology. A recent report by the Institute of Medicine ("IOM") of the National Academies, entitled "To Err is Human: Building a Better Health System," envisioned a revamped system that, among other things, makes greater use of information technology to enable providers and institutions to move away from paper-based medical record systems to take advantage of new information technology. The American Medical Association, American Academy of Family Physicians, American College of Physicians, American Society of Internal Medicine, and the American College of Surgeons, issued a joint statement supporting the IOM recommendations.

Regulations Relating to Confidentiality

Federal and state laws regulate the confidentiality of patient records and the circumstances under which such records may be released. These regulations govern both the disclosure and use of confidential patient medical record information. Regulations governing electronic health data transmissions are evolving rapidly and are often unclear and difficult to apply. On August 22, 1996, the President signed the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). This legislation required the Secretary of Health and Human Services (the "Secretary") to adopt national standards for certain types of electronic health information transactions and the data elements used in such transactions and to adopt regulations to ensure the integrity and confidentiality of health information. The Secretary issued some final regulations, which were to go into effect in April, 2001, but have been delayed. Compliance with the new regulations will be required within 24 to 36 months after the effective date. However, additional HIPAA regulations, and interpretations, are expected to be released in the future. LanVision believes that the regulations issued to date would not have a material adverse affect on its business. LanVision cannot predict the potential impact of the regulations that have not yet been released or any other regulations that might be adopted. Congress may adopt legislation that may change, override, conflict with or preempt the currently issued regulations. Additionally, legislation governing the dissemination of medical record information is also frequently proposed and debated at the state level. These laws or regulations, when adopted, could restrict the ability of customers to obtain, use or disseminate patient information.

LanVision believes that the features and architecture of LanVision's products are such that it should be able to make the necessary modifications to its products, if required, to ensure compliance with HIPAA, and other legislation or regulations. However, if the regulations are unduly restrictive, this could cause delays in the delivery of new versions of products and adversely effect the licensing of LanVision's products. Overall, LanVision believes the HIPAA regulations will stimulate healthcare organizations to purchase computer-based patient medical record systems that automate the collection and use of medical record information, while maintaining appropriate security over the information. However, there can be no assurance that an increase in the purchase of new systems will occur.

Rapid Technological Change and Evolving Market

The market for LanVision's products and services is characterized by rapidly changing technologies, regulatory requirements, evolving industry standards and new product introductions and enhancements that may render existing products obsolete or less competitive. As a result, LanVision's position in the healthcare information technology market could change rapidly due to unforeseen changes in the features and functions of competing products, as well as the pricing models for such products. LanVision's future success will depend in part upon LanVision's ability to enhance its existing products and services and to develop and introduce new products and services to meet changing requirements.

The LanVision Solution

LanVision's Healthcare Information Access Systems provide solutions for the patient information access needs of hospitals and integrated healthcare delivery networks. LanVision's systems enable medical and administrative personnel to rapidly and efficiently capture, store, manage, route, retrieve and process vast amounts of clinical and financial patient information.

LanVision's systems: (i) capture and store electronic data from disparate hospital information systems through real-time, computerized interfaces; (ii) facilitate the storage of digitized multimedia data and medical images such as x-rays, CAT scans, MRI's, video and audio information; (iii) provide applications for efficiently scanning and automatically indexing paper-based records; (iv) allow storage of a patient's lifetime medical record on low cost optical disks which also provides rapid access to high volumes of data enterprisewide; (v) provide workflow automation to facilitate the re-engineering of business processes; and (vi) incorporate physician-oriented interfaces that allow the user to easily locate and retrieve patient information in the hospital or clinical setting, including the point of patient care.

LanVision's Healthcare Information Access Systems provide financial, administrative, and clinical benefits to the healthcare provider and facilitate more effective patient care. These benefits include: improved access to patient information to assist in making informed clinical and financial decisions; reduced costs for administrative personnel due to increased workflow efficiency, as data can be routed within an organization to all users who need to process that information simultaneously or in sequence as required; increased productivity through the elimination of file contention by providing multiple users simultaneous access to patient medical records; reduced costs and improved care through the reduction of unnecessary testing and admissions; improved cash flow through accelerated collections and reduction of "technical denials" (which occur when a third-party payer refuses payment because of the provider's inability to substantiate billing claims due to loss of portions or all of the patient record); expedited treatment decisions, and fewer redundant tests as a result of timely access to complete information; fewer medical record errors by minimizing misfiled, lost and improperly completed records; and increased security of patient information through improved controls on access to confidential data and the creation of audit trails that identify the persons who accessed or even tried to access such information.

In 1998, LanVision successfully launched its ASP Division, formerly known as Virtual

Healthware Services, that utilizes LanVision's Web browser-based technology to deliver patient information via a secure Internet/Intranet from a remote central data center to anyone with access to the healthcare network on a real-time basis. (See Application Service Provider Service Bureau Operations below.)

The LanVision Strategy

LanVision's objective is to continue to be a leading provider of Healthcare Information Access Systems. Important elements of LanVision's business strategy include:

Expand Distribution Channels

LanVision estimates the market for LanVision's products and services could be in excess of $1 billion, and the market is less than 10% penetrated. A recent healthcare industry report stated that in order to comply with the HIPAA healthcare information electronic transmission regulations, healthcare systems will need to adjust existing systems or purchase new Information Technology systems, hire and retrain staff, and make significant changes to the current processes associated with maintaining patient privacy, the cost of which is estimated to be somewhere between three to four times the amount of expenditures required for Year 2000 remediation, or an amount in excess of $25 billion. LanVision strongly believes its highly evolved, secure and technologically advanced Web browser-based ASP solutions will position the Company to take advantage of, what it continues to believe will be, significantly increasing market opportunities for LanVision and its distribution partners in the future.

In 1998, LanVision took a major step forward in improving and expanding its sales distribution when it entered into a five year Remarketing Agreement with Siemens Medical Solutions Health Services Corporation, one of the leading providers of information technology to the healthcare industry. SMS serves more than 3,500 healthcare organizations throughout North America and Europe, and will sell LanVision's Electronic Medical Records imaging/management and workflow products as an integrated component of the SMS(R) NOVIUS(R) product line.

In August and November 2000, LanVision entered into two additional agreements with Smart Health Services and Provider HealthNet Services, Inc. as discussed above.

It is LanVision's intention to develop additional remarketing alliances with other Healthcare Information Systems vendors and to explore other means of expanding LanVision's distribution channels.

Application Service Provider Service Bureau Operations

LanVision established an Application Service Provider Division, which utilizes LanVision's Web browser-based applications across an Internet/Intranet, to deliver high quality, transaction-based document imaging/management services to healthcare providers from a centrally located data center. The division enables its healthcare customers to achieve enhanced patient care, improved security and accessibility to patient records at significant cost savings with minimal up-front capital investment, maintenance and support costs. Customers realize benefits more quickly, with less economic risk. Customers are charged on a per transaction or subscription basis, which is an attractive alternative to purchasing an in-house system. This service is made possible through the advancement of Web browser-based technology, state-of-the-art communication technology and advanced software design.

As previously noted, LanVision sold its data center. However, under a fee for service agreement, LanVision will continue to use the data center for its current and future clients.

LanVision intends to aggressively market its ASP solutions, and future product development efforts will be designed to accommodate the Application Service Provider business model.

Maintain Technological Leadership Through the Development of New Software Applications and Increased Functionality of Existing Applications

LanVision intends to continue its product development efforts and increase the functionality of existing applications along with the development of new applications using document imaging and workflow technologies. In particular, LanVision intends to increase the functionality of its Web browser-based applications.

LanVision has continually added new features and functionality to its Electronic Medical Record suite of products, including new security modules, multi-entity support, non-patient folders, etc.

Currently, LanVision is developing accessANYwareSM a new product that will be Web browser-based and its Graphical User Interface will include the best features of LanVision's entire product portfolio, including AccountVision(TM). AccessANYware will utilize a common database for medical records and patient accounting, thereby improving system administration and eliminating redundant data entry.

Currently, LanVision is also developing codingANYwareSM a new product that will provide workflow automation of the coding and abstracting process by allowing hospital personnel to electronically access documents to be coded and abstracted from remote locations, including the employee's home. CodingANYware may also be integrated with third-party encoding or abstracting software, avoiding redundant data entry.

LanVision believes only the most robust, flexible, dependable products will survive in the healthcare market, and LanVision has attempted to establish itself as the leader in document imaging/management and workflow applications through strong product development.

Image-Enable Clinical Data Repositories and Other Applications Software

Today, healthcare information is often stored on numerous dissimilar host-based and departmental systems that are spread throughout an enterprise and are not integrated. Additionally, these current systems do not address the data stored on paper or the increasing volume of medical images such as x-rays, CAT scans, digitized slides, exploratory scopes, photographs, audio, etc. LanVision believes the efficiencies and productivity of hospitals and integrated healthcare delivery networks can be greatly enhanced by seamlessly integrating their historical information systems with document imaging and workflow applications. Physicians, clinicians and other healthcare users then have access to the complete patient record, including the structured data, such as a lab result, and the related unstructured data, such as an x-ray or a doctor's hand written notes. LanVision has image-enabled many popular Clinical Data Repositories, such as those offered by Oacis Healthcare Holdings Corp., IDX Systems Corporation, and Cerner Corporation. LanVision is marketing image-enabling technology through its OmniVision(TM) and WebView products. LanVision intends to continue to aggressively market its unique image-enabling solutions to end-users and other third-party software application providers. OmniVision is in production in several large-scale, enterprisewide applications including approximately 3,500 workstations at Memorial Sloan-Kettering Cancer Center. (See "OmniVision-Image-Enabling Tool" described below.)

Systems and Services

LanVision's systems employ an open architecture that supports a variety of operating systems, including Microsoft Windows, Windows 95, Windows NT and UNIX. LanVision's systems can be configured with various hardware platforms, including INTEL-compatible personal computers, IBM RS/6000 and Hewlett-Packard 9000. LanVision's systems include a graphical user interface designed specifically by LanVision for physicians and other medical and administrative personnel in hospitals and integrated healthcare networks. LanVision's systems operate on multiple imaging platforms, including SMS, FileNet and Kofax. LanVision's Healthcare Information Access Systems incorporate advanced features, including workflow and security features that allow customers to restrict direct access to confidential patient information, secure patient data from unauthorized indirect access and have audit trail features.

A brief description of LanVision's products follows.

LanVision products and services are built using advanced document imaging/management and workflow automation technology to create robust Electronic Medical Record applications. Document imaging technology makes paper-based information, as well as medical images, sound and video information as readily available and easy to process as traditional electronic data. Workflow automation offers intelligent electronic routing of documents, sophisticated management tools and reporting to increase efficiency and to support business process re-engineering efforts.

LanVision's products and services were designed to be complementary with existing third-party

Healthcare Information Systems (HIS) applications and ASP-based services, providing value-added functionality to these third-party applications, including the following:

- the ability to gain seamless electronic access to paper-based medical records, business office documents and medical images (unstructured data),
- workflow-based automated chart deficiency analysis and completion,
- workflow-based automated Release of Information(TM)and billing,
- workflow-based remote coding and seamless integration to third-party encoder and abstracter software, and
- archival support for a legal/historical repository of patient information.

LanVision has developed innovative application tool sets to "image and Web-enable" existing HIS clinical and billing applications, thus allowing clients to have a common graphical user interface on a universal workstation. LanVision has also developed its own proprietary document imaging middleware (Foundation Suite) to efficiently provide the object-oriented business processes common to all of its applications, such as scanning/indexing, faxing/printing, data archiving migration, security and auditing. Through its application software, document imaging middleware, and its workflow, image and Web-enabling tools, LanVision allows the seamless merging of its Medical Record and Patient Billing department "back office" functionality with existing clinical information systems at the desktop.

For maximum flexibility, the LanVision family of products and services is made up of four distinct offerings: The ChartVision Application Suite, The Foundation Suite, accessANYware and ASPeN, our ASP-based Electronic Medical Record services.

THE CHARTVISION APPLICATION SUITE......the highly evolved Electronic Medical Record application

The ChartVision application suite provides physicians, clinicians and information management professionals throughout the healthcare enterprise with immediate and simultaneous access to the complete patient record. ChartVision is a highly evolved Electronic Medical Record application suite that provides streamlined processing and fast, easy access to all forms of healthcare information regardless of source.

This suite provides a choice of viewers, WebView or OmniVision. Both viewers support powerful image-enabling and workflow technology that allow healthcare users to immediately and simultaneously access any patient information, including multimedia and paper-based information, through their existing third-party clinical or billing applications. As a result, any application across the entire enterprise can be image-enabled, including the host Healthcare Information Systems, Patient Billing Systems, Clinical Data Repositories and others. When the Clinical Data Repository is image-enabled, users can access any piece of information on the same workstation and from the same screen display, including the point of patient care. This means users can view traditional electronic data and images simultaneously on the same screen without signing in and out of multiple applications.

The WebView and OmniVision image-enabling tools include a full automation interface using Object Linking and Embedding and Component Object Modeling standards that allow third-party products to easily make calls to them.

WebView - Web-Based, Image-Enabling Tool

The Internet, "thin client" workstations and Web browser-enabled applications have generated enormous excitement in the world of Healthcare Information Systems. Their potential positive impact on the Computerized Patient Record and document imaging is just now being realized. LanVision believes these technologies will combine to create sweeping changes in the way healthcare institutions manage, distribute and view their healthcare information. WebView utilizes the Internet/Intranet to allow remote users to easily access an integrated Computerized Patient Record and document imaging system residing in a complete Electronic Medical Record from virtually anywhere. The more important benefits include:

- significantly lower maintenance and staff costs,
- lower data center investment and operating costs,
- the ability to seamlessly image-enable existing clinical, billing or other third-party information systems, and
- a higher degree of desktop integration.

WebView uses a familiar Internet browser "look and feel" and combines the platform-independent technologies, open standards and "network-centric" architecture of the Internet/Intranet with LanVision's robust application suites. As an intuitive, flexible, cost-effective, and scaleable product, WebView provides organizations with a "technology bridge" connecting LanVision's application suites with innovative Internet/Intranet technologies.

OmniVision - Image-Enabling Tool

OmniVision is LanVision's "thick client" viewer. Like WebView, it is in production in several large-scale, enterprise-wide implementations, including over 3,500 workstations at Memorial Sloan-Kettering Cancer Center.

In addition to the OmniVision and WebView viewers, the ChartVision application suite includes the following add-on modules:

On-Line Chart Completion (OCC)
Automates the identification of deficiencies in patient charts and electronically routes the incomplete documents to the appropriate medical and administrative personnel for on-line processing, chart completion, electronic signature and reporting. OCC includes proprietary embedded LanVision workflow software, which provides a significant cost advantage over alternative third-party workflow software when deployed throughout the healthcare enterprise.

Enterprisewide Correspondence (EWC)

Fulfills internal and external requests for information and allows for automatic invoicing capability. EWC also provides the ability to electronically search for, print, mail or fax information to third parties that request copies of patient records.

codingANYware
In the second half of 2001, LanVision will deliver codingANYware, which provides workflow automation of the coding and abstracting process by allowing hospital personnel to electronically access documents to be coded and abstracted from remote locations, including the employee's home. codingANYware may also be integrated with third-party encoding or abstracting software, avoiding redundant data entry.

THE FOUNDATION SUITE.....the document imaging/management infrastructure middleware

The Foundation Suite is robust middleware architecture for document imaging/management infrastructure, built for maximum performance in high document volume settings and optimized for the healthcare industry. The features resident in the Foundation Suite were built around patient-oriented objects that result in more efficient code and rapid delivery to market of new applications. The Foundation Suite is designed in a reusable object-oriented environment, utilizing a 32-bit Windows NT-based architecture, that provides the following essential document imaging/management functions: security, auditing, data access, printing/faxing, scheduling, data archiving migration and full problem diagnosis. The Foundation Suite offers the following unique enhanced security and auditing functions that facilitate HIPAA Compliance and are essential to integrated delivery networks in a multi-entity environment:

- multiple levels of security (administrative, user, patient, document, workstation, physical location, and healthcare entity) configurable by user, workstation and location, and
- full audit trails and reporting of every record viewed, printed, faxed, processed or unauthorized login attempts at the patient encounter or document level.

ACCESSANYWARE.....the Web browser-based application

In the second half of 2001, LanVision will deliver the next generation product, accessANYware, which will be a thin Web browser-based client application that will provide users with access to a wide variety of functionality, including: a Chart Deficiency Management System (CDMS), the searching, retrieving and viewing of patient documents, and report generation...all from a single login. In addition to this single login, accessANYware will use a single user interface and integrated database.

From the point of a single login to the system, users with appropriate security will have the ability to search and retrieve information regarding patients and cases (for chart analysis), view, print and fax patient documents, as well as analyze or complete deficient documents. The functions presented to the user will vary with the user's security. For example, if the user is a clinician, they will be presented with an inbox function that displays a list of incomplete charts (awaiting completion) and a list of "linked" patients assigned to them. The clinician will then have the option to complete deficient charts, or retrieve patient information, via searching or by clicking on the "linked" patients within their inbox. This access may occur from any workstation within the facility, the physician's office, or some other remote site. With proper security the user will be able to view, print and fax patient information.

ASPeN.....Application Service Provider eHealth Network

LanVision's ASPeN, ASP-based Electronic Medical Records Services, offers healthcare providers an even more cost-effective solution to manage patient information. Through its use of Internet/Intranet technology, ASPeN helps hospitals and integrated delivery networks overcome the barriers of high capital and start-up costs as well as the technological burdens of implementing a document imaging/management and workflow system. ASPeN delivers Electronic Medical Record services to its healthcare customers on an outsourced basis from a central data center. Hospitals and integrated delivery systems can therefore take advantage of a private Intranet or the World-Wide Web, the lowest cost network infrastructure, for truly enterprise-wide, secure access to healthcare information.

PROFESSIONAL SERVICES

LanVision provides a full complement of professional services to implement its software applications. LanVision believes that high quality consulting and professional implementation services are critical to attracting new customers and maintaining existing customer satisfaction. These services include implementation and training, project management, business process re-engineering and custom software development. The implementation and training services include equipment and software installation, system integration and comprehensive training. The project management services include needs and cost/benefit analysis, hardware and software configuration and business process re-engineering. The custom software development services include interface, workflow and report development.

RESEARCH AND DEVELOPMENT

LanVision continues to focus its research and development efforts to develop new application software and increase the functionality of existing applications. Customer requirements and desires significantly influence LanVision's research and development efforts. In 1996 and 1997, LanVision significantly expanded its development efforts. In late 1997 and early 1998, LanVision completed many of its major development projects. Whereupon, LanVision began to reduce the use of outside contractors and development staff as projects were completed.

Product research and development expense was $1,674,383, $2,166,441 and $3,740,215 in 2000, 1999 and 1998, respectively. LanVision capitalized $420,000, $300,000 and $396,000 in 2000, 1999 and 1998, respectively.

Existing Customers

LanVision's customers include healthcare providers located throughout the United States. LanVision has implemented or is in the process of implementing one or more of its systems in the following institutions:

Albert Einstein Healthcare Network, Philadelphia, PA
Beth Israel Medical Center, New York, NY; including Phillips Ambulatory Care Center, New York, NY
Children's Medical Center of Dallas, Dallas, TX
Christiana Care Health Services, New Castle, DE
Cox Health Systems, Springfield, MO
Highland Park Hospital, Highland Park, IL
Holzer Medical Center, Gallipolis, OH
Medical College of Georgia, Augusta, GA
Medical University of South Carolina, Columbia, SC
Memorial Sloan-Kettering Cancer Center, New York, NY
OhioHealth Corporation: Grant/Riverside Methodist Hospitals, Columbus, OH
ProMedica Health Systems, Toledo, OH
Stanford Hospital and Clinics, Palo Alto, CA
Texas Health Resources, Inc.: Harris Methodist Hospital, Fort Worth, TX
University of Pittsburgh Medical Center, Pittsburgh, PA
Application Service Provider Division Customer:
The Health Alliance of Greater Cincinnati, Cincinnati, OH

In addition to the institutions listed above, SMS has sold the LanVision Electronic Medical Record suite of products to fourteen healthcare organizations as of January 31, 2001.

Excluding our remarketing partners, in fiscal year 2000, Memorial Sloan-Kettering Cancer Center, The Health Alliance of Greater Cincinnati, and Medical College of Georgia, accounted for 11%, 10% and 8%, respectively of LanVision's total revenues. In fiscal year 1999, Beth Israel Medical Center, Stanford Hospital and Clinics, and Memorial Sloan-Kettering Cancer Center, accounted for 10%, 9% and 9%, respectively of LanVision's total revenues. In fiscal year 1998, Beth Israel Medical Center, Medical University of South Carolina, and Memorial Sloan-Kettering Cancer Center, accounted for 10%, 9%, and 8%, respectively of LanVision's total revenues. The small number of customers and the extended sales cycle have contributed to variability in quarterly and annual operating results. LanVision expects that as its customer base continues to increase, and sales through the SMS Remarketing Agreement and the Smart Health Services and Provider HealthNet Agreements increase, the actions of any one customer will have less of an effect on its quarterly and annual operating results.

Signed Agreements - Backlog

LanVision enters into master agreements with its customers to specify the scope of the system to be installed and/or services to be provided by LanVision, the agreed upon aggregate price and the timetable for implementation. The master agreement typically provides that LanVision 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 January 31, 2001, LanVision has master agreements or purchase orders for systems and related services (excluding support and maintenance, and transaction-based revenues for the ASP Division) which have not been delivered, installed and accepted which, if fully performed, would generate future revenues of approximately $4,255,000. The related products and services are expected to be delivered over the next two to three years. Furthermore, the ASP Division has entered into a service bureau agreement, which is expected to generate revenues in excess of $2,000,000 over the remaining three-year life of the contract.

LanVision'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 2000, 1999 and 1998 were approximately $3,678,000, $3,264,000, and $2,755,000, respectively. Maintenance and support revenues are expected to increase in 2001.

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 ASP Division. Therefore, LanVision is unable to accurately predict the revenue it expects to achieve in any particular period. LanVision's master agreements generally provide that the customer may terminate its agreement upon a material breach by LanVision, 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 LanVision to procure additional agreements, could have a material adverse effect on LanVision's business, financial condition and results of operations.

Royalties

LanVision incorporates software licensed from various vendors into its proprietary software. In addition, third-party, stand-alone software is required to operate LanVision's proprietary software. LanVision licenses these software products, and pays the required royalties and/or license fees when such software is delivered to LanVision's customers.

Competition

Several companies historically have dominated the Healthcare Information Access Systems market. The industry is currently undergoing consolidation and realignment as companies position themselves to compete more effectively. Strategic alliances between vendors of Healthcare Information Access Systems and vendors of other healthcare systems are increasing. Barriers to entry to this market include technological and application sophistication, the ability to offer a proven product, a well-established customer base and distribution channels, brand recognition, the ability to operate on a variety of operating systems and hardware platforms, the ability to integrate with pre-existing systems and capital for sustained development and marketing activities. LanVision believes that these barriers taken together represent a moderate to high level barrier to entry. Foreign competition has not been a significant factor in the market, to date.

LanVision's competitors include Healthcare Information Access Systems vendors that are larger and more established and have substantially more resources than LanVision. In addition, information and document management companies serving other industries may enter the market. Suppliers and companies with whom LanVision may establish strategic alliances may also compete with LanVision. Such companies and vendors may either individually, or by forming alliances excluding LanVision, place bids for large agreements in competition with LanVision. A decision on the part of any of these competitors to focus additional resources in the image-enabling and other markets addressed by LanVision could have a material adverse effect on LanVision.

LanVision believes that the principal competitive factors in its market are customer recommendations and references, company reputation, system reliability, system features (including ease of use), technological advancements, customer service and support, the effectiveness of marketing and sales efforts, price and the size and perceived financial stability of the vendor. In addition, LanVision believes that the speed with which companies in its market can anticipate the evolving healthcare industry structure and identify unmet needs are important competitive factors. There can be no assurance that LanVision will be able to compete successfully in the future against existing or potential competitors.

LanVision believes that its principal competitors are: American Management Systems, Incorporated; IMNET Systems, Inc. (a subsidiary of McKesson HBOC, Inc.); MedPlus, Inc. and Intelus Corporation (a subsidiary of Eclipsys Corporation).

Employees

As of March 31, 2001, LanVision had 54 full-time employees. In addition, LanVision utilizes independent contractors to supplement its staff, as needed. None of LanVision's employees are represented by a labor union or subject to a collective bargaining agreement. LanVision has never experienced a work stoppage and believes that its employee relations are good.

Liquidity and Capital Resources

During the last five fiscal years, LanVision has funded its operations, working capital needs and capital expenditures primarily from a combination of cash generated by operations, an initial public offering and borrowings, including, a $6,000,000 loan in 1998.

LanVision's customers typically have been well-established hospitals or medical facilities 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.

LanVision has no significant obligations for capital resources, other than noncancelable operating leases in the total amount of approximately $277,000, payable over the next two years.

Over the last several years, LanVision's revenues were less than its internal plans. However, during the same period, LanVision 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 five years. Although LanVision has reduced staffing levels and related expenses, and improved operating performance, LanVision's expenses may continue to approximate its revenues. Accordingly, to continue to achieve profitability, and positive cash flow, it is necessary for LanVision to increase revenues or continue to reduce expenses. LanVision believes that the requirement for healthcare organizations to become HIPAA compliant should offer a significant opportunity to increase revenues. Additionally, the SMS Remarketing Agreement has significantly expanded the sales distribution capabilities, and LanVision believes that market opportunities are such that it should be able to increase its revenues. However, there can be no assurance LanVision will be able to increase its revenues.

In February 2000, LanVision sold its Data Center for approximately $2,900,000. LanVision received $2,000,000 and the remaining $900,000 was received in twelve monthly installments commencing March 1, 2000. The sale resulted in a gain of approximately $1,400,000.

At January 31, 2001, LanVision had cash and cash equivalents of $8,549,732. Cash equivalents consist primarily of overnight bank repurchase agreements and short-term commercial paper. Under the terms of its loan agreement, as amended, LanVision has agreed to maintain a minimum cash and cash equivalents balance of $5,300,000. During fiscal 2001, $1,000,000 of long-term debt is required to be repaid.

LanVision has significantly reduced operating expenses during the last two fiscal years, and believes it will continue to improve operating results in fiscal 2001. However, based upon current expenditure levels and in the absence of increased revenues, LanVision could continue to operate at a loss. Accordingly, for the foreseeable future, LanVision 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 LanVision 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.

To date, inflation has not had a material impact on LanVision's revenues or expenses.

ITEM 2. PROPERTIES

LanVision's principal offices are located at 5481 Creek Road, Cincinnati, Ohio 45242-4001. The offices consist of approximately 15,000 square feet of space under a lease that expires in January 2003. The rental expense for these facilities approximates $123,000 annually.

LanVision also leased office space for a portion of its software engineering and research and development operations at 5970 Fairview Road, Suite 650, Charlotte, North Carolina 28210-3167. The offices consist of approximately 3,800 square feet of space under a lease that expires in May 2002. LanVision no longer uses these facilities and has subleased these facilities through May 2002 for an amount of rent, which covers the total lease payment liability of LanVision.

LanVision believes that its facilities are adequate for its current needs and that suitable additional or substitute space will be available as needed to accommodate expansion of LanVision's operations.

ITEM 3. LEGAL PROCEEDINGS

LanVision may be subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims can not be predicted with certainty at this time, LanVision is not aware of any legal matters that will have a material adverse effect on LanVision's consolidated results of operations or consolidated financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages and positions held by the Executive Officers of the Company on April 14, 2001 are:

Name	Age	Position(1)	Elected to Present Position(2)
J. Brian Patsy	50	Chairman of the Board, President, Chief Executive Officer, and Director	1989
Eric S. Lombardo	48	Executive Vice President, Corporate Secretary, and Director	1989
Paul W. Bridge, Jr.	57	Chief Financial Officer, Treasurer and Controller	2001

(1) All current officers of the Company hold office until their successors are elected and qualified or until any removal or resignation. Officers of the Company are elected by the Board of Directors and serve at the discretion of the Board. For purposes of the descriptions of the background of LanVision's Executive Officers, the term "Company" refers to both LanVision Systems, Inc. and its predecessor LanVision, Inc."

(2) Represents date of election to Registrant or its predecessor.

J. Brian Patsy is a co-founder of the Company and has served as the President, and a Director since LanVision's inception in October 1989. Mr. Patsy was appointed Chairman of the Board and Chief Executive Officer in March, 1996. Mr. Patsy has over 27 years of experience in the information technology industry.

Eric S. Lombardo is a co-founder of the Company and has served as a Director since LanVision's inception and as Executive Vice President of the Company since May 1990. Mr. Lombardo has over 25 years of experience in the information technology industry.

Paul W. Bridge, Jr. joined the Company in May 1996, as Controller. In January 2001, he assumed the additional responsibility of Chief Financial Officer. From 1993 until he joined LanVision, Mr. Bridge served as Controller of Cincom Systems, Inc., an international software development and marketing company. Mr. Bridge is a Certified Public Accountant (inactive).

There are no family relationships between any Director or Executive Officer and any other Director or Executive Officer of the Registrant.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) The Company's Common Stock trades on The Nasdaq SmallCap Market under the symbol LANV. The table below sets forth the high and low sales prices for LanVision Systems, Inc. Common Stock for each of the quarters in fiscal years 2000 and 1999, as reported by The Nasdaq Stock Market, Inc. Prior to November 30, 1999, LanVision's Common Stock was listed on the Nasdaq National Market. Starting on November 30, 1999 LanVision's Common Stock was listed on The Nasdaq SmallCap Market.

FISCAL YEAR 2000	HIGH	LOW
1st Quarter (February 1, 2000 through April 30, 2000)	$ 3.469	$ 1.188
2nd Quarter (May 1, 2000 through July 31, 2000)	2.000	0.875
3rd Quarter (August 1, 2000 through October 31, 2000)	1.625	0.813
4th Quarter (November 1, 2000 through January 31, 2001)	1.344	0.438
FISCAL YEAR 1999	HIGH	LOW
1st Quarter (February 1, 1999 through April 30, 1999)	$ 5.625	$ 1.250
2nd Quarter (May 1, 1999 through July 31, 1999)	2.000	1.000
3rd Quarter (August 1, 1999 through October 31, 1999)	1.375	0.500
4th Quarter (November 1, 1999 through January 31, 2000)	6.250	0.438

The market price of the Common Stock could be subject to significant fluctuations based on factors such as announcements of new products or customers by LanVision or its competitors, quarterly fluctuations in LanVision's financial results or other competitors' financial results, changes in analysts' estimates of LanVision's financial performance, general conditions in the healthcare imaging industry as well as conditions in the financial markets. In addition, the stock market in general has experienced extreme price and volume fluctuations which have particularly affected the market price of many high technology companies and which have been often unrelated to the operating performance of a specific company. Many technology companies, including LanVision, have recently experienced fluctuations in the market price of their equity securities. There can be no assurance that the market price of the Common Stock will not decline, or otherwise continue to experience significant fluctuations in the future.

(b) According to the transfer agent records, the Company had 150 stockholders of record as of April 2, 2001. Because many of such shares are held by brokers and other institutions on behalf of stockholders, the Company is unable to determine with complete accuracy the total number of stockholders represented by these record holders. The Company estimates that it has approximately 2,300 stockholders.

(c) The Company has not paid any cash dividends on its Common Stock since its inception and does not intend to pay any cash dividends in the foreseeable future due to the restrictive financial covenants in its long-term debt agreement.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth consolidated financial data with respect to the Company for each of the five years in the period ended January 31, 2001. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and related notes incorporated herein by reference elsewhere in this Annual Report on Form 10-K report.

	Fiscal Year(1)				
(In thousands, except per share data)	2000	1999	1998	1997	1996
Total revenues	$ 9,576	$ 10,471	$ 12,010	$ 8,676	$ 10,310
Total operating expenses	9,509	13,054	22,470	22,493	16,271
Operating profit (loss)	67	(2,583)	(10,460)	(13,818)	(5,961)
Net earnings (loss)	21	(3,247)	(10,926)	(12,669)	(4,669)
Basic net earnings (loss) per share of common stock	.00	(.37)	(1.24)	(1.44)	(.56)
Diluted net earnings (loss) per share of common stock	.00	(.37)	(1.24)	(1.44)	(.56)
Total assets	14,358	14,719	17,485	22,200	33,300
Long-term debt, including current portion	6,000	6,000	6,000	-	-
Convertible redeemable preferred stock	-	-	-	-	-
Total stockholders' equity	2,655	2,613	5,847	16,816	29,921
Weighted average shares outstanding	8,863	8,827	8,811	8,827	8,284
Cash dividends declared	-	-	-	-	-

(1) All references to a fiscal year refer to the fiscal year of the Company commencing February 1 of that calendar year and ending on January 31 of the following year.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information regarding Management's Discussion and Analysis of the Company's Financial Condition and Results of Operations as required by Item 303 of Regulation S-K is incorporated herein by reference from pages 8 through 15 of the Company's 2000 Annual Report to Stockholders appearing under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

LanVision currently invests its cash balances, in excess of its current needs, in overnight bank deposits and 30 day commercial paper. In prior years, LanVision invested excess funds in US Government Securities. LanVision did not invest for the purposes of trading in securities, however, the portfolio was managed and invested for maximum return on the investments.

Additionally, LanVision does not have any significant market risk exposure at January 31, 2001.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's Financial Statements are incorporated herein by reference from pages 16 through 29 of LanVision's 2000 Annual Report to Stockholders. The supplementary quarterly financial information regarding the Company as required by Item 302 of Regulation S-K is incorporated herein by reference from page 29 of LanVision's 2000 Annual Report to Stockholders appearing under the caption "Quarterly Results of Operations (Unaudited)".

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

No change in the Company's auditors has taken place within the twenty-four months prior to, or in any period subsequent to, LanVision's January 31, 2001 Financial Statements.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information regarding Directors required by Items 401 and 405 of Regulation S-K is incorporated herein by reference from the Company's Definitive Proxy Statement for its Annual Stockholder's Meeting to be held on May 30, 2001 from the information appearing under the caption "Election of Directors" and "Stock Ownership by Certain Beneficial Owners and Management." Certain information regarding the Company's Executive Officers is set forth in Part I, Item 4 of this Form 10-K under the caption "Executive Officers of the Registrant."

ITEM 11. EXECUTIVE COMPENSATION

The information regarding Executive Compensation required by Item 402 of Regulation S-K is incorporated herein by reference from the Company's Definitive Proxy Statement for its Annual Stockholder's Meeting to be held on May 30, 2001 from the information appearing under the caption "Executive Compensation", except that the information required by Item 402 (k) and (l) of Regulation S-K which appears within such caption under the subheading "Compensation Committee Report", "Audit Committee Report" and the caption "Stock Performance Graph" and set forth in the Company's Definitive Proxy Statement for its Annual Stockholder's Meeting to be held on May 30, 2001 is specifically not incorporated herein by reference into this Form 10-K or into any other filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934.

ITEM 12. SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information regarding Security Ownership of the Company's Common Stock by certain beneficial owners and management required by Item 403 of Regulation S-K is incorporated herein by reference from the Company's Definitive Proxy Statement for its Annual Stockholder's Meeting to be held on May 30, 2001 from the information appearing under the caption "Stock Ownership by Certain Beneficial Owners and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information regarding certain relationships and related transactions required by Item 404 of Regulation S-K is incorporated herein by reference from the Company's Definitive Proxy Statement for its Annual Stockholder's Meeting to be held on May 30, 2001 from the information appearing under the caption "Certain Relationships and Related Transactions."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

FINANCIAL STATEMENTS

The following Consolidated Financial Statements of the Company included in the Company's 2000 Annual Report to Stockholders are incorporated herein by reference from pages 16 through 29 of the Annual Report. Reference is also made to Item 8 of this Form 10-K.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENT SCHEDULE

The following Financial Statement Schedule of LanVision Systems, Inc. is included in this Item 14.

Schedule	Description
II	Valuation and Qualifying Accounts and Reserves

All other schedules have been omitted because the information either has been shown in the Consolidated Financial Statements or Notes thereto, or is not applicable or required under the instructions.

The Report of Independent Auditors on the Financial Statement Schedule of LanVision Systems, Inc. is included in Exhibit 23.1 of this Form 10-K.

EXHIBITS

Exhibit No.		Description of Exhibit
3.1		Certificate of Incorporation of LanVision Systems, Inc.
3.2		Bylaws of LanVision Systems, Inc.
3.3		Certificate of the Designations, Powers, Preferences and Rights of the Convertible Preferred Stock (Par Value $.01 Per Share) of LanVision Systems, Inc.
4.1		Specimen Common Stock Certificate of LanVision Systems, Inc.
4.2		Specimen Preferred Stock Certificate of LanVision Systems, Inc.
4.3(a)		Loan and Security Agreement between The HillStreet Fund L.P. and LanVision Systems, Inc.
4.3(b)		First Amendment to the Loan and Security Agreement between The HillStreet Fund L.P. and LanVision Systems, Inc.
4.3(c)		Second Amendment to the Loan and Security Agreement between The HillStreet Fund L.P. and LanVision Systems, Inc.
4.3(d)		Third Amendment to the Loan and Security Agreement between The HillStreet Fund L.P. and LanVision Systems, Inc.
4.3(e)		Fourth Amendment to the Loan and Security Agreement between The HillStreet Fund L.P. and LanVision Systems, Inc.
10.1	#	LanVision Systems, Inc. 1996 Employee Stock Option Plan
10.2(a)	#	LanVision Systems, Inc. 1996 Non-Employee Directors Stock Option Plan
10.2(b)	#	First Amendment to LanVision Systems, Inc. 1996 Non-Employee Directors Stock Option Plan
10.2(c)	#	Second Amendment to LanVision Systems, Inc. 1996 Non-Employee Directors Stock Option Plan
10.3	#	LanVision Systems, Inc. 1996 Employee Stock Purchase Plan
10.4(a)		Robert F. Golden and Jeffrey L. VanVoorhis Option Agreements
10.4(b)		First Amendment to Robert F. Golden and Jeffrey L. VanVoorhis Option Agreements
10.4(c)		Second Amendment to Robert F. Golden and Jeffrey L. VanVoorhis Option Agreements
10.4(d)		Third Amendment to Robert F. Golden and Jeffrey L. VanVoorhis Option Agreements
10.5	#	George E. Castrucci Option Agreement
10.6(a)	#	Employment Agreement among LanVision Systems, Inc., LanVision, Inc. and J. Brian Patsy effective January 1, 1996
10.6(b)	#	First Amendment to the Employment Agreement among LanVision Systems, Inc., LanVision, Inc. and J. Brian Patsy effective September 25, 1998
10.7(a)	#	Employment Agreement among LanVision Systems, Inc., LanVision, Inc. and Eric S. Lombardo effective January 1, 1996

10.7(b)	#	First Amendment to the Employment Agreement among LanVision Systems, Inc., LanVision, Inc. and Eric S. Lombardo effective September 25, 1998
10.8	#	Employment Offer of LanVision, Inc. to Paul W. Bridge, Jr. effective April 11, 1996
10.9(a)		Stock Purchase and Shareholder Agreement among LanVision, Inc., Blue Chip Capital Fund Limited Partnership, J. Brian Patsy and Eric S. Lombardo dated December 1, 1994
10.9(b)		Amendment No. 1 to Stock Purchase and Shareholder Agreement among Blue Chip Capital Fund Limited Partnership, LanVision, Inc., J. Brian Patsy, Eric S. Lombardo and LanVision Systems, Inc. dated February 8, 1996
10.10		Consent by Blue Chip Capital Fund Limited Partnership dated February 8, 1996
10.11		Lease for office space between Creek Road Warehouse Complex, LLC and LanVision, Inc., dated May 4, 2000
10.12(a)		Lease for office space between Fairview Plaza Associates Limited Partnership and LanVision, Inc., dated February 26, 1996
10.12(b)		First amendment to lease between Fairview Plaza Associates Limited Partnership, Lessor and LanVision, Inc., Lessee, dated August 12, 1996
10.12(c)		Second amendment to lease between Fairview Plaza Associates Limited Partnership and LanVision, Inc., dated May 21, 1997
10.12(d)		Sublease and Consent between LanVision, Inc. and LifeStyle Technologies, Inc., dated May 1, 2000
10.13		Marketing Agreement between Shared Medical Systems Corporation and LanVision Systems, Inc. and LanVision, Inc. entered into on February 21, 1998
10.14		Form of Indemnification Agreement for all directors and officers
11.1		Statement Regarding Computation of Per Share Earnings
13.1		Annual Report to Stockholders
21.1		Subsidiaries of the Registrant
23.1		Consent of Independent Auditors

Management Contracts and Compensatory Arrangements

REPORTS ON FORM 8-K

On January 18, 2001, the Company filed a Form 8-K, reporting under Item 5, the appointment of Richard C. Levy, M.D. to the Board of Directors of the Registrant.

SIGNATURES

Pursuant to the requirements of section 13 or 15 (d) 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: April 23, 2001 By: /s/ J. BRIAN PATSY

J. Brian Patsy
Chief Executive Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the date indicated.

/s/ J. Brian Patsy J. Brian Patsy	Chief Executive Officer and Director	April 23, 2001
/s/ Eric S. Lombardo Eric S. Lombardo	Director	April 23, 2001
/s/ George E. Castrucci George E. Castrucci	Director	April 23, 2001
/s/ Z. David Patterson Z. David Patterson	Director	April 23, 2001
/s/ Richard C. Levy Richard C. Levy, M.D.	Director	April 23, 2001
/s/ Paul W. Bridge, Jr. Paul W. Bridge, Jr.	Chief Financial Officer and Chief Accounting Officer	April 23, 2001

Schedule II Valuation and Qualifying Accounts and Reserves

LanVision Systems, Inc.
For the three years ended January 31, 2001

(in thousands) Description	Balance at Beginning of Period	Additions: Charged to costs and Expenses	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Year ended January 31, 2001:					
Allowance for doubtful accounts	$385	$ 15	$ -	$ -	$400
Warranty reserve	250	-	-	-	250
Year ended January 31, 2000:					
Allowance for doubtful accounts	325	60	-	-	385
Warranty reserve	300	12	-	62	250
Year ended January 31, 1999:					
Allowance for doubtful accounts	265	60	-	-	325
Warranty reserve	265	35	-	-	300

INDEX TO EXHIBITS

EXHIBITS

Exhibit No.	Description of Exhibit
3.1	Certificate of Incorporation of LanVision Systems, Inc. (Previously filed with the Commission, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)
3.2	Bylaws of LanVision Systems, Inc. (Previously filed with the Commission, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)
3.3	Certificate of the Designations, Powers, Preferences and Rights of the Convertible Preferred Stock (Par Value $.01 Per Share) of LanVision Systems, Inc. (Previously filed with the Commission, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)
4.1	Specimen Common Stock Certificate of LanVision Systems, Inc. (Previously filed with the Commission, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)
4.2	Specimen Preferred Stock Certificate of LanVision Systems, Inc. (Previously filed with the Commission, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)
4.3(a)	Loan and Security Agreement between The HillStreet Fund L.P. and LanVision Systems, Inc. (Previously filed with the Commission, and incorporated herein by reference from, Exhibit 10.1 of the Registrant's Form 8-K, dated July 17,1998, as filed with the Commission on July 24, 1998.)
4.3(b)	First Amendment to the Loan and Security Agreement between The HillStreet Fund L.P. and LanVision Systems, Inc. (Previously filed with the Commission, and incorporated herein by reference from, Exhibit 10(c) of the Registrant's Form 10-Q for the quarter ended October 31, 1998, as filed with the Commission on December 11, 1998.)

4.3(c)		Second Amendment to the Loan and Security Agreement between The HillStreet Fund L.P. and LanVision Systems, Inc. (Previously filed with the Commission, and incorporated herein by reference from, Exhibit 4.3(c) of the Registrant's Form 10-K for the fiscal year ending January 31, 2000 as filed with the Commission on April 20, 2000.)	
4.3(d)		Third Amendment to the Loan and Security Agreement between The HillStreet Fund L.P. and LanVision Systems, Inc. (Previously filed with the Commission, and incorporated herein by reference from, Exhibit 10(b) of the Registrant's Form 10-Q for the quarter ended July 31, 2000, as filed with the Commission on September 12, 2000.)	
4.3(e)		Fourth Amendment to the Loan and Security Agreement between The HillStreet Fund L.P. and LanVision Systems, Inc	***
10.1	#	LanVision Systems, Inc. 1996 Employee Stock Option Plan. (Previously filed with the Commission, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)	
10.2(a)	#	LanVision Systems, Inc. 1996 Non-Employee Directors Stock Option Plan. (Previously filed with the Commission, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)	
10.2(b)	#	First Amendment to LanVision Systems, Inc. 1996 Non-Employee Directors Stock Option Plan. (Previously filed with the Commission, and incorporated herein by reference from, Exhibit 4.1(b) of, the Registrant's Registration Statement on Form S-8, file number 333-20765, as filed with the Commission on January 31, 1997.)	
10.2(c)	#	Second Amendment to LanVision Systems, Inc. 1996 Non-Employee Directors Stock Option Plan. (Previously filed with the Commission, and incorporated herein by reference from, Amendment No. 1 to the Registrant's Statement on Form S-8, file number 333-20765, as filed with the Commission on March 1, 2001.)	
10.3	#	LanVision Systems, Inc. 1996 Employee Stock Purchase Plan. (Previously filed with the Commission, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)	

10.4(a)	#	Robert F. Golden and Jeffrey L. VanVoorhis Option Agreements. (Previously filed with the Commission, and incorporated herein by reference from, Exhibit 4.1(a and b) of the Registrant's Form S-8, file number 333-20761, as filed with the Commission on January 31, 1997.)
10.4(b)	#	First Amendment to Robert F. Golden and Jeffrey L. VanVoorhis Option Agreements. (Previously filed with the Commission, and incorporated herein by reference from, Amendment No. 1 of the Registrant's Form S-8, file number 333-20761, as filed with the Commission on September 14, 1998.)
10.4(c)	#	Second Amendment to Robert F. Golden and Jeffrey L. VanVoorhis Option Agreements. (Previously filed with the Commission, and incorporated herein by reference from, Amendment No. 2 of the Registrant's Form S-8, file number 333-20761, as filed with the Commission on January 27, 1999.)
10.4(d)	#	Third Amendment to Robert F. Golden and Jeffrey L. VanVoorhis Option Agreements. (Previously filed with the Commission, and incorporated herein by reference from, Amendment No. 3 of the Registrant's Form S-8, file number 333-20761, as filed with the Commission on January 17, 2001.)
10.5	#	George E. Castrucci Option Agreement. (Previously filed with the Commission, and incorporated herein by reference from, Exhibit 4.1 of the Registrant's Form S-8, file number 333-20763, as filed with the Commission on January 31, 1997.)
10.6(a)	#	Employment Agreement among LanVision Systems, Inc., LanVision, Inc. and J. Brian Patsy effective January 1, 1996. (Previously filed with the Commission, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)
10.6(b)	#	First Amendment to the Employment Agreement among LanVision Systems, Inc., LanVision, Inc. and J. Brian Patsy effective September 25, 1998. (Previously filed with the Commission, and incorporated herein by reference from, Exhibit 10(a) of the Registrant's Form 10-Q for the quarter ended October 31, 1998, as filed with the Commission on December 11, 1998.)
10.7(a)	#	Employment Agreement among LanVision Systems, Inc., LanVision, Inc. and Eric S. Lombardo effective January 1, 1996. (Previously filed with the Commission, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)

10.7(b)	#	First Amendment to the Employment Agreement among LanVision Systems, Inc., LanVision, Inc. and Eric S. Lombardo effective September 25, 1998. (Previously filed with the Commission, and incorporated herein by reference from, Exhibit 10(b) of the Registrant's Form 10-Q for the quarter ended October 31, 1998, as filed with the Commission on December 11, 1998.)	
10.8	#	Employment Offer of LanVision, Inc. to Paul W. Bridge, Jr. effective April 11, 1996	***
10.9(a)		Stock Purchase and Shareholder Agreement among LanVision, Inc., Blue Chip Capital Fund Limited Partnership, J. Brian Patsy and Eric S. Lombardo dated December 1, 1994. (Previously filed with the Commission, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)	
10.9(b)		Amendment No. 1 to Stock Purchase and Shareholder Agreement among Blue Chip Capital Fund Limited Partnership, LanVision, Inc., J. Brian Patsy, Eric S. Lombardo and LanVision Systems, Inc. dated February 8, 1996. (Previously filed with the Commission, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)	
10.10		Consent by Blue Chip Capital Fund Limited Partnership dated February 8, 1996. (Previously filed with the Commission, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)	
10.11		Lease for office space between Creek Road Warehouse Complex, LLC and LanVision, Inc., dated May 4, 2000. (Previously filed with the Commission, and incorporated herein by reference from, Exhibit 10.1 of the Registrant's Form 10-Q for the quarter ended April 30, 2000, as filed with the Commission on May 31, 2000.)	
10.12(a)		Lease for office space between Fairview Plaza Associates Limited Partnership and LanVision, Inc., dated February 26, 1996. (Previously filed with the Commission, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)	
10.12(b)		First amendment to lease between Fairview Plaza Associates Limited Partnership, Lessor and LanVision, Inc., Lessee, dated August 12, 1996. (Previously filed with the Commission, and incorporated herein by reference from, Exhibit 10.14(b) of the Registrant's Form 10-K for the fiscal year ending January 31, 1997, as filed with the Commission on April 29, 1997.)	

10.12(c)	Second amendment to lease between Fairview Plaza Associates Limited Partnership and LanVision, Inc., dated May 21, 1997. (Previously filed with the Commission, and incorporated herein by reference from, Exhibit 10.2 of the Registrant's Form 10-Q for the quarter ended July 31, 1997, as filed with the Commission on September 10, 1997.)	
10.12(d)	Sublease and Consent between LanVision, Inc. and LifeStyle Technologies, Inc., dated May 1, 2000.	***
10.13**	Marketing Agreement between Shared Medical Systems Corporation and LanVision Systems, Inc. and LanVision, Inc. entered into on February 21, 1998. (Previously filed with the Commission, and incorporated herein by reference from, Exhibit 10.15 of the Registrant's Form 10-K for the fiscal year ending January 31, 1999, as filed with the Commission on April 30, 1999.)	
10.14	Form of Indemnification Agreement for all directors and officers. (Previously filed with the Commission, and incorporated herein by reference from, the Registrant's Registration Statement on Form S-1, File Number 333-01494, as filed with the Commission on April 15, 1996.)	
11.1	Statement Regarding Computation of Per Share Earnings	***
13.1	Annual Report to Stockholders	***
21.1	Subsidiaries of the Registrant	***
23.1	Consent of Independent Auditors	***

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** The Company has applied for Confidential Treatment of portions of this agreement with the Securities and Exchange Commission
*** Included herein
# Management Contracts and Compensatory Arrangements.

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Exhibit 4.3(e)
LANVISION SYSTEMS, INC.

FOURTH AMENDMENT TO LOAN AGREEMENT

THIS FOURTH 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, an Amendment dated February 11, 2000, and Amendment Number 3, dated September 5, 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. 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, 2001 through such Computation Date) to be less than the minimum amount set forth bellow:

COMPUTATION DATE	MINIMUM CUMULATIVE REVENUES
April 30, 2001	$1,800,000
July 31, 2001	$4,100,000
October 31, 2001	$6,900,000

January 31, 2002	$10,200,000

(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, 2001 through such Computation Date) to be less than the minimum amount set forth below:

COMPUTATION DATE	MINIMUM CUMULATIVE EBIT
April 30, 2001	$(200,000)
July 31, 2001	$ -0-
October 31, 2001	$700,000
January 31, 2002	$1,100,000

(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. "On each of the Computation Dates set forth below, the Borrower shall not permit the Net Worth to be less than the minimum amount set forth below:

COMPUTATION DATE	MINIMUM NET WORTH
April 30, 2001	$1,200,000
July 31, 2001	$1,400,000
October 31, 2001	$1,600,000
January 31, 2002	$1,800,000

Borrower and Lender shall amend this Agreement on or before February 28, 2002, to provide covenant compliance (at minimum levels acceptable to Lender) under Section 6.4(a), 6.4 (b) and 6.5 for April 30, 2002, and each Computation date thereafter. If Borrower and Lender do not agree to amendments to such sections, the Borrower shall be deemed to be in default under the terms of these sections."

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

"Section 2.12 ADDITIONAL SPECIAL PAYMENT. Borrower has accrued on its balance sheet at January 31, 2001 the sum of One Million Four Hundred Forty-two Thousand Two Hundred Eighty-five and 01/100 Dollars ($1,442,285.01) (after giving effect to a Special Payment made by Borrower pursuant to the Third Amendment to Loan Agreement) as a liability to Lender, representing the amount of the additional fee accrued through January 31, 2001 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 Five Hundred Thousand Dollars ($500,000) of such accrued amount contemporaneously with the execution of this Fourth Amendment, April 2, 2001 (the "Special Payment Two"). 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 Five Hundred Thousand Dollars ($500,000), 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 Six Hundred Seven Thousand, One Hundred Sixty-eight and 18/100 Dollars ($607,168.18). Notwithstanding this Special Payment Two of Five Hundred Thousand Dollars ($500,000), Borrower shall be liable to Lender for the full amount of the Yield Guarantee at Maturity as if this Special Payment Two 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 Two had not been made."

2. 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.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Loan Agreement as of the 2nd.day of April, 2001.

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/ Christian L. Meininger Christian L. Meininger, President	
Date: 4/2/01	Date: 4/2/01

Exhibit 10.8
LANVISION SYSTEMS, INC.

EMPLOYMENT OFFER OF LANVISION, INC. TO PAUL W. BRIDGE, JR. EFFECTIVE APRIL 11, 1996

April 11, 1996

Mr. Paul W. Bridge, Jr.
5583 Boomer Rd.
Cincinnati, Ohio 45247

Dear Paul:

On behalf of LanVision, Inc., I am pleased to extend this offer of full time employment to join our corporate finance team. We understand that you must give your current employer adequate notice. However, it is our understanding that you will commence work no later than May 20,1996.. Your salary will be $7,083 monthly which is equivalent to $85,000 per year. In addition, you will be eligible for a $15,000 bonus that will be based upon LanVision achieving its revenue, gross margin and profitability goals. Also, you will receive options to purchase 15,000 common shares of LanVision Systems, Inc. at $13.00 per share. You will be immediately eligible for two weeks of vacation. However, after January 31,1997, you will become eligible for four weeks of vacation.

You are eligible to join our Company Healthcare Insurance Plan on the first day of the month following 30 days from your start date. Also, upon the completion of one full year of contribution you will become eligible to join Employee Stock Purchase Plan for full time associates. This plan was put into effect by the Board Of Directors of The Company on November 30, 1995. The plan is designed to offer incentive for all of us to maximize the quality of products and services LanVision provides and to share the reward of the company's long term success from having done so.

Also, in the event of a change in control resulting in the loss of your job or a decrease in your pay or responsibilities or termination without cause, you will be entitled to severance pay equal to three fourths of your total annual compensation.

Please note that this offer of employment is contingent upon the absence of any conflicts and your signing a confidentiality and non-compete agreement.. If you have any questions regarding any of this information, please do not hesitate to ask me for further details.

Paul, I am sure you will significantly contribute to the success of LanVision., and I am looking forward to working with you once again.

Very truly yours,

/s/ Thomas E. Perazzo

Thomas E. Perazzo
Chief Financial Officer

Exhibit 10.12(d)
LANVISION SYSTEMS, INC.

SUBLEASE AND CONSENT BETWEEN LANVISION, INC. AND LIFESTYLE TECHNOLOGIES, INC.

SUBLEASE AND CONSENT

1 INTRODUCTION

1.1 This Sublease and Consent ("Sublease") is made as of May 1, 2000 between LanVision, Inc. ("Sublessor") and LifeStyle Technologies, Inc. ("Sublessee").

1.2 Fairview Plaza Associates Limited Partnership ("Lessor"), as lessor, and Sublessor, as lessee, on February 26, 1996, entered into a Lease, as amended on August 12, 1996, and on May 21, 1997, ("Lease") having a lease commencement date of March 15, 1996 for certain office space and improvements known as Suite 650 of the 5970 Fairview Plaza Building, Charlotte, North Carolina ("Premises"), all as more particularly set forth in the Lease, which is attached hereto as Exhibit B.

1.3 Sublessor now desires to sublease the Premises to Sublessee for the occupancy and use of Sublessee, and Sublessee desires to sublease the Premises from Sublessor, upon the terms and subject to the conditions set forth in this Sublease.

1.4 In consideration of the mutual covenants and agreements set forth in this Sublease, Sublessor and Sublessee, intending to be legally bound, do hereby agree to the terms and conditions set forth in this Sublease.

2 Term

2.1 Sublessor hereby subleases to Sublessee and Sublessee hereby subleases from Sublessor the Premises for a term ("Sublease Term") commencing as of May 8, 2000 and expiring on June 14, 2002.

3 Rent

3.1 Sublessee agrees to pay to Sublessor, without set-off, abatement, credit, deduction, or claim of off-set, rent ("Rent") for the Premises in an amount equal to the base rent and rental escalations payable by Sublessor under the Lease. Rent shall be payable in advance, on the first day of each month during the Sublease Term. All Rent shall be paid to Sublessor in care of Lessor (until such time as Sublessor may direct Sublessee otherwise) at Lessor's offices at 5950 Fairview Road, Suite 200, Charlotte, North Carolina 28210, or at such other address as Sublessor may from time to time designate by notice to Sublessee. In the event the Sublease Term commences or expires on any day other than the first or last day of a month, respectively, then the Rent for such month shall be prorated accordingly.

3.2 All Rent due that is not received by Sublessor by the fifth day of the month is subject to a late charge of 1 1/2% per month.

3.3 Sublessor agrees to pay all amounts payable pursuant to the Lease, whether for rent or otherwise, and whether payable to Lessor or any other party, as and when due. Except as otherwise expressly set forth herein, Sublessee's sole monetary obligation hereunder shall be the payment of Rent and such other amounts that may become due under this Sublease.

4 SECURITY DEPOSIT

4.1 Sublessee shall with the execution of this Sublease deposit with Sublessor (in care of Lessor as specified in Paragraph 4.2 below) the sum of $24,621.68 as security for the performance by Sublessee of all terms, covenants, agreements, and conditions of this Sublease to be observed or performed by Sublessee. Sublessor shall have the right to apply any part of the deposit to cure any default of Sublessee, and, if Sublessor does so, Sublessor shall, upon demand, deposit with Sublessor the amount so applied so that Sublessor shall have the full deposit on hand at all times during the Sublease Term. Notwithstanding the foregoing, at Sublessee's option and to the extent the deposit is sufficient in amount, the deposit shall be applied against the Rent due for the last two months of the Sublease Term.

4.2 Sublessee shall pay the security deposit to the care of Lessor by check made payable to Fairview Plaza Associates Limited Partnership and delivered to it at 5950 Fairview Road, Suite 200, Charlotte, North Carolina 28210. Lessor shall hold the security deposit in escrow in accordance with Lessor's security deposit escrow policies and procedures. Lessor may apply the security deposit for the benefit of Sublessor and/or Sublessee only in accordance with the terms of this Sublease.

5 Condition of Premises and Improvements

5.1 Sublessee accepts the Premises from Sublessor in its present condition. Sublessor is not obligated to improve the Premises for Sublessee.

6 Subletting and Assignment

6.1 Sublessee shall not sublet the Premises, or any portion thereof, or assign this Sublease, in whole or in part, without the prior written consent of Sublessor and Lessor, which consents shall not be unreasonably withheld.

7 Lease Provisions

7.1 Except as otherwise expressly herein provided or modified by this Sublease (including, without limitation, the limitations on Sublessee's monetary obligations under this Sublease), Sublessee hereby assumes and agrees to fully adhere to, perform, and comply with the covenants, agreements, duties and obligations of the Sublessor under the Lease, with respect to the Premises only, as if it were the "Lessee" therein. Each of such covenants, agreements, duties, and obligations is incorporated herein.

7.2 In the event of a conflict between the terms of this Sublease and the terms of the Lease, the terms of this Sublease shall prevail.

8 Subordination

Sublessee acknowledges and agrees that this Sublease is, and at all times shall be, expressly subordinate to the Lease, and all present or future (a) ground and underlying leases of all or any portion of the Premises now or hereafter existing, (b) mortgages or trust deeds affecting all or any portion of the Premises, (c) advances under such mortgages or trust deeds and (d) renewals, modifications, replacements and extensions of any such leases, mortgages or trust deeds.

9 Indemnification
Subject to any waiver of rights and subrogation contained in the Lease, Sublessor and Sublessee hereby each indemnify and agree to defend and hold the other and its officers, directors, employees, agents, licensees, and contractors harmless from and against any and all claims, actions, demands, suits, losses, expenses (including attorney's fees), judgments, and liabilities arising out of or in any way relating to the indemnifying party's breach of or failure to perform any of its obligations hereunder or from the negligence or willful misconduct of the indemnifying party its officers, directors, employees, agents, licenses, or contractors occurring in connection with the Premises. The scope of this indemnification shall, at the indemnified party's option, include, but not be limited to, defense with attorneys satisfactory to such party, of any action, suit, claim, or proceeding that may be filed, instituted, or brought against the indemnified party or to which such party may be made a party.

10 SALE OF EQUIPMENT, FURNITURE, AND FURNISHINGS

10.1 For the consideration of $57,000 paid with the execution of this Sublease by Sublessee to Sublessor, Sublessor hereby sells and delivers to Sublessee all of Sublessor's right, title, and interest in and to the equipment, furniture, and furnishings listed in Exhibit A attached hereto, free and clear of all liens and encumbrances. In addition to Sublessee's obligations for insurance coverage under the Lease pursuant to Paragraph 7.1 above, Sublessee shall have Sublessor named as a "loss payee" under the applicable insurance policy to cover Sublessor's interest under Paragraph 11.6 in the equipment, furniture, and furnishings listed in Exhibit A.

11 Default

11.1 If Sublessor fails to observe or perform any of the terms, covenants, agreements, or conditions on its part to be observed or performed under this Sublease and such failure continues uncorrected for 30 days after written notice thereof from Sublessee, unless otherwise specified herein and subject to the provisions of Paragraph 11.3, Sublessee may, at any time thereafter during the continuance of such default, terminate this Sublease upon written notice to Sublessor.

11.2 If Sublessee fails (a) to pay Rent and such failure continues for a period of five days after written notice thereof to Sublessee, or (b) fails to observe or perform any other covenant, provision, or condition herein required to be observed or performed by Sublessee, and such failure continues uncorrected for 30 days after written notice thereof to Sublessee, unless otherwise specified herein and subject to the provisions of Paragraph 11.3, Sublessor may, at any time thereafter during the continuance of such default, terminate this Sublease upon written notice to Sublessee.

11.3 Except for defaults in the payment of Rent, if any default by either party reasonably cannot be remedied within the period of time prescribed herein for curing such default and if such party has commenced to remedy such default and diligently pursues such remedy thereafter, then such party shall have such additional time as reasonably necessary to remedy the default before this Sublease can be terminated or other remedies enforced.

11.4 In case either party to this Sublease defaults in the performance of any covenant, condition, or agreement to be performed by such party hereunder, the other party may, but shall not be required to, perform the same and any monies reasonably advanced or expenses reasonably incurred in so doing, plus interest thereon at the rate of 15% per annum, shall be and become due and owing from the party on whose behalf the other party is performing.

11.5 In addition to the right to terminate this Sublease, upon the occurrence of a default hereunder and the expiration of any applicable notice and cure periods, the nondefaulting party shall be entitled to pursue all available remedies at law or in equity, including, without limitation, injunctive relief.

11.6 If Sublessor terminates this Sublease because of Sublessee's default, in addition to the other remedies available to Sublessor, Sublessee, at Sublessor's option (the exercise of which shall be expressed in the termination notice under Paragraph 11.2), shall be deemed to have automatically assigned and delivered to Sublessor all of Sublessee's right, title, and interest in and to the equipment, furniture, and furnishings listed in Exhibit A attached hereto, free and clear of all liens and encumbrances. Thereupon, Sublessor shall have the right to enter the Premises and take possession of such equipment, furniture, and furnishings.

12 Miscellaneous

12.1 Waiver. The failure of either party to act upon any right, remedy, or breach of this Sublease shall not constitute a waiver of that or any other right, remedy, or breach. No waiver shall be effective unless made in writing and signed by an authorized representative of the waiving party.

12.2 Notices. Unless provided otherwise in this Sublease, any notice required or permitted under this Sublease shall be personally delivered, or sent by telefax, courier, express or overnight delivery service, or by certified mail, postage prepaid, return receipt requested, to the following address:

If to Sublessor:

LanVision, Inc.
5481 Creek Road
Cincinnati, Ohio 45242
Attention: Controller
Telefax: (513) 794-9770

If to Sublessee:

LifeStyle Technologies, Inc.
5970 Fairview Road, Suite 650
Charlotte, North Carolina 28210
Attention: Glen Barrett
Telefax: 704-401-3333

12.3 Governing Law. This Sublease and any claim arising out of this Sublease shall be governed by and construed in accordance with the laws of the State of North Carolina, excluding its conflict of laws principles.

12.4 Provisions Severable. The provisions of this Sublease are severable. If any provision is held to be invalid, unenforceable, or void, the remaining provisions shall not as a result be invalidated.

12.5 Entire Agreement. This Sublease constitutes the entire agreement and understanding between the parties relating to the object and scope of this Sublease. Any representation, statement, or warranty not expressly contained in this Sublease shall not be enforceable by the parties. This Sublease may not be amended except by a writing that specifically references this Sublease and is signed by authorized representatives of the parties.

LifeStyle Technologies, Inc.	LanVision, Inc.
By: /s/ Glen Barrett	By: /s/ Eric Lombardo
(Signature)	(Signature)
Glen Barrett	Eric S. Lombardo
(Name Typed or Printed)	(Name Typed or Printed)
President	Executive Vice President
(Title)	(Title)
5-12-00	5/12/00
(Date)	(Date)

LESSOR'S CONSENT

Lessor hereby consents to this Sublease as set forth above; subject to the provisions of Addendum A attached hereto (which Addendum A is hereby incorporated into this Sublease by this reference); provided, however, that this consent is without waiver of any restriction in the Lease concerning further assignment or subletting.

Fairview Plaza Associates Limited Partnership, a
North Carolina limited partnership, by Fairview Plaza
Associates Limited Partnership, its general partner,
by American Asset Corporation, its general partner

By: /s/ Paul L. Herndon

(Signature)

Paul L. Herndon

(Name Typed or Printed)

V.P.

(Title)

5/17/00

(Date)

ADDENDUM A

1. As between Sublessee and Lessor and as between Sublessor and Lessor, the Sublease is and shall be subject and subordinate to the Lease and all of the covenants, agreements, terms, provisions and conditions contained in the Lease. With respect to Sublessor and Lessor, if there is a conflict between a provision in the Lease and a provision in the Sublease, the provision in the Lease shall prevail.

2. Notwithstanding anything contained in the Sublease, Sublessor shall remain fully and primarily liable for the payment of rental and other amounts due under the Lease and for the performance of all the obligations and compliance with all of the covenants of the "lessee" under the Lease. The Sublease shall not release or discharge Sublessor from any liability under the Lease.

3. The parties hereto agree that Lessor may, after a default by Sublessor in the payment of rent or other amounts under the Lease, collect all rents and other amounts due and owing from Sublessee under the Sublease, and such collection thereof shall not be deemed a waiver of any rights and remedies of Lessor against Sublessor as the lessee under the Lease.

4. The acceptance by Lessor of rent and other amounts due under the Sublease from Sublessee or any third party shall not be deemed a waiver by Lessor of the obligation of Sublessor to pay rent and other amounts as provided in the Lease. The performance of any obligation required of Sublessor under the Lease by Sublessee or any third party shall not be deemed a waiver by Lessor of the duty of Sublessor to perform such obligation.

5. Any act or omission of Sublessee or anyone claiming under or through Sublessee that violates any of the provisions of the Lease shall be deemed a violation of the Lease by Sublessor.

6.The Sublease and Lessor's execution thereof shall not have the effect of (a) modifying, waiving, impairing or affecting (i) any of the covenants, agreements, terms provisions or conditions contained in the Lease, (ii) any of Sublessor's obligations under the Lease or (iii) any breach or default by Sublessor in the performance or observance of its obligations under the Lease, nor (b) increasing Lessor's obligations or liability or Sublessor's rights under the Lease.

EXHIBIT A
TO
SUBLEASE AND CONSENT

Equipment, Furniture, and Furnishings

Item Description	Quantity	Sale Price
Nortel Star Plus Phone System (original price $28,872)	1	$ 6488
Network Ports, Cat5 Cabling and Phone Wiring (original price $11,360)		$ 2290
Casi-Rusco Micro5 Security System (original price $17,463)	1	$ 5332
Air Conditioning Unit in Server Room	1	$ 3435
Cubes A (new)	22	$20,151
Cubes B	7	$ 4809
Adjustable Desk Chairs	32	$ 3053
Chairs (regular)	21	$ 1,000
Conference Room Desk	1	$ 282
Conference Room Chairs	14	$ 1282
Conference Room Credenza (large)	1	$ 249
Conference Room Premium White Board	1	$ 368
Color Paintings	5	$ 260
Secretary Receptions Desk	1	$ 282
Reception Area Tables	1	$ 31
File Cabinets (large)	6	$ 1,099
Computer Desk and Chair	1	$ 225
Conference Room Desk (small)	1	$ 64
Conference Room Credenza (small)	1	$ 112
Conference Room White Board	1	$ 45
Break Room Chairs	6	$ 134
Adjustable Bar Stool Chairs	4	$ 382
Office Desks	4	$ 1981
CSPro 6000 Copy Machine	1	$ 3649

		$57,000

EXHIBIT B
TO
SUBLEASE AND CONSENT

The Fairview Plaza Associates Limited Partnership Lease and additional Amendments were previously provided to LifeStyle Technologies, Inc. under separate cover.

Exhibit 11.1
LANVISION SYSTEMS, INC.

STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

	Fiscal Year		
	2000	1999	1998
Net earnings (loss)	$20,893	$(3,247,073)	$(10,925,970)
Average shares outstanding	8,862,974	8,827,055	8,811,019
Stock options:			
Total options	123,646	-	-
Assumed treasury stock buyback	(81,519)	-	-
Warrants assumed converted	-	-	-
Convertible redeemable preferred stock assumed converted	-	-	-
Number of shares used in per common share computation	8,905,101	8,827,055	8,811,019
Basic net earnings (loss) per share of common stock	$.00	$(.37)	$(1.24)
Diluted net earnings (loss) per share of common stock	$.00	$(.37)	$(1.24)

The diluted net (loss) per common share calculation, in fiscal 1999 and 1998, excludes the effect of the Stock Options and Warrants, as the inclusion thereof would be antidilutive.

Exhibit 13.1
LANVISION SYSTEMS, INC.

ANNUAL REPORT TO STOCKHOLDERS

LanVision Systems, Inc.

2000 Annual Report

[Art work - photograph of workstation with photo - montage of healthcare images]

[Company Logo]

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LanVision has not paid a dividend on its Common Stock since its inception and does not intend to pay any cash dividends in the foreseeable future.

STOCK PRICES

Fiscal Year 2000

		HIGH	LOW	CLOSE
1st	Quarter	$ 3.469	$ 1.188	$ 1.625
2nd	Quarter	2.000	0.875	1.313
3rd	Quarter	1.625	0.813	1.000
4th	Quarter	1.344	0.438	0.906

Fiscal Year 1999

		HIGH	LOW	CLOSE
1st	Quarter	$ 5.625	$ 1.250	$ 1.750
2nd	Quarter	2.000	1.000	1.000
3rd	Quarter	1.375	0.500	0.750
4th	Quarter	6.250	0.438	1.250

CORPORATE PROFILE

LanVision is an Application Service Provider and 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. LanVision's solutions enable the coordination of both "structured" and "unstructured" patient data through a single healthcare information repository. LanVision'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 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-based 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.

LanVision(TM)
Healthcare Information Access Systems

LETTER TO STOCKHOLDERS

- --

Dear Stockholder:

Fiscal 2000 was a year of continued transition, stabilization and significant accomplishment for LanVision. I am pleased to report that we have again made considerable progress toward our goals of: becoming a leading Application Service Provider (ASP); strengthening our balance sheet; returning LanVision to profitability; and positioning LanVision to take advantage of promising healthcare market opportunities.

Fiscal 2000 was a challenging year for LanVision as we continued our transition from a direct selling organization to utilizing an indirect distribution model and from marketing perpetual licenses for our application software to providing eHealth services through an ASP-delivery model. Management strongly believes that both our indirect distribution model and our ASP delivery model will: 1) improve the predictability of our revenues, 2) create opportunities for notable top-line revenue growth, and 3) position LanVision to take advantage of significant market opportunities in 2001, and beyond, as healthcare organizations devote a substantial amount of their time and information technology budgets to comply with the new Federal HIPAA (Health Insurance Portability and Accountability Act of 1996) compliance issues as they relate to medical records. Revenues for the year were adversely affected by LanVision's continued transition to new models of distribution and delivery. However, the transitional effects on top line revenue are mostly behind us and we anticipate achieving some of the operational and financial benefits of the new distribution and delivery models in 2001, and beyond, as recurring revenues continue to grow.

We believe that the new HIPAA regulations will be a tremendous impetus for healthcare organizations to consider our products and services as a means of ensuring compliance with the new regulations. The first series of these Federal regulations, and more are planned in the future, were scheduled to go into effect in April 2001, and compliance with the new regulations will be required, in many cases, within two years. The current regulations, as proposed, cover all medical records whether maintained electronically or the traditional paper-based records. LanVision, we believe, has the most comprehensive and scalable system available in the market today. Our application software is currently functioning in the most demanding of environments, including the ASP delivery model, and is a cost-effective means of meeting the needs of healthcare organizations as they implement the new HIPAA regulations.

The Medical Records Institute recently released its annual survey of Electronic Health Records Trends and Usage. One of the more interesting findings indicated that forty-one percent of the respondents were considering implementing an Electronic Medical Record via an ASP, such as LanVision, over the next two years. In addition, many of the respondents indicated that they were looking toward the ASP to provide connectivity to departmental systems, payers and health plans. This growing trend toward using the ASP delivery model for implementing an Electronic Medical Record was also supported by the results of the eleventh annual Healthcare Information Management Systems Society survey in which sixty-one percent of the respondents indicated that they were interested in outsourcing Information Technology functions through an ASP.

A respected healthcare technology industry group estimates that the cost of compliance with the HIPAA regulations could be as much as three to four times that spent on technology upgrades associated with the Year 2000 compliance issues, or over $20 Billion. The American Hospital Association estimate for HIPAA compliance is $22.5 Billion over five years. Obviously, we believe that the HIPAA regulations offer a tremendous opportunity for LanVision. Our challenge is to ensure that we, and our remarketing partners, are prepared for HIPAA compliance issues and that we are capable of meeting the evolving regulations and their interpretations in a timely and cost-effective manner. We believe that we can, through our ASP services, provide healthcare organizations with a cost-effective and efficient implementation to meet their HIPAA compliance needs.

Fiscal 2000 was a year of stabilization, as LanVision continued to enhance its product offerings, and demonstrate to the healthcare community the robustness and scalability of its products. During the year some of our existing clients made significant progress in expanding and upgrading their systems. Our largest customer now has 850 concurrent users accessing their LanVision Electronic Medical Records system from more than 3,500 workstations in multiple locations throughout their integrated healthcare network. We believe this is one of the largest and most comprehensive uses of Electronic Medical Record application technology of its kind in the country. In addition, our largest remarketing partner signed agreements with six new hospitals to install our products. This brings the total to fourteen the number of large-scale systems they have sold. This accelerated pace of new sales by our largest remarketing partner in fiscal year 2000, we believe, bodes well for the future.

Fiscal year 2000 was a year of significant accomplishment as we increased our profitability by concentrating on significantly reducing our operating expenses and focusing on more profitable revenue generation. LanVision achieved profitability during the third and fourth quarters of fiscal 2000, and over this period, had total operating profits of approximately $1.1 Million. Through the fourth quarter of fiscal year 2000, LanVision improved its operating results for eleven consecutive quarters.

Over the last several years, we have made considerable investments in our product line, our Web browser-based technologies and our transition plans to operating and distribution models that position us to take advantage of many emerging Internet and services-based healthcare market opportunities. Our customers continue to enjoy significant operating success with our products while improving patient care. Our Web browser-based solutions are scalable from a small physician practice to the largest integrated healthcare networks. Web browser access to the entire medical record, from virtually anywhere, improves physician productivity through efficient and timely communication of clinical information, reduces costs and improves the overall quality of patient care. Our Web browser-based technology and ASP services position LanVision to take full advantage of promising market opportunities relating to the use of the Internet/Intranet as an important new medium to collect and distribute healthcare information.

We continue to look for ways to broaden the distribution of our products by pursuing strategic business alliances with traditional Healthcare Information Systems companies, emerging healthcare Application Service Providers, and other potential strategic partners who have a need to interact with the patient's medical record.

We believe LanVision is built on a solid foundation, with highly evolved and technologically advanced products that are successfully installed in an impressive list of satisfied customers. We approach the future with enthusiasm and confidence that the year 2001 will continue to reflect significantly improved operating results.

We are thankful for your continued confidence.

Sincerely,

/s/ J. Brian Patsy

J. Brian Patsy
Chairman of the Board and
Chief Executive Officer

OUR VISION

INDUSTRY TRENDS

In the year 2001 and beyond, LanVision believes that the healthcare industry will be devoting a substantial amount of their time and information technology budgets to comply with the new Federal HIPAA (Health Insurance Portability and Accountability Act of 1996) compliance issues as they relate to medical records. The first series of Federal Health Privacy Regulations were issued in February 2001, and compliance with the new regulations will be required, in many cases, within two years of their effective date.

In addition to mandated Federal regulations, the healthcare industry is being strongly encouraged by many professional medical organizations to make greater use of information technology. A recent report by the Institute of Medicine (IOM) of the National Academies, entitled "To Err is Human: Building a Better Health System," envisions a revamped system that, among other things, makes greater use of information technology to enable providers and institutions to move away from paper-based medical record systems to take advantage of new information technology. The American Medical Association, American Academy of Family Physicians, American College of Physicians, American Society of Internal Medicine, and the American College of Surgeons, issued a joint statement supporting the IOM recommendations.

The HIPAA Federal Health Privacy Regulations and industry trends as recommended in the IOM report could be a tremendous impetus for hospitals and Integrated Healthcare Delivery Networks to begin to seriously look at LanVision's products and services as a means of ensuring compliance with the new regulations and improving healthcare delivery through the use of information technology.

Many healthcare providers have not invested the resources necessary to upgrade their information systems to support their increased information requirements, which could lead to wasted efforts, redundant tests and procedures and administrative inefficiencies that often adversely impact the quality of care. Furthermore, those organizations that have taken on the challenge of gathering such information electronically have often implemented clinical information systems that have only focused on the structured data components rather than all forms of healthcare information, including paper. In order to make a substantial impact on the inefficiencies inherent in today's healthcare environment, all unstructured data such as images, hand-written physician notes, etc. need to be seamlessly integrated with its structured counterpart in an easily accessible and complete Electronic Medical Record. The Internet/Intranet provides a universal, cost-effective communications medium to deliver the complete Electronic Medical Record to all of the constituents of the healthcare industry.

While the trend within healthcare clearly is towards a paperless environment, there are widely differing opinions as to whether paper and other forms of unstructured data will be completely eliminated. Most healthcare industry experts agree however, that it is unlikely that paper or other forms of unstructured data will be eliminated anytime soon. The continued reliance on paper is further apparent, given that physicians would otherwise be required to change the way that they currently practice medicine. This is problematic given the amount of writing physicians perform in relation to the additional time and effort necessary for them to put their thoughts into structured data format (i.e. keyboard entry at a specified computer workstation). There is an immediate need to ensure that all healthcare information can be accessed electronically, regardless of the media on which the information is created or stored.

The dramatic growth of the Internet and private Intranets as an important new medium to collect and distribute information, communicate, interact and engage in healthcare commerce has emerged as the way to overcome the historical technical barriers for connecting the participants in the fragmented healthcare industry. Along with the growth of the Internet/Intranet, there has been increased emphasis on the cost-effective Application Service Provider (ASP) delivery model that offers Web browser-based software application functionality via a fee-for-service arrangement over the Intranet/Intranet from a centralized data center. The technical barriers are diminishing for several reasons:

- universal, low-cost and high speed Internet access is replacing private networks,

- common navigation via browser-based technology is replacing proprietary desktop client software, and

- the Internet's open architecture is providing a solution for integrating existing computer systems.

THE MARKETPLACE

Competitive pressures and the need to significantly reduce overall healthcare costs will require healthcare organizations to automate their labor-intensive, paper-based processes and seamlessly integrate these with their existing clinical applications, creating a complete centralized Electronic Medical Record repository--regardless of the medical record medium or physical location. The ASP delivery model is the most cost-effective method of creating and maintaining a centralized Electronic Medical Record repository. This ASP-based centralized electronic repository will represent a critical connectivity solution necessary to link hospital clinicians, physician practices, administrators, payers, consumers and other third parties to common healthcare information via a secured Internet/Intranet. As increased security requirements emerging from HIPAA dictate changes in how organizations manage patient information, the new secure Web browser-based technologies will prevail as the predominate economic solution to electronically store, process, route and view vital healthcare information, regardless of the creation medium or the authorized user's physical location. For example, a hospital clinician could electronically review, complete and sign the Electronic Medical Record or route the information to an associate for consultation, all from the privacy of the clinician's home or office. Any authorized user could access the information through a standard Web browser, via the Internet or a private network.

The benefits of the ASP centralized storage and distributed access to all the forms of healthcare information across the healthcare continuum are many and include:

- simultaneous access to the entire medical record regardless of the site of care,
- reduction of redundant diagnostic testing and more informed treatment decisions,
- elimination of shadow or redundant record keeping in multiple patient medical record repositories,
- increased security and decreased risk of loss or unauthorized disclosure of patient information,
- reduced labor and storage costs associated with paper systems,
- improved efficiency in chart completion, billings and collections,
- more control over patient information, and
- empowers physicians and patients to easily share the information with others in the healthcare continuum.

The operational and financial benefits of the ASP delivery model include:

- requires minimal capital investment,
- offers immediate payback on services investment,
- avoids technological obsolescence,
- takes advantage of economies of scale as multiple users share centralized data center facilities, equipment and software infrastructure,
- provides for increased security, redundancy and disaster recovery capabilities, and
- allows increased flexibility in menu of services provided.

A substantial opportunity exists for LanVision, as an ASP, to fundamentally change the way a patient's healthcare information is processed and shared. The ASPs that are first to deliver both structured and unstructured data with ease and to provide secure access to all forms of healthcare information from standard Web browsers will have distinct competitive advantages in the rapidly growing Electronic Medical Records marketplace.

LANVISION PRODUCTS AND SERVICES

LanVision products and services are built using advanced document imaging/management and workflow automation technology to create robust Electronic Medical Record applications. Document imaging technology makes paper-based information, as well as medical images, sound and video information as readily available and easy to process as traditional electronic data. Workflow automation offers intelligent electronic routing of documents, sophisticated management tools and reporting to increase efficiency and to support business process re-engineering efforts.

LanVision's products and services were designed to be complementary with existing third-party Healthcare Information Systems (HIS) applications and ASP-based services, providing value-added functionality to these third-party applications, including the following:

- the ability to gain seamless electronic access to paper-based medical records, business office documents and medical images (unstructured data),
- workflow-based automated chart deficiency analysis and completion,
- workflow-based automated release of information and billing,
- workflow-based remote coding and seamless integration to third-party encoder and abstracter software, and
- archival support for a legal/historical repository of patient information.

LanVision has developed innovative application tool sets to "image and web-enable" existing HIS clinical and billing applications, thus allowing clients to have a common graphical user interface on a universal workstation. LanVision has also developed its own proprietary document imaging middleware (Foundation Suite) to efficiently provide the object-oriented business processes common to all of its applications, such as scanning/indexing, faxing/printing, data archiving migration, security and auditing. Through its application software, document imaging middleware, and its workflow, image and web-enabling tools, LanVision allows the seamless merging of its Medical Record and Patient Billing department "back office" functionality with existing clinical information systems at the desktop.

For maximum flexibility, the LanVision family of products and services is made up of four distinct offerings: The ChartVision Application Suite, The Foundation Suite, accessANYware and ASPeN, our ASP-based Electronic Medical Record services.

THE CHARTVISION APPLICATION SUITE......the highly evolved Electronic Medical Record application

The ChartVision application suite provides physicians, clinicians and information management professionals throughout the healthcare enterprise with immediate and simultaneous access to the complete patient record. ChartVision is a highly evolved Electronic Medical Record application suite that provides streamlined processing and fast, easy access to all forms of healthcare information regardless of source.

This suite provides a choice of viewers, WebView or OmniVision. Both viewers support powerful image-enabling and workflow technology that allow healthcare users to immediately and simultaneously access any patient information, including multimedia and paper-based information, through their existing third-party clinical or billing applications. As a result, any application across the entire enterprise can be image-enabled, including the host Healthcare Information Systems, Patient Billing Systems, Clinical Data Repositories and others. When the Clinical Data Repository is image-enabled, users can access any piece of information on the same workstation and from the same screen display, including the point of patient care. This means users can view traditional electronic data and images simultaneously on the same screen without signing in and out of multiple applications.

The WebView and OmniVision image-enabling tools include a full automation interface using Object Linking and Embedding and Component Object Modeling standards that allow third-party products to easily make calls to them.

WEBVIEW - Web-Based, Image-Enabling Tool

The Internet, "thin client" workstations and Web browser-enabled applications have generated enormous excitement in the world of Healthcare Information Systems. Their potential positive impact on the Computerized Patient Record and document imaging is just now being realized. LanVision believes these technologies will combine to create sweeping changes in the way healthcare institutions manage, distribute and view their healthcare information. WebView utilizes the Internet/Intranet to allow remote users to easily access an integrated Computerized Patient Record and document imaging system residing in a complete Electronic Medical Record from virtually anywhere. The more important benefits include:

- significantly lower maintenance and staff costs,
- lower data center investment and operating costs,
- the ability to seamlessly image-enable existing clinical, billing or other third-party information systems, and
- a higher degree of desktop integration.

WebView uses a familiar Internet browser "look and feel" and combines the platform-independent technologies, open standards and "network-centric" architecture of the Internet/Intranet with LanVision's robust application suites. As an intuitive, flexible, cost-effective, and scaleable product, WebView provides organizations with a "technology bridge" connecting LanVision's application suites with innovative Internet/Intranet technologies.

OMNIVISION - Image-Enabling Tool

OmniVision is LanVision's "thick client" viewer. Like WebView, it is in production in several large-scale, enterprise-wide implementations, including over 3,500 workstations at Memorial Sloan-Kettering Cancer Center.

In addition to the OmniVision and WebView viewers, the ChartVision application suite includes the following add-on modules:

On-Line Chart Completion (OCC)
Automates the identification of deficiencies in patient charts and electronically routes the incomplete documents to the appropriate medical and administrative personnel for on-line processing, chart completion, electronic signature and reporting. OCC includes proprietary embedded LanVision workflow software, which provides a significant cost advantage over alternative third-party workflow software when deployed throughout the healthcare enterprise.

Enterprisewide Correspondence (EWC)
Fulfills internal and external requests for information and allows for automatic invoicing capability. EWC also provides the ability to electronically search for, print, mail or fax information to third parties that request copies of patient records.

codingANYware
In the second half of 2001, LanVision will deliver codingANYware, which provides workflow automation of the coding and abstracting process by allowing hospital personnel to electronically access documents to be coded and abstracted from remote locations, including the employee's home. CodingANYware may also be integrated with third-party encoding or abstracting software, avoiding redundant data entry.

THE FOUNDATION SUITE......the document imaging/management infrastructure middleware

The Foundation Suite is robust middleware architecture for document imaging/management infrastructure, built for maximum performance in high document volume settings and optimized for the healthcare industry. The features resident in the Foundation Suite were built around patient-oriented objects that result in more efficient code and rapid delivery to market of new applications. The Foundation Suite is designed in a reusable object-oriented environment, utilizing a 32-bit Windows NT-based architecture, that provides the following essential document imaging/management functions: security, auditing, data access, printing/faxing, scheduling, data archiving migration and full problem diagnosis. The Foundation Suite offers the following unique enhanced security and auditing functions that facilitate HIPAA Compliance and are essential to integrated delivery networks in a multi-entity environment:

- multiple levels of security (administrative, user, patient, document, workstation, physical location, and healthcare entity) configurable by user, workstation and location, and
- full audit trails and reporting of every record viewed, printed, faxed, processed or unauthorized login attempts at the patient encounter or document level.

ACCESSANYWARE......the Web browser-based application

In the second half of 2001, LanVision will deliver the next generation product, accessANYware, which will be a thin Web browser-based client application that will provide users with access to a wide variety of functionality, including: a Chart Deficiency Management System, the searching, retrieving and viewing of patient documents, and report generation...all from a single login. In addition to this single login, accessANYware will use a single user interface and integrated database.

From the point of a single login to the system, users with appropriate security will have the ability to search and retrieve information regarding patients and cases (for chart analysis), view, print and fax patient documents, as well as analyze or complete deficient documents. The functions presented to the user will vary with the user's security. For example, if the user is a clinician, they will be presented with an inbox function that displays a list of incomplete charts (awaiting completion) and a list of "linked" patients assigned to them. The clinician will then have the option to complete deficient charts, or retrieve patient information, via searching or by clicking on the "linked" patients within their inbox. This access may occur from any workstation within the facility, the physician's office, or some other remote site. With proper security the user will be able to view, print and fax patient information.

ASPeN......Application Service Provider eHealth Network

LanVision's ASPeN, ASP-based Electronic Medical Records Services, offers healthcare providers an even more cost-effective solution to manage patient information. Through its use of Internet/Intranet technology, ASPeN helps hospitals and integrated delivery networks overcome the barriers of high capital and start-up costs as well as the technological burdens of implementing a document imaging/management and workflow system. ASPeN delivers Electronic Medical Record services to its healthcare customers on an outsourced basis from a central data center. Hospitals and integrated delivery systems can therefore take advantage of a private Intranet or the World-Wide-Web, the lowest cost network infrastructure, for truly enterprise-wide, secure access to healthcare information.

Selected Financial Data

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OPERATING STATEMENT DATA:	Fiscal Year(1) 2000	1999	1998	1997	1996
	(In thousands, except per share data)				
Total revenues	$ 9,576	$ 10,471	$ 12,010	$ 8,676	$ 10,310
Total operating expenses	9,509	13,054	22,470	22,493	16,271
Operating profit (loss)	67	(2,583)	(10,460)	(13,818)	(5,961)
Net earnings (loss)	21	(3,247)	(10,926)	(12,669)	(4,669)
Basic and diluted net earnings (loss) per share of common stock	$ .00	$ (.37)	$ (1.24)	$ (1.44)	$ (.56)
Shares used in computing per share data	8,863	8,827	8,811	8,827	8,284

BALANCE SHEET DATA:	Fiscal Year(1) 2000	1999	1998	1997	1996
	(In thousands)				
Cash, cash equivalents and investment securities	$ 8,550	$ 5,412	$ 5,445	$ 11,052	$ 26,592
Working capital	7,168	6,149	7,290	7,141	17,864
Total assets	14,358	14,719	17,485	22,200	33,300
Long-term debt, including current portion	6,000	6,000	6,000	-	-
Convertible redeemable preferred stock	-	-	-	-	-
Total stockholders' equity	2,655	2,613	5,847	16,816	29,921

(1) All references to a fiscal year refer to the fiscal year commencing February 1 of that calendar year and ending January 31 of the following year.

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CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS OF OPERATIONS

In addition to historical information, this Annual Report of LanVision Systems, Inc. contains certain forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Such factors include, without limitation, the risks and uncertainties discussed herein and as part of LanVision's Annual Report on Form 10-K filed with the Securities and Exchange Commission. LanVision's future development efforts involve a high degree of risk, and LanVision cautions investors that there can be no assurance that actual results or business conditions will not differ materially from those projected or suggested in such forward-looking statements.

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

OVERVIEW

LanVision is an Application Service Provider (ASP) and 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. LanVision'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 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-based 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. LanVision'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. LanVision 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, LanVision'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, LanVision has integrated its products with selected systems from Siemens Medical Solutions Health Services Corporation, formerly known as Shared Medical Systems Corporation, and Cerner Corporation. 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. LanVision'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, LanVision has derived its revenues from systems sales involving the licensing, either directly or through remarketing partners, of its Electronic Medical Record solution to Integrated Healthcare Delivery Networks (IDN). In a typical transaction, LanVision, or its remarketing partners, enter into a perpetual, term license or fee-for-service agreement for LanVision's Electronic Medical Record software suite and may license or sell other third-party software and hardware components to the IDN. Additionally, LanVision, or its remarketing partners provide professional services, including implementation, training and product support.

With respect to systems sales, LanVision earns its highest margins on proprietary LanVision software or ASP services 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 LanVision's ability to fully utilize its professional services, maintenance and support services staff.

Beginning in 1998, LanVision began offering customers the ability to obtain its Electronic Medical Record solution on a service bureau basis as an ASP. LanVision's ASP Division, formerly known as Virtual Healthware Services Division, established a centralized data center and installed LanVision's Electronic Medical Record suite, called ASPeN (Application Service Provider eHealth Network) within the data center. Under this arrangement, customers electronically capture information and transmit the data to the centralized data center. The ASP 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 ASP Division charges and recognizes revenue for these services on a per transaction or subscription basis as information is captured, stored, and retrieved.

In February 2000, LanVision sold its centralized data center for $2,900,000. Simultaneously therewith, LanVision entered into a one-year service agreement with the buyer. Under the terms of this service agreement, which can be renewed at the sole option of the Company, in exchange for processing fees, LanVision 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, LanVision continues to market its ASP solutions, which include agreements with eSmartHealth, Inc., now known as Smart Health Services and Provider HealthNet Services, Inc., which agreements are discussed below. LanVision continues to provide its ASP solutions through the data center and intends to utilize other data center service providers.

In August 2000, LanVision entered into an agreement with Smart Health Services (Smart), which allows Smart to utilize LanVision's MicroVision Electronic Medical Record (EMR) product combined with Web-based Smart software to provide affordable, Web-based EMR document management and viewing services to hospitals and clinics via the Internet. Smart Health Services, 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 Smart scans and stores using the MicroVision ASP application.

In November 2000, LanVision entered into an agreement with Provider HealthNet Services, Inc. (PHNS) which allows PHNS to offer LanVision's MicroVision EMR product to provide EMR document management and viewing services to PHNS' customer base. PHNS is a healthcare industry information technology and business outsourcing company, which provides information technology and professional management of information systems, medical records and related business processes to hospitals and other healthcare providers on a shared basis to improve healthcare services and reduce costs. The relationship with LanVision will allow PHNS to more effectively use information technology and the LanVision document imaging and management solution for medical records and other business processes to improve healthcare services and reduce costs for its customers. The LanVision ASP services allows PHNS to offer a state-of-the-art, Application Service Provider-based EMR solution, an offering that contributes to increased process efficiency for medical records functions. PHNS currently provides medical record, transcription and/or coding management outsourcing services to sixteen hospitals, many of which, LanVision was advised by PHNS, are considering an EMR solution. The LanVision services to be provided by PHNS will be delivered on an ASP basis through a centralized data center staffed by seasoned information technology professionals with healthcare experience. LanVision will be compensated by PHNS for use of its software based upon the number of encounters, or patient visits, to each hospital using the LanVision EMR software. PHNS is a privately held, Dallas based company which currently has over 420 experienced healthcare information technology and business process employees that provide outsourcing services to 16 hospitals in nine states.

To date, LanVision has recorded no revenues from Smart or PHNS and cannot currently predict when revenues will be generated from these two new agreements.

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. Since inception, LanVision 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 LanVision's proprietary software and third-party software with a perpetual or term license fee that is adjusted depending on the number of concurrent users or workstations using the software. Third-party hardware is 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 LanVision's ASP services, the agreements generally provide for utilizing LanVision'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 LanVision 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 ASP 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 per transaction or subscription basis, and the centralized data center applications are operated and maintained by LanVision personnel and/or its agents. In 1999, the ASP 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. LanVision believes that more IDN's will begin to look for this type of ASP application. Additionally, LanVision 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 LanVision's ASP solution.

In 1998, LanVision entered into a five year Remarketing Agreement with Siemens Medical Solutions Health Services Corporation (SMS), formerly Shared Medical Systems Corporation. Under the terms of the Agreement, SMS was granted an exclusive worldwide license to distribute ChartVision, On-Line Chart Completion, WebView and Enterprisewide Correspondence 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, LanVision may terminate the SMS Remarketing Agreement.

Under the terms of the Agreement, SMS remits royalties to LanVision based upon SMS sublicensing LanVision'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. The remaining 75% of the royalty is due 30 days following the end of the quarter in which SMS commences software implementation activities. LanVision records this revenue when the 75% payment due from SMS is fixed and determinable, which is when the software implementation activities commence. Through January 31, 2001, SMS has sold 14 systems to end-users, which represents approximately $4,319,000 in systems sales royalties to LanVision.

RESULTS OF OPERATIONS

The following table sets forth, for each fiscal year indicated, certain operating data as percentages:

CONSOLIDATED STATEMENTS OF OPERATIONS(1)

	Fiscal Year(2)		
	2000	1999	1998
Systems sales	33.0%	33.5%	46.1%
Services, maintenance and support	58.7	63.0	46.4
Service bureau operations	8.3	3.5	7.5
Total revenues	100.0	100.0	100.0
Cost of sales	48.5	60.3	84.8
Selling, general and administrative	33.3	43.7	65.4
Product research and development	17.5	20.7	31.1
Restructuring expense	-	-	5.8
Total operating expenses	99.3	124.7	187.1
Operating profit (loss)	0.7	(24.7)	(87.1)
Other income (expense), net	(0.5)	(6.3)	(3.9)
Net earnings (loss)	0.2%	(31.0)%	(91.0)%
Cost of systems sales	30.6%	22.5%	31.7%
Cost of services, maintenance and support	59.0%	60.7%	99.5%
Cost of service bureau operations	45.5%	411.2%	320.5%

(1) Because a significant percentage of the operating costs are expensed as incurred, a variation in the timing of systems sales and installations and the resulting revenue recognition can cause significant variations in operating results. As a result, period to period comparisons may not be meaningful with respect to the past operations nor are they necessarily indicative of the future operations. The data in the table is presented solely for the purpose of reflecting the relationship of various operating elements to revenues for the periods indicated.

(2) All references to a fiscal year refer to the fiscal year commencing on February 1 of that calendar year and ending on January 31 of the following year.

COMPARISON OF FISCAL YEAR 2000 WITH 1999

REVENUES. Total revenues for fiscal year 2000 were $9,575,637 compared with revenues of $10,471,143 in fiscal year 1999, a decrease of $895,506 or 9%. Revenues from systems sales in fiscal 2000 were $3,158,883, a decrease of $351,215 or 10% of systems sales in fiscal 1999. In fiscal 2000, LanVision had no new direct sales customers as most hospitals deferred implementation of new Electronic Medical Record (EMR) systems until the final Federal Health Privacy Regulations are promulgated, to comply with the requirements of HIPAA. However, LanVision's remarketing partner Siemens Medical Solutions Health Services Corporation (SMS), formerly known as Shared Medical Systems Corporation, sold six new systems to hospitals in addition to the eight sold in the prior two years. Approximately, 85% of fiscal 2000 revenues came from fulfillment of backlog and add-on business, primarily expansion and upgrades of systems for LanVision's existing clients, and 15% came from the Remarketing Agreement, compared with 82% and 18%, respectively in fiscal 1999. Systems sales from SMS were $912,808 in fiscal 2000 compared with $1,142,420 in fiscal 1999. Revenues from services, maintenance and support in fiscal 2000 were $5,626,716, a decrease of $965,550 or 15% in fiscal 1999. The decrease results primarily from lower project management revenues for professional services and system interfaces as no new systems were installed by LanVision in fiscal 2000. Maintenance revenues in fiscal 2000 were $3,678,097, an increase of $413,782, or 13% over maintenance revenues in fiscal 1999. The increase in maintenance revenues in fiscal 2000 is primarily due to new installations by our remarketing partner, and expansion of existing LanVision client systems. Professional services revenues in fiscal 2000 were $1,948,619, a decrease of $1,379,332, or 41% over professional services revenues in fiscal 1999. The decrease is directly related to the lack of implementation of new systems in fiscal 2000, compared with fiscal 1999 when new versions of software were installed to achieve Year 2000 compliance. Revenues for service bureau operations increased $421,259, due to the conversion of one of our existing customers from a software licensee to an ASP customer using our Application Service Provider services. In fiscal 2000, three customers accounted for 30% of the total revenues compared with 29% in fiscal 1999, exclusive of our remarketing partners.

Revenues for fiscal 2000 and 1999 were less than LanVision's plan for each year. The shortfall in revenues occurred for various reasons, including: significantly lower spending on information technology by healthcare institutions on new systems as hospitals spent significant amounts in 1998 and 1999 on remediation of existing systems to ensure compliance with Year 2000 issues, and many institutions delayed implementation in 2000 for new EMR systems until final Federal Health Privacy Regulations to comply with HIPAA were issued. Buying decisions at certain hospitals and integrated healthcare delivery networks are influenced by recommendations of the largest Healthcare Information Systems (HIS) vendors, including: Siemens Medical Solutions Health Services Corporation, McKesson HBOC, Inc., Cerner Corporation, IDX Systems Corporation, Eclipsys Corporation, etc. It continues to be difficult for companies with relatively small sales forces to influence the buying decisions as effectively as the major HIS vendors which is why LanVision has transitioned its distribution model from a direct selling organization to indirect distribution, primarily through remarketers and the ASP-based service delivery model.

A Remarketing Agreement with SMS was signed in 1998, and throughout fiscal 1998, 1999 and 2000, LanVision and SMS integrated the LanVision product line with the SMS NOVIUS product. The final integration and testing of the products was completed in late 2000. During 1998, 1999 and most of 2000, SMS remarketed LanVision's products on a limited basis through their specialized document imaging sales force. SMS successfully closed four new agreements for LanVision's products in 1998 and four in 1999, and six new agreements in 2000. The fourteen agreements represent approximately $4,319,332 in systems sales royalties to LanVision. Approximately $912,808 and $1,142,420 of revenue was recognized in 2000 and 1999, respectively, and approximately $1,572,295 of revenue has not been recognized until SMS commences software implementation. LanVision believes a greater percentage of its future revenues will come from remarketing agreements with SMS and other HIS vendors. LanVision continues to actively pursue remarketing agreements with other companies.

LanVision believes the large HIS vendors, hospitals and integrated healthcare delivery networks now have a better understanding of the valuable role the EMR plays in providing a truly Computerized Patient Record (CPR). As more companies demonstrate the significant economic and operating benefits of the EMR and other imaging/management and workflow applications, LanVision believes the future demand for its products and services will increase.

Many new companies, such as WebMD Corporation and MedicaLogic/Medscape, Inc. have emerged to provide healthcare applications through private Intranets or secure applications on the Internet. Additionally, the traditional HIS companies have developed clinical information systems for the Internet. LanVision's applications are well suited for the Internet and private Intranets and, through its ASP Division, customers can rapidly deploy and access healthcare information using Web browser-based technology from a central data center on a per transaction or subscription basis. LanVision believes healthcare organizations will increase their use of healthcare applications through the Internet, and LanVision's products are an integral part of providing a complete CPR across the Internet. LanVision is actively pursuing strategic relationships with other healthcare Application Service Providers.

COST OF SALES. Cost of sales consists of cost of systems sales, cost of services, maintenance and support and cost of service bureau operations. Cost of systems sales includes amortization of capitalized software costs, royalties and cost of third-party hardware and software. Cost of systems sales, as a percentage of systems sales, varies from period-to-period depending on hardware and software configurations of the systems sold. The cost of systems sales as a percentage of revenues in fiscal 2000 and 1999 were 31% and 23%, respectively. The higher costs in 2000 reflect lower margins on hardware and third-party software components. Cost of services, maintenance and support includes salaries and benefits for support and professional services personnel and the cost of third-party maintenance contracts. Cost of services, maintenance and support as a percentage of services, maintenance and support revenues in 2000 and 1999 were 59% and 61%, respectively. The cost of service bureau operations in 2000 represents primarily processing fees paid, under the service agreement, to the buyer of the data center. In 1999, the cost of service bureau operations represented the depreciation of equipment and the personnel and other operating costs necessary to operate the central data center. The decrease in the cost in 2000 is due entirely as a result of the sale of the data center and LanVision's utilization of only a portion of the central data center in exchange for processing fees paid to the buyer.

SELLING, GENERAL AND ADMINISTRATIVE. Selling, general and administrative expenses consist primarily of personnel and related costs, travel and living expenses, trade shows, etc. for selling and marketing activities and general corporate and administrative activities. In fiscal 2000, selling, general and administrative expenses were $3,187,209 compared with $4,577,853 in fiscal 1999. The decrease in fiscal 2000 is primarily attributed to: a further reduction in staff as LanVision converted from a direct sales force to primarily an indirect sales model through remarketing partners and others; and a reduction in corporate expenses, primarily professional fees, property taxes and increases in reserves which were not necessary in fiscal 2000.

PRODUCT RESEARCH AND DEVELOPMENT. Product research and development expenses in fiscal 2000 were $1,674,383 compared with $2,166,441 in fiscal 1999. The decrease reflects increased capitalized software development costs, and reductions in rent, depreciation and miscellaneous other expenses. During 2000, LanVision concentrated its development efforts to produce its new product, accessANYware. LanVision capitalized $420,000 in product research and development costs in fiscal 2000, compared with $300,000 in 1999.

OTHER INCOME (EXPENSE). Interest income consists primarily of interest on cash and cash equivalents. The increase results from higher average cash balances in fiscal 2000 compared with fiscal 1999. Other, net results from the gain on the sale of the data center in February 2000. Interest expense in 2000 and 1999 is related to the $6,000,000 in outstanding debt and, in 2000, additional interest on the unpaid long-term accrued interest payable to the lender.

PROVISION FOR INCOME TAXES. LanVision is in a tax loss carryforward position, and is unable to recognize a tax benefit for losses because utilization of a tax benefit for such losses is not assured. The tax loss carryfoward approximates $29,000,000.

NET EARNINGS. Net earnings in fiscal year 2000 were $20,893 compared with a net loss of $3,247,073 in fiscal 1999. The $3,267,966 change, results primarily from a $2,649,587 reduction of the fiscal 1999 operating loss and an increase in Other, net of $542,565 in fiscal 2000.

Since commencing operations in 1989, LanVision has incurred substantial operating losses. Although LanVision achieved profitability in fiscal years 2000, 1993 and 1992, LanVision incurred a net loss in fiscal years 1994 through 1999. Based upon the expenses associated with current and planned staffing levels, profitability is dependent upon increasing revenues. There can be no assurance that LanVision will be able to achieve consistent profitability on a quarterly or annual basis nor be able to sustain or increase its revenue growth in future periods. LanVision believes historical operating results are not indicative of the future performance of LanVision in the long-term.

BACKLOG. At January 31, 2001, LanVision has master agreements or purchase orders for systems and related services (excluding support and maintenance, and transaction-based revenues for the ASP Division), which have not been delivered, installed and accepted which, if fully performed, would generate future revenues of approximately $4,255,000. The related products and services are expected to be delivered over the next two to three years. In addition, customers contract for maintenance and support services on a monthly, quarterly or annual basis. In 2000, maintenance and support revenues approximated $3,678,000 and are expected to increase in fiscal 2001. Furthermore, the ASP Division has entered into a service bureau agreement, which is expected to generate revenues in excess of $2,000,000 over the remaining three-year life of the agreement.

COMPARISON OF FISCAL YEAR 1999 WITH 1998

REVENUES. Total revenues in fiscal year 1999 were $10,471,143 compared with revenues of $12,010,011 in fiscal year 1998, a decrease of $1,538,868 or 13%. Revenues from systems sales in fiscal 1999 were $3,510,098, a decrease of $2,031,128 or 37%, over systems sales in fiscal 1998. In fiscal 1999, LanVision had no new direct sales customers as most hospitals deferred purchases while completing Year 2000 compliance issues. In fiscal 1998, two new customers accounted for $1,848,874 of systems sales.

Systems sales from our remarketing partner, SMS, were $1,142,420 in fiscal 1999 compared with $691,808 in fiscal 1998. The remaining balance of fiscal 1999 systems sales were to existing clients from fulfillment of backlog and add-on business. Revenues from services, maintenance and support in fiscal 1999 were $6,592,266, an increase of $1,018,416, or 18% over fiscal 1998. Maintenance revenues in fiscal 1999 were $3,264,315, an increase of $509,301, or 18% over maintenance revenues in fiscal 1998. The increase in maintenance revenues in fiscal 1999 is primarily due to new installations in 1998 and expanded installations in 1999. Professional services revenues in fiscal 1999 were $3,327,951, an increase of $509,115, or 18% over professional services revenues in fiscal 1998. The increase is directly related to implementation of new versions of software to achieve Year 2000 compliance and project management performed for SMS. Revenue from service bureau operations declined $526,156 due to the termination of one contract. In fiscal 1999, three customers accounted for 29% of the total revenues compared with 27% in fiscal 1998, exclusive of our remarketing partner.

Revenues for fiscal year 1999 and 1998 were less than LanVision's plan for each year. The shortfall in revenues occurred for a variety of reasons. First, the healthcare industry has not moved forward as quickly as LanVision and many others anticipated. For years, healthcare institutions spent significantly less on information systems than other industries. However, despite the need to catch up, existing HIS personnel are only able to absorb so much new technology. There was a significant amount of new technology to assess, and there were wide differences of opinions on how to prioritize the many information technology projects. Many institutions began by replacing their clinical systems, and looked at the EMR as a secondary priority. Consequently, LanVision experienced very long sales cycles, and many cycles ended in no decision. Additionally, in 1998 and 1999, many healthcare organizations were preoccupied with Year 2000 compliance remediation for existing systems and deferred purchase decisions on new systems. Buying decisions at certain hospitals and integrated healthcare delivery networks are influenced by the recommendations of the largest HIS vendors, including: Siemens Medical Solutions Health Services Corporation, McKesson HBOC, Inc., Cerner Corporation, IDX Systems Corporation, Eclipsys Corporation, etc. It has been difficult for companies with relatively small sales forces to influence the buying decisions as effectively as the major HIS vendors. Prior to LanVision's agreement with SMS in 1998, LanVision's products were not actively promoted by any of the five largest HIS vendors.

A Remarketing Agreement with SMS was signed in 1998, and throughout fiscal 1998 and 1999 LanVision and SMS integrated the LanVision product line with the SMS NOVIUS product and trained SMS personnel. During 1998 and 1999, SMS marketed LanVision's products on a limited basis through their specialized document imaging sales force. SMS successfully closed four new agreements for LanVision's products in 1999 and four in 1998.

COST OF SALES. Cost of sales consists of cost of systems sales, cost of services, maintenance and support and cost of service bureau operations. Cost of systems sales includes amortization of capitalized software costs, royalties and cost of third-party software and hardware. Cost of systems sales, as a percentage of systems sales, varies from period-to-period depending on the hardware and software configuration of the systems sold. The costs of systems sales as a percentage of revenues in fiscal 1999 and 1998 were 23% and 32%, respectively. The lower costs in 1999 reflect a higher mix of LanVision software with higher margins relative to the third-party hardware and software components with lower margins and higher costs. Cost of services, maintenance and support includes salaries and benefits for support and professional services personnel and the cost of third-party maintenance contracts. Cost of services, maintenance and support as a percentage of services, maintenance and support revenues in 1999 and 1998 were 61% and 100%, respectively. The improvement is primarily due to reduced staffing and improved efficiency. The cost of service bureau operations represents the depreciation of equipment and the personnel and other operating costs necessary to operate the central data center, which was sold in February 2000.

SELLING, GENERAL AND ADMINISTRATIVE. Selling, general and administrative expenses consist primarily of personnel and related costs, travel and living expenses, advertising, trade shows, brochures, etc. for selling and marketing activities and general corporate and administrative activities. In fiscal 1999, selling, general and administrative expenses were $4,577,853 compared with $7,860,031 in fiscal 1998. The decrease in fiscal 1999 is primarily attributable to a reduction in staff and the associated occupancy, travel and living costs and trade shows, etc.

PRODUCT RESEARCH AND DEVELOPMENT. Product research and development expenses in fiscal 1999 were $2,166,441 compared with $3,740,215 in fiscal 1998. The fiscal 1999 decrease reflects the use of significantly fewer outside contractors and reduced staffing levels as a result of completing major development projects and a deliberate effort to bring costs more in line with revenues. During 1999, new releases of ChartVision, On-Line Chart Completion, Enterprisewide Correspondence, OmniVision, WebView, and Foundation Suite were placed into production. The software development and quality assurance staff averaged seventeen employees in 1999 compared with an average of twenty-five employees in 1998. LanVision capitalized $300,000 in product research and development costs in fiscal 1999 and $396,000 in 1998.

OTHER INCOME (EXPENSE). Interest income in fiscal 1999 and 1998 consists primarily of interest and gains on the sale of investment securities in 1998. The decrease is due primarily to less interest on fewer investments as securities were sold to fund operations. Other, net includes approximately $1,100,000 related to a contract settlement with a customer. Interest expense in 1999 and 1998, is related to the $6,000,000 in outstanding long-term debt.

PROVISION FOR INCOME TAXES. LanVision is in a tax loss carryforward position, and is unable to recognize a tax benefit for losses because the realization of a tax benefit for such losses is not assured.

NET LOSS. The net loss in fiscal 1999 was $3,247,073 compared with $10,925,970 in fiscal 1998. Fiscal 1999 net loss per share was $.37 compared with a net loss per share in fiscal 1998 of $1.24. The $7,678,897 decrease in the fiscal 1999 net loss compared with 1998, results primarily from the reduction in operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

During the last five fiscal years, LanVision has funded its operations, working capital needs and capital expenditures primarily from a combination of cash generated by operations, an initial public offering and a $6,000,000 loan.

LanVision's customers typically have been well-established hospitals or medical facilities 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.

LanVision has no significant obligations for capital resources, other than noncancelable operating leases in the total amount of approximately $277,000, payable over the next two years.

Over the last several years, LanVision's revenues were less than its internal plans. However, during the same period, LanVision 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 five years. Although LanVision has reduced staffing levels and related expenses, and improved operating performance, LanVision's expenses may continue to approximate its revenues. Accordingly, to continue to achieve continuing profitability, and positive cash flow, it is necessary for LanVision to increase revenues or continue to reduce expenses. LanVision believes that the requirement for healthcare organizations to become HIPAA compliant should offer a significant opportunity to increase revenues. Additionally, the SMS Remarketing Agreement has significantly expanded the sales distribution capabilities. LanVision believes that market opportunities are such that LanVision should be able to increase its revenues. However, there can be no assurance LanVision will be able to increase its revenues.

In February 2000, LanVision sold its Data Center for $2,900,000. LanVision received $2,000,000 and the remaining $900,000 was received in twelve monthly installments commencing March 1, 2000. The sale resulted in a gain of approximately $1,400,000.

At January 31, 2001, LanVision had cash and cash equivalents of $8,549,732. Cash equivalents consist primarily of overnight bank repurchase agreements and short-term commercial paper. Under the terms of its loan agreement, as amended, LanVision has agreed to maintain a minimum cash and cash equivalent balance of $5,300,000. During fiscal 2001, $1,000,000 of long-term debt is required to be repaid to the lender.

LanVision has significantly reduced operating expenses during the last two fiscal years, and believes it will continue to improve operating results in fiscal 2001. However, based upon current expenditure levels and in the absence of increased revenues, LanVision could continue to operate at a loss. Accordingly, for the foreseeable future, LanVision 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 LanVision 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.

To date, inflation has not had a material impact on LanVision's revenues or expenses. Additionally, LanVision does not have any significant market risk exposure at January 31, 2001.

REPORT OF MANAGEMENT

LanVision Systems, Inc. is responsible for the preparation, integrity and fair presentation of its published financial statements. The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and, as such, include amounts based on judgments and estimates made by management. Management also prepared the other information included in this Annual Report and is responsible for its accuracy and consistency with the Consolidated Financial Statements.

The Consolidated Financial Statements have been audited by the independent accounting firm, Ernst & Young LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of stockholders, the Board of Directors and committees of the Board. The Company believes that all representations made to the independent auditors during their audit were accurate and appropriate. Based on their audit of the Consolidated Financial Statements, Ernst & Young LLP have issued their audit report, which appears below.

In meeting its responsibility for the integrity of the Consolidated Financial Statements, management relies on a system of internal controls. This system is designed to provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with management's authorization. The Company continuously assesses the effectiveness of the internal controls and makes improvements thereto as necessary.

/s/ J. Brian Patsy	/s/ Paul W. Bridge, Jr.
J. Brian Patsy Chairman of the Board and Chief Executive Officer	Paul W. Bridge, Jr. Chief Financial Officer and Controller

REPORT OF INDEPENDENT AUDITORS

Board of Directors
LanVision Systems, Inc.

We have audited the consolidated balance sheets of LanVision Systems, Inc. as of January 31, 2001 and 2000, and the related consolidated statements of operations, changes in convertible redeemable preferred stock and stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of LanVision Systems, Inc. at January 31, 2001 and 2000 and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 31, 2001 in conformity with accounting principles generally accepted in the United States.

Cincinnati, Ohio
March 15, 2001

/s/ Ernst & Young LLP

CONSOLIDATED BALANCE SHEETS

ASSETS

	Fiscal Year 2000	Fiscal Year 1999
Current assets:		
Cash and cash equivalents (restricted by the long-term debt agreement)	$ 8,549,732	$ 5,411,920
Note receivable	75,000	-
Accounts receivable, net of allowance for doubtful accounts of $400,000 and $385,000, respectively	2,080,154	3,936,326
Unbilled receivables	1,356,413	1,138,941
Other	367,289	436,135
Total current assets	12,428,588	10,923,322
Property and equipment:		
Computer equipment	2,715,246	4,423,753
Computer software	501,077	659,993
Office furniture, fixtures and equipment	1,233,175	1,379,043
Leasehold improvements	114,965	648,230
	4,564,463	7,111,019
Accumulated depreciation and amortization	(3,857,871)	(4,478,444)
	706,592	2,632,575
Capitalized software development costs, net of accumulated amortization of $1,400,228 and $1,100,228, respectively	989,701	869,701
Other	233,235	293,084
	$ 14,358,116	$ 14,718,682

LIABILITIES, CONVERTIBLE REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY

	2000	1999
Current liabilities:		
Accounts payable	$ 464,615	$ 666,647
Accrued compensation	306,180	433,046
Accrued other expenses	1,733,631	2,183,080
Deferred revenues	1,755,938	1,491,404
Current portion of long-term debt	1,000,000	-
Total current liabilities	5,260,364	4,774,177
Long-term debt	5,000,000	6,000,000
Long-term accrued interest	1,442,285	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	34,829,406	35,003,931
Treasury stock, at cost, 17,259 and 58,467 shares, respectively	(82,038)	(277,921)
Accumulated (deficit)	(32,180,866)	(32,201,759)
Total stockholders' equity	2,655,467	2,613,216
	$ 14,358,116	$ 14,718,682

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year 2000	1999	1998
REVENUES:			
Systems sales	$3,158,883	$3,510,098	$5,541,226
Services, maintenance and support	5,626,716	6,592,266	5,573,850
Service bureau operations	790,038	368,779	894,935
Total revenues	9,575,637	10,471,143	12,010,011
OPERATING EXPENSES:			
Cost of systems sales	966,819	792,556	1,758,222
Cost of services, maintenance and support	3,321,484	4,000,808	5,543,302
Cost of service bureau operations	359,152	1,516,482	2,868,436
Selling, general and administrative	3,187,209	4,577,853	7,860,031
Product research and development	1,674,383	2,166,441	3,740,215
Restructuring expense	-	-	700,000
Total operating expenses	9,509,047	13,054,140	22,470,206
Operating profit (loss)	66,590	(2,582,997)	(10,460,195)
Other income (expense):			
Interest income	480,496	177,449	385,100
Other, net	1,381,419	838,854	-
Interest expense	(1,907,612)	(1,680,379)	(850,875)
Net earnings (loss)	$20,893	$(3,247,073)	$(10,925,970)
Basic and diluted net earnings (loss) per common share	$.00	$(.37)	$(1.24)
Number of shares used in per common share computations	8,862,974	8,827,055	8,811,019

CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY

		Stockholders' Equity					
	Convertible redeemable preferred stock	Common stock	Capital in excess of par value	Treasury stock	Accumulated (deficit)	Accumulated other comprehensive income	Total stockholders' equity
Balances at January 31, 1998	$ -	$ 88,965	$35,110,817	$(430,188)	$(18,028,716)	$ 75,203	$ 16,816,081
Sale of treasury stock	-	-	(8,358)	40,496	-	-	32,138
Net (loss)	-	-	-	-	(10,925,970)	-	(10,925,970)
Unrealized net gains on investment securities, net of reclassification adjustments	-	-	-	-	-	(75,203)	(75,203)
Comprehensive (loss)							(11,001,173)
Balances at January 31, 1999	-	88,965	35,102,459	(389,692)	(28,954,686)	-	5,847,046
Sale of treasury stock and exercise of stock options	-	-	(98,528)	111,771	-	-	13,243
Net (loss)	-	-	-	-	(3,247,073)	-	(3,247,073)
Balances at January 31, 2000	-	88,965	35,003,931	(277,921)	(32,201,759)	-	2,613,216
Sale of treasury stock and exercise of stock options	-	-	(174,525)	195,883	-	-	21,358
Net earnings	-	-	-	-	20,893	-	20,893
Balances at January 31, 2001	$ -	$ 88,965	$34,829,406	$ (82,038)	$(32,180,866)	$ -	$ 2,655,467

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year 2000	1999	1998
Operating activities:			
Net earnings (loss)	$ 20,893	$(3,247,073)	$(10,925,970)
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities:			
Gain on the sale of property and equipment	(1,381,419)	-	-
Depreciation and amortization	842,530	1,684,138	2,016,596
Increase in long-term accrued interest	110,996	900,122	431,167
Cash provided by (used for) assets and liabilities:			
Accounts and unbilled receivables	1,638,700	946,172	(1,897,942)
Other assets	68,846	593,680	154,643
Accounts payable	(202,032)	338,382	(1,157,752)
Accrued expenses	(576,315)	(1,032,685)	958,707
Deferred revenues	264,534	407,567	21,841
Net cash provided by (used for) operating activities	786,733	590,303	(10,398,710)
Investing activities:			
Purchases of investment securities	-	-	(9,836,409)
Proceeds from sales of investment securities	-	-	18,670,372
Proceeds from sale of property and equipment	2,000,000	-	-
Payment on $900,000 note receivable from sale of property and equipment	825,000	-	-
Purchases of property and equipment	(135,128)	(153,235)	(741,571)
Capitalization of software development costs	(420,000)	(300,000)	(396,000)
Other	59,849	(183,889)	(27,203)
Net cash provided by (used for) investing activities	2,329,721	(637,124)	7,669,189
Financing activities:			
Proceeds from issuance of long-term debt	-	-	6,000,000
Sale of treasury stock	21,358	13,243	32,138
Net cash provided by financing activities	21,358	13,243	6,032,138
Increase (decrease) in cash and cash equivalents	3,137,812	(33,578)	3,302,617
Cash and cash equivalents at beginning of year	5,411,920	5,445,498	2,142,881
Cash and cash equivalents at end of year	$ 8,549,732	$ 5,411,920	$ 5,445,498
Supplemental cash flow disclosures:			
Interest paid	$ 1,732,000	$ 730,000	$ 336,000

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LanVision Systems, Inc. (the "Company") operates in one segment as a provider of Healthcare Information Access Systems through the licensing of its Electronic Medical Record software applications and the use of such applications through its service bureau operations as an Application Service Provider. LanVision's products enable hospitals and integrated healthcare delivery systems in the United States to capture, store, manage, route, retrieve and process vast amounts of patient clinical and financial information.

FISCAL YEAR

All references to a fiscal year refer to the fiscal year commencing February 1 in that calendar year and ending on January 31 of the following year.

CONSOLIDATION

The consolidated financial statements include the accounts of LanVision Systems, Inc. and its subsidiary, LanVision, Inc. All significant intercompany transactions are eliminated.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

REVENUE RECOGNITION

Revenue is derived from: the licensing and sale of systems comprising internally developed software, third-party software and hardware components; product support, maintenance and professional services; and service bureau operations that provide high quality, transaction or subscription based document imaging/management services from a central data center. LanVision's revenue recognition policies conform to Statement of Position 97-2, Software Revenue Recognition. Generally, revenue from software license fees and hardware sales to end-users is recognized when a master agreement is signed and products are shipped. Revenue related to routine installation and integration and project management is deferred until the work is performed. If a contract requires LanVision 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. Revenue from consulting, education, services and service bureau operations is recognized as the services are performed. Revenue from short-term support and maintenance agreements is recognized ratably over the term of the agreements. Billings to customers recorded prior to the recognition of revenue are classified as deferred revenues. Revenue recognized prior to progress billings to customers is recorded as unbilled receivables.

Under the terms of a remarketing agreement with Shared Medical Systems Corporation, now known as Siemens Medical Solutions Health Services Corporation (SMS), royalties are remitted by SMS to LanVision based upon SMS sublicensing LanVision'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. The remaining seventy-five percent of the royalty is due from SMS when software implementation activities commence. LanVision records this revenue when the seventy-five percent payment due from SMS is fixed and determinable, which is generally when software implementation activities commence.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits, short-term commercial paper and overnight repurchase agreements. The long-term debt agreement (See Note 3.) requires LanVision to maintain a minimum cash balance of $5,300,000.

CONCENTRATIONS

Financial instruments, which potentially expose LanVision to concentrations of credit risk, as defined by Statement of Financial Accounting Standards No. 105, Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk, consist primarily of accounts receivable. LanVision's accounts receivable are concentrated in the healthcare industry. However, LanVision's customers typically have been well-established hospitals or medical facilities 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.

To date, LanVision has relied on a limited number of customers and a remarketing partner for a substantial portion of its total revenues. LanVision expects that a significant portion of its future revenues will continue to be generated by a limited number of customers and its remarketing partners. The failure to obtain new customers or expand sales through remarketing partners, the loss of existing customers or reduction in revenues from existing customers could materially and adversely affect LanVision's operating results (See Note 6.).

LanVision currently buys all of its hardware and some major software components of its Healthcare Information Access Systems from third-party vendors. Although there are a limited number of vendors capable of supplying these components, management believes that other suppliers could provide similar components on comparable terms. A change in suppliers, however, could cause a delay in system implementations and a possible loss of revenues, which could adversely affect operating results.

OTHER CURRENT ASSETS

Other current assets are primarily: prepaid insurance, commissions, maintenance, deposits and prepaid expenses related to future revenues.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is computed using the straight-line, half-year convention method (except for service bureau operations which began depreciation of computer equipment and software when the assets were placed in service), over the estimated useful lives of the related assets. Estimated useful lives are as follows:

Computer equipment and software	3-4 years
Office equipment	5 years
Office furniture and fixtures	7 years
Leasehold improvements	Life of lease

Depreciation expense for 2000, 1999 and 1998 was $542,530, $1,504,138 and $1,758,264, respectively.

CAPITALIZED SOFTWARE DEVELOPMENT COSTS

Software development costs are accounted for in accordance with Statement of Financial Accounting Standards No. 86, Accounting for the Costs of Software to be Sold, Leased or Otherwise Marketed. Costs associated with the planning and designing phase of software development, including coding and testing activities necessary to establish technological feasibility are classified as product research and development and are expensed as incurred. Once technological feasibility has been determined, a portion of the costs incurred in development, including coding, testing and product quality assurance, are capitalized and subsequently reported at the lower of unamortized cost or net realizable value. LanVision capitalized $420,000, $300,000 and $396,000 in 2000, 1999 and 1998, respectively.

Research and development expense was $1,674,383, $2,166,441 and $3,740,215 in 2000, 1999 and 1998, respectively.

Amortization is provided on a product-by-product basis over the estimated economic life of the software, not to exceed three years, using the straight-line method. Amortization commences when a product is available for general release to customers. Unamortized capitalized costs determined to be in excess of the net realizable value of a product are expensed at the date of such determination. Amortization expense was $300,000, $180,000 and $258,332 in 2000, 1999 and 1998, respectively.

ACCRUED OTHER EXPENSES

Accrued other expenses at January 31, 2001 and 2000 include warranty reserves, accrued franchise and property taxes, professional fees and other liabilities.

RESTRUCTURING EXPENSE

During the second quarter of fiscal 1998, LanVision restructured certain aspects of its operations to flatten the management structure, reduce expenses in all areas and, at the same time, improve customer service. Accordingly, LanVision accrued $300,000 for the anticipated costs of severance and related taxes and fringe benefits for the reduction of the work force by 16 people. The liability was recorded as a current liability at the end of the second quarter of 1998 and substantially all of the liability was paid during the third quarter of 1998. As LanVision completed certain of its major software development projects, it has been able to further reduce its staff and the use of outside contractors in product development. As a result of the above reductions in staff, LanVision had excess space at certain facilities. Accordingly, during the fourth quarter of fiscal 1998, a restructuring charge of $400,000 was accrued to downsize the then existing facilities to the current and anticipated near-term needs. LanVision has consolidated its offices and reduced its leased facilities. LanVision has no remaining restructuring liability.

INCOME TAXES

The provisions for income taxes are accounted for in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Under the asset and liability method of Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

STOCK OPTIONS

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, establishes a fair value method of financial accounting and reporting for stock-based compensation plans. LanVision elected to continue to account for stock options under the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees and, accordingly, has adopted the disclosure only provisions of Statement 123.

OTHER INCOME

Other income, net, in the first quarter of fiscal 2000, results primarily from the gain on the sale of the data center in February 2000 for $2,900,000. LanVision entered into a one-year Service Provider Agreement with the purchaser to continue to use the data center under a fee-for-service agreement which can be renewed at the sole option of the Company. Other income, net, in the fourth quarter of fiscal 1999, includes approximately $1,100,000 related to a contract settlement with a customer.

NET EARNINGS (LOSS) PER COMMON SHARE

The net earnings (loss) per common share is computed in accordance with Statement of Financial Accounting Standards No. 128, Earnings per Share. The basic net earnings (loss) per common share is computed based on the weighted average number of common shares outstanding during each period. The diluted net earnings per common share reflects the potential dilution that could occur if Stock Options and Warrants were exercised into Common Stock, under certain circumstances, that then would share in the earnings of LanVision. The diluted net (loss) per common share calculation, in fiscal 1999 and 1998, excludes the effect of the Stock Options and Warrants, as the inclusion thereof would be antidilutive.

2. OPERATING LEASES

LanVision rents office space and equipment under noncancelable operating leases that expire in fiscal 2002. Future minimum lease payments under noncancelable operating leases for the next two fiscal years are as follows: 2001, $155,170; 2002, $121,950. Rent expense was $217,000, $370,720 and $812,470 for fiscal years 2000, 1999 and 1998, respectively.

3. LONG-TERM DEBT

In 1998, LanVision issued a $6,000,000 note to The HillStreet Fund, L.P., which bears interest at 12%, payable monthly. The note is repayable in quarterly installments of $500,000 commencing October 2001 through July 2004. LanVision has the option to prepay at any time, in full, the outstanding balance of the note upon the payment of a Special Prepayment Fee. The Special Prepayment Fee shall be equal to the amount of the Yield Guarantee to Maturity of 25%, discounted to the present value to the date of payment in full of the Loan, using an assumed discount rate of 6%, minus the amount of the interest prepaid on September 5, 2000, in the amount of $1,000,000, compounded at an assumed interest rate of 6% through the date of the payment in full of the Loan. The note is secured by all of the assets of LanVision and the loan agreement, as amended, restricts LanVision from incurring additional indebtedness for borrowed money, including capitalized leases, limits certain investments, restricts substantial asset sales, capital expenditures, cash dividends, stock repurchases, and mergers and consolidations with unaffiliated entities without lender consent. In addition, LanVision is required to meet certain financial covenants, including minimum levels of revenues, earnings, and net worth. Also, the loan agreement requires LanVision to maintain a minimum cash balance of $5,300,000.

In connection with the issuance of the note, LanVision issued Warrants to purchase 750,000 shares of Common Stock of the Company at $3.87 per share at any time through July 16, 2008. The Warrants are subject to customary antidilution and registration rights provisions.

Under the terms of the loan agreement, LanVision has guaranteed the lender that the increase in the market value of the stock underlying the Warrants, at the time of loan maturity, over the exercise price plus the 12% interest paid on the loan will yield the lender a 25% compound annual return. If the yield from the Warrants plus interest paid does not provide the lender with the guaranteed return, LanVision is required to pay the additional amount in cash at the time of maturity. Accordingly, LanVision is accruing interest on the loan at a 25% compound interest rate, regardless of the market value of the stock and the inherent value of the Warrants. In July, 2002, LanVision has a one-time option to repay, in full, the outstanding balance of the note, and should LanVision exercise its prepayment option in July, 2002, then the minimum guaranteed rate of return is increased to 30%. However, to the extent that the computed minimum compound annual rate of return exceeds 30% at the date of the prepayment, the Company has the right to cancel up to 150,000 Warrants.

In addition, the founders and majority shareholders of the Company have consented to certain restrictions on the sale or transfer of their shares.

Maturities of long-term debt are as follows: fiscal year 2001, $1,000,000; 2002, $2,000,000; 2003, $2,000,000; 2004, $1,000,000.

LanVision believes the fair market value of the long-term debt and its accompanying Warrants approximates the carrying value.

The Company was in compliance with all of the amended terms and conditions of the loan agreement as of January 31, 2001.

4. INCOME TAXES

LanVision had no income tax expense or (benefit) for 2000, 1999 and 1998.

The expense (benefit) for income taxes differs from the Federal statutory rate as follows:

	Fiscal Year		
	2000	1999	1998
Federal tax expense (benefit) at statutory rate	$ 7,104	$(1,104,005)	$(3,714,830)
Change in valuation allowance	(7,104)	-	-
(Loss) for which benefit not provided	-	1,104,005	3,714,830
	$ -	$ -	$ -

LanVision provides deferred income taxes for temporary differences between assets and liabilities recognized for financial reporting and income tax purposes. The income tax effects of these temporary differences are as follows:

	Fiscal Year		
	2000	1999	1998
Deferred tax assets:			
Net operating (loss) carryforwards	$ 10,940,932	$ 10,640,706	$ 9,576,271
Accounts payable and accrued liabilities	489,204	854,145	1,102,738
Property & equipment	49,227	-	-
Other	148,000	142,450	156,280
	11,627,363	11,637,301	10,835,289
Less valuation allowance	(11,515,374)	(11,381,128)	(10,835,289)
Net deferred tax assets	111,989	256,173	-
Deferred tax liabilities:			
Prepaid assets	(111,989)	(220,143)	-
Equipment	-	(36,030)	-
	(111,989)	(256,173)	-
	$ -	$ -	$ -

At the end of fiscal 2000, LanVision had a net operating loss carryforward of approximately $29,000,000, which begins to expire in 2009.

5. RETIREMENT PLAN

LanVision has established a 401(k) retirement plan that covers substantially all employees. Company contributions to the plan may be made at the discretion of the Board of Directors. To date, no Company contributions have been made to the plan.

6. MAJOR CUSTOMERS

During fiscal 2000, three customers, exclusive of our remarketing partner, accounted for 11%, 10% and 8% of total revenues. During fiscal 1999, three customers accounted for 10%, 9% and 9% of total revenues. During fiscal 1998, three customers accounted for 10%, 9% and 8% of total revenues. At January 31, 2001 and 2000, 30% and 69%, respectively, of LanVision's accounts receivable were due from three customers.

7. STOCK OPTION PLANS

LanVision has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations, in accounting for its stock options because, as discussed below, the alternative fair value method of accounting provided for under Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, requires use of option valuation models that were not developed for use in valuing stock options. Accordingly, LanVision adopted the disclosure only provisions of Statement 123. All of LanVision's stock options have been issued with an exercise price equal to the estimated fair market value of the underlying stock at the date of grant. Accordingly, under Opinion 25, no compensation expense is recognized.

LanVision's Employee Stock Option Plan authorizes the grant of options to employees for up to 825,000 shares of the Company's Common Stock. The options granted have terms of ten years or less and generally vest and become fully exercisable ratably over three years of continuous employment from the date of grant, except with respect to 22,275 options which were granted in fiscal 1995, and became fully vested and exercisable on December 1, 1996. At January 31, 2001, options to purchase 549,275 shares of the Company's Common Stock have been granted under the Plan.

LanVision's Non-Employee Directors Stock Option Plan authorizes the grant of options for up to 100,000 shares of the Company's Common Stock. All options granted have terms of ten years or less and vest and become fully exercisable ratably over three years of continuous service as a Director from the date of grant. Options for 50,000 shares have been granted under this plan, of which 5,000 options are excercisable and vested. In addition, non-qualified stock options to purchase 5,000 shares were granted to a Director in April 1996, and are exercisable and vested.

LanVision also issued non-qualified stock options to purchase 99,841 shares of the Company's Common Stock to two employees prior to the initial public offering of the Company's Common Stock. Of the total, 69,778 were granted in fiscal 1995, with an exercise price of $1.00 per share, and expired in fiscal 2000. The remaining 30,063 options were granted in 1990, with a term of approximately eleven years and became exercisable in 1991 at an aggregate price of $1.00. Stock options for 10,000 shares were exercised in fiscal 1999 and 20,063 shares were exercised in fiscal 2000.

Pro forma information regarding the net (loss) and net (loss) per common share is required by Statement 123, has been determined as if LanVision had accounted for its stock options under the fair value method of that Statement. The fair value of these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for fiscal 2000, 1999 and 1998: risk-free interest rates of 5.15% in 2000; 6.4% in 1999 and 5.0% in 1998; a dividend yield of zero percent; a volatility factor of the expected market price of the Company's Common Stock of .935 in 2000; .907 in 1999 and .911 in 1998, and a weighted average expected life of the options of five years.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in LanVision's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the average vesting period of the options. LanVision's pro forma information is as follows:

PRO FORMA	Fiscal Year 2000	Fiscal Year 1999	Fiscal Year 1998
Net (loss)	$ (33,369)	$ (3,444,914)	$ (11,110,786)
Basic net (loss) per common share	$ .00	$ (.39)	$ (1.26)

The pro forma disclosures are not likely to be representative of the effects on earnings reported for future years.

A summary of LanVision's stock option activity and related information is as follows:

	2000 Options	2000 Weighted average exercise price	1999 Options	1999 Weighted average exercise price	1998 Options	1998 Weighted average exercise price
Outstanding - beginning of year	576,956	$ 4.51	703,493	$ 6.04	701,248	$ 7.78
Granted	394,000	1.02	101,000	1.38	248,000	3.01
Exercised	(20,063)	- (2)	(10,000)	- (1)	-	-
Forfeited	(346,618)	3.98	(217,537)	8.07	(245,755)	7.97
Outstanding - end of year	604,275	2.69	576,956	4.51	703,493	6.04
Exercisable at end of year	170,457	$ 6.63	344,400	$ 5.82	378,053	$ 7.61

(1) $.33 in the aggregate for all 10,000 shares.
(2) $.67 in the aggregate for all 20,063 shares.

	2000	1999	1998
Weighted average fair value of options granted during year	$ .75	$ 1.01	$ 2.19

The following table summarizes, by range of exercise price, the options as of January 31, 2001:

Options Outstanding	Options Exercisable	Weighted average exercise price	Approximate remaining life in years
604,275	170,457	$ 6.63(1)	8

(1) The exercise prices range from $0.53 to $14.50, of which 62,275 shares are between $10.40 and $14.50 per share and 38,500 shares are between $4.00 and $7.38 per share and 308,500 shares are between $1.37 and $2.87 per share and 195,000 shares at $0.53 per share.

The Employee Stock Option Plan contains change of control provisions whereby any outstanding options subject to vesting which have not fully vested as of the date of the change in control shall automatically vest and become immediately exercisable. One of the change in control provisions is deemed to occur if there is a change in beneficial ownership, or authority to vote, directly or indirectly, securities representing 20% or more of the total of all of LanVision's then outstanding voting securities, unless through a transaction arranged by, or consummated with the prior approval of the Board of Directors. Other change in control provisions relate to mergers and acquisitions or a determination of change in control by the Company's Board of Directors.

8. STOCK PURCHASE PLAN

LanVision has an Employee Stock Purchase Plan under which employees may purchase up to 500,000 shares of Common Stock. Under the plan, eligible employees may elect to contribute, through payroll deductions, up to 10% of their base pay to a trust during any plan year, July 1 through June 30, of the following year. At June 30 of each year, the plan acquires for the benefit of the employees shares of Common Stock at the lesser of (a) 85% of the Fair Market Value of the Common Stock on July 1, of the prior year, or (b) 85% of the Fair Market Value of the Common Stock on June 30, of the current year.

During fiscal year 2000, 21,145 shares were purchased at the price of $1.01 per share, and in 1999, 13,513 shares were purchased at the price of $.98 per share and in 1998, 8,520 shares were purchased at the price of $3.77 per share.

The purchase price at June 30, 2001, will be 85% of the lower of (a) the closing price on July 3, 2000 ($1.84) or (b) 85% of the closing price on June 30, 2001.

9. COMMITMENTS AND CONTINGENCIES

MAINTENANCE AGREEMENTS

LanVision has maintenance agreements to provide services in future periods after the expiration of an initial warranty period. LanVision invoices customers in accordance with the agreements and records the invoicing as deferred revenues and recognizes the revenues ratably over the term of the maintenance agreements. LanVision warrants to customers that its software will meet certain performance requirements.

SERVICE BUREAU OPERATIONS

LanVision enters into long-term agreements to provide document imaging/management and workflow services to its healthcare customers on an outsourced basis from a central data center.

EMPLOYMENT AGREEMENTS

LanVision has entered into employment agreements with its officers and employees that generally provide annual salary, a minimum bonus, discretionary bonus, stock incentive provisions and severance arrangements.

RESERVED COMMON STOCK

LanVision has reserved 1,386,822 shares of the Common Stock authorized for issuance in connection with various Stock Option and Purchase Plans, and 750,000 shares for the Warrants issued in connection with the long-term debt.

LITIGATION

There are claims pending against the Company and its subsidiary. Based on a review of such litigation with legal counsel, the Company believes any resulting liability would not have a material affect on the Company's consolidated financial position or results of operations.

10. COMPREHENSIVE INCOME

Statement of Financial Accounting Standards No. 130, Comprehensive Income, requires supplemental disclosure for the accounting for unrealized holding gains on available-for-sale securities, and a reconciliation to comprehensive income (loss).

	Fiscal Year		
	2000	1999	1998
Net earnings (loss)	$20,893	$(3,247,073)	$(10,925,970)
Unrealized holding gains (losses) arising during the period	-	-	(9,570)
Reclassification adjustment for gains (losses) included in net (loss)	-	-	(65,633)
Comprehensive earnings (loss)	$20,893	$(3,247,073)	$(11,001,173)

11. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following sets forth selected quarterly financial information for fiscal years 2000, 1999 and 1998.

(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2000
Revenues	$ 1,813	$ 2,298	$ 2,647	$2,818	$ 9,576
Operating profit (loss)	(702)	(334)	421	682	67
Net earnings (loss)(e)	315	(639)	39	305	21
Basic and diluted net earnings (loss) per share(a)	.04	(.07)	.00	.03	.00
Weighted average shares outstanding	8,848	8,855	8,869	8,879	8,863
Stock Price(b)					
High	$ 3.47	$ 2.00	$ 1.63	$ 1.34	$ 3.47
Low	$ 1.19	$ .88	$ .81	$ .44	$ .44
Quarter and year-end close	$ 1.63	$ 1.31	1.00	$ .91	$ .91
Cash dividends declared(c)	$ -	$ -	$ -	$ -	$ -

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	1999
Revenues	$ 2,372	$ 2,001	$ 2,984	$ 3,114	$ 10,471
Operating (loss)	(1,227)	(1,218)	(83)	(55)	(2,583)
Net earnings (loss)(d)	(1,559)	(1,580)	(494)	386	(3,247)
Basic and diluted net earnings (loss) per share(a)	(.18)	(.18)	(.06)	.04	(.37)
Weighted average shares outstanding	8,814	8,819	8,836	8,838	8,827
Stock Price(b)					
High	$ 5.63	$ 2.00	$ 1.38	$ 6.25	$ 6.25
Low	$ 1.25	$ 1.00	$ .50	$ .44	$ .44
Quarter and year-end close	$ 1.75	$ 1.00	$ .75	$ 1.25	$ 1.25
Cash dividends declared(c)	$ -	$ -	$ -	$ -	$ -

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	1998
Revenues	$ 3,605	$ 3,008	$ 2,836	$ 2,561	$ 12,010
Operating (loss)	(3,239)	(2,938)	(1,815)	(2,468)	(10,460)
Net (loss)	(3,136)	(2,911)	(2,111)	(2,768)	(10,926)
Basic and diluted net (loss) per share(a)	(.36)	(.33)	(.24)	(.31)	(1.24)
Weighted average shares outstanding	8,806	8,809	8,815	8,815	8,811
Stock Price(b)					
High	$ 5.87	$ 4.62	$ 3.37	$ 3.25	$ 5.87
Low	$ 3.62	$ 2.50	$ .87	$ .90	$ .87
Quarter and year-end close	$ 4.50	$ 3.00	$ 1.25	$ 2.71	$ 2.71
Cash dividends declared(c)	$ -	$ -	$ -	$ -	$ -

(a) Quarterly amounts may not be additive.
(b) Obtained from The Nasdaq Stock Market, Inc.
(c) The Company has not paid a dividend on its Common Stock since its inception and does not intend to pay any cash dividends in the foreseeable future.
(d) Includes other income, net in the fourth quarter related to the settlement of an account with a customer.
(e) Includes other income, net in the first quarter related to the gain on the sale of the data center.

DIRECTORS AND OFFICERS

- --

DIRECTORS

George E. Castrucci(1)(2)*
Retired Chief Executive Officer
Great American Broadcasting Company

Richard C. Levy, M.D.(1)(2)
Professor
University of Cincinnati

Eric S. Lombardo
Executive Vice President
LanVision Systems, Inc.

J. Brian Patsy
Chairman of the Board and Chief Executive Officer
LanVision Systems, Inc.

Z. David Patterson(1)*(2)
Executive Vice President
Blue Chip Venture Company

(1) Audit Committee
(2) Compensation Committee
* Committee Chairman

OFFICERS

J. Brian Patsy
Chairman of the Board,
Chief Executive Officer and President

Eric S. Lombardo
Executive Vice President
and Corporate Secretary

Paul W. Bridge, Jr.
Chief Financial Officer, Treasurer
and Controller

CORPORATE INFORMATION

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Corporate Headquarters
LanVision Systems, Inc.
5481 Creek Road
Cincinnati, Ohio 45242-4001
(513) 794-7100

Stock Transfer Agent
Fifth Third Bank
Corporate Trust Administration
Fifth Third Center
Mail Location 1090D2
Cincinnati, Ohio 45263

Independent Auditors
Ernst & Young LLP
Cincinnati, Ohio

Annual Meeting
The Annual Meeting of Stockholders will be held on May 30, 2001.

Form 10-K and Investor Contact
The Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission is available without charge to stockholders and investment professional securities analysts upon written request. These requests should be directed to: Investor Relations at the Corporate Headquarters.

Common Stock
The Company's common stock trades on The Nasdaq SmallCap Market under the symbol LANV.

As of March 31, 2001, there were approximately 2,300 stockholders.

LanVision Systems, Inc. World-Wide Web Site
Visit us at - http://www.lanvision.com

[LOGO]

LanVision(TM)
Healthcare Information Access Systems

LANVISION SYSTEMS, INC.
5481 CREEK ROAD
CINCINNATI, OHIO 45242-4001
PHONE: 513.794.7100, FAX: 513.794.7272

Exhibit 21.1
LANVISION SYSTEMS, INC.

SUBSIDIARIES OF THE REGISTRANT

Name	Jurisdiction of Incorporation	% Owned
LanVision, Inc.	Ohio	100%

Exhibit 23.1
LANVISION SYSTEMS, INC.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report on Form 10-K of LanVision Systems, Inc. of our report dated March 15, 2001, included in the 2000 Annual Report to Stockholders of LanVision Systems, Inc.

Our audits also included the financial statement schedule of LanVision Systems, Inc. listed in Item 14. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule, referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the following Registration Statements and related prospectuses of LanVision Systems, Inc. of our report dated March 15, 2001, with respect to the consolidated financial statements and schedule of LanVision Systems, Inc. incorporated by reference in the Annual Report on Form 10-K for the year ended January 31, 2001.

FORM	REGISTRATION NO.	DESCRIPTION
S-8	333-28055	1996 Employee Stock Purchase Plan
S-8	333-18625	1996 Employee Stock Option Plan
S-8	333-20765	1996 Non-Employee Directors Stock Option Plan
S-8	333-20763	George E. Castrucci Option Agreement

Cincinnati, Ohio
April 23, 2001

/s/ Ernst & Young LLP