

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the quarterly period ended October 31, 2004

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 (State or other jurisdiction of incorporation or organization)	31-1455414 (I.R.S. Employer Identification No.)
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5481 Creek Road  
Cincinnati, Ohio 45242-4001  
(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as  
defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of Registrant's Common Stock (\$.01 par value per share)  
issued and outstanding, as of December 1, 2004: 9,084,535.

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

LANVISION SYSTEMS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

Assets

	(Unaudited) October 31, 2004 -----	(Audited) January 31, 2004 -----
Current assets:		
Cash and cash equivalents (restricted by long-term debt agreement)	\$ 3,152,022	\$ 6,227,236
Accounts receivable, net of allowance for doubtful accounts of \$400,000 and \$400,000, respectively	1,495,538	2,386,723
Contract receivables	1,523,077	2,972,356
Prepaid expenses related to unrecognized revenue	74,369	32,224
Other	355,883	325,697
	-----	-----
Total current assets	6,600,889	11,944,236
Property and equipment:		
Computer equipment	2,717,522	2,588,749
Computer software	971,907	812,591
Office furniture, fixtures and equipment	1,167,497	1,166,377
Leasehold improvements	157,492	157,492
	-----	-----
	5,014,418	4,725,209
Accumulated depreciation and amortization	(4,057,006)	(3,672,442)
	-----	-----
	957,412	1,052,767
Capitalized software development costs, net of accumulated amortization of \$3,074,978 and \$2,600,228, respectively	1,964,951	1,689,701
Other, including deferred taxes	587,961	603,750
	-----	-----
	\$ 10,111,213	\$ 15,290,454
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

LANVISION SYSTEMS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

Liabilities and Stockholders' Equity

	(Unaudited) October 31, 2004 -----	(Audited) January 31, 2004 -----
Current liabilities:		
Accounts payable	\$ 279,546	\$ 637,222
Accrued compensation	255,010	265,095
Accrued other expenses	665,365	928,097
Deferred revenues	1,774,053	2,357,531
Current portion of capitalized leases	208,070	220,199
Current portion of long-term debt	466,667	1,000,000
Accrued interest on long-term debt	-	4,635,169
	-----	-----
Total current liabilities	3,648,711	10,043,313
Capitalized leases	16,481	168,121
Long-term debt	2,333,333	-
Stockholders' equity:		
Convertible redeemable preferred stock, \$.01 par value per share 5,000,000 shares authorized	-	-
Common stock, \$.01 par value per share, 25,000,000 shares authorized, 9,083,201 and 9,030,032 shares issued, respectively	90,832	90,300
Capital in excess of par value	35,000,974	34,928,047
Accumulated (deficit)	(30,979,118)	(29,939,327)
	-----	-----
Total stockholders' equity	4,112,688	5,079,020
	-----	-----
	\$ 10,111,213	\$ 15,290,454
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

LANVISION SYSTEMS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Three and Nine Months Ended October 31,

(Unaudited)

	Three Months		Nine Months	
	2004	2003	2004	2003
<b>Revenues:</b>				
Systems sales	\$ 65,387	\$ 1,301,596	\$ 517,737	\$ 2,814,055
Services, maintenance and support	1,820,463	1,871,538	5,297,633	5,071,091
Application-hosting services	652,412	493,520	1,922,742	1,368,080
	-----	-----	-----	-----
Total revenues	2,538,262	3,666,654	7,738,112	9,253,226
<b>Operating expenses:</b>				
Cost of systems sales	217,025	267,703	817,175	1,173,473
Cost of services, maintenance and support	675,548	749,208	2,067,029	2,079,625
Cost of application-hosting services	230,078	240,563	667,873	670,059
Selling, general and administrative	1,040,490	914,128	2,878,763	2,392,369
Product research and development	493,730	509,923	1,551,520	1,554,029
	-----	-----	-----	-----
Total operating expenses	2,656,871	2,681,525	7,982,360	7,869,555
	-----	-----	-----	-----
Operating income (loss)	(118,609)	985,129	(244,248)	1,383,671
<b>Other income (expense):</b>				
Interest income	16,933	10,851	56,127	47,201
Interest expense	(54,725)	(494,325)	(851,671)	(1,391,413)
	-----	-----	-----	-----
Earnings (loss) before income taxes	(156,401)	501,655	(1,039,792)	39,459
Income taxes	-	(20,000)	-	(20,000)
	-----	-----	-----	-----
Net earnings (loss)	\$ (156,401)	\$ 481,655	\$(1,039,792)	\$ 19,459
	=====	=====	=====	=====
Basic net earnings (loss) per common share	\$ (0.02)	\$ 0.05	\$ (0.11)	\$ (0.00)
	=====	=====	=====	=====
Diluted net earnings (loss) per common share	\$ (0.02)	\$ 0.05	\$ (0.11)	\$ (0.00)
	=====	=====	=====	=====
<b>Number of shares used in per common share computations:</b>				
Basic	9,082,494	9,011,131	9,062,221	8,989,303
	=====	=====	=====	=====
Diluted	9,082,494	9,219,150	9,062,221	9,195,854
	=====	=====	=====	=====

See Notes to Condensed Consolidated Financial Statements.

LANVISION SYSTEMS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months Ended October 31,

(Unaudited)

	2004	2003
	-----	-----
Operating activities:		
Net earnings (loss)	\$(1,039,792)	\$ 19,459
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	859,314	779,983
Increase (decrease) in long-term accrued interest	-	1,104,613
Cash provided by (used for) provided by assets and liabilities:		
Accounts and contract receivables	2,340,464	(365,510)
Other current assets	(72,333)	(108,526)
Accounts payable and accrued expenses	(630,495)	(1,292,454)
Deferred revenues	(583,476)	(320,923)
	-----	-----
Net cash provided by (used for) operating activities	873,682	(183,358)
	-----	-----
Investing activities:		
Purchases of property and equipment	(289,209)	(191,424)
Capitalization of software development costs	(749,997)	(600,000)
Other	15,789	69,266
	-----	-----
Net cash (used for) investing activities	(1,023,417)	(722,158)
	-----	-----
Financing activities:		
Repayment of long-term debt	(1,700,000)	(1,500,000)
Payment of long-term accrued interest	(4,635,169)	-
Proceeds from issuance of long-term debt	3,500,000	-
Payment of capitalized leases	(163,769)	(153,249)
Exercise of stock options and employee stock purchase plan	73,459	67,374
	-----	-----
Net cash (used for) financing activities	(2,925,479)	(1,585,875)
	=====	=====
(Decrease) in cash and cash equivalents	(3,075,214)	(2,491,391)
Cash and cash equivalents at beginning of period	6,227,236	7,242,230
	-----	-----
Cash and cash equivalents at end of period	\$ 3,152,022	\$ 4,750,839
	=====	=====
Supplemental cash flow disclosures:		
Interest paid	\$ 5,467,724	\$ 254,005
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

LANVISION SYSTEMS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 - BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by the Company without audit, in accordance with accounting principles generally accepted in the United States for interim financial information, pursuant to the rules and regulations applicable to quarterly reports on Form 10-Q of the U. S. Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Condensed Consolidated Financial Statements have been included. These Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes thereto included in the most recent LanVision Systems, Inc. Annual Report on Form 10-K, Commission File Number 0-28132. Operating results for the three or nine months ended October 31, 2004, are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2005.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Company's significant accounting policies is presented beginning on page 37 of its fiscal year 2003 Annual Report to Stockholders on Form 10-K. Users of financial information for interim periods are encouraged to refer to the footnotes contained in the Annual Report to Stockholders when reviewing interim financial results. There has been no material change in the accounting policies followed by the Company during fiscal year 2004.

Note 3 - CHANGES IN BALANCE SHEET ACCOUNT BALANCES

The decrease in cash and cash equivalents results primarily from the payment of the accrued interest on the long-term debt, and payments on the long-term debt.

The decrease in accounts receivable, net, is due to the seasonality of the revenues, particularly system sales.

The decrease in contract receivables is due to the invoicing and collection of receivables with deferred payment provisions.

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

The decrease in property and equipment, net, is primarily the result of the acquisition of only replacement equipment and software offset by normal depreciation and amortization.

Other non-current assets consist primarily of the deferred federal income tax assets relating to the net operating loss carry forward.

The decrease in accounts payable results primarily from the payment during the first quarter of invoices for hardware sales to new customers in late January.

The decrease in accrued other expenses results primarily from the decrease in the accrual for professional fees and miscellaneous accruals and the payment of certain estimated taxes and accrued liabilities subsequent to January 31, 2004.

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

The October 31, 2004 current portion of long-term debt results from the issuance of \$3,500,000 of new working capital debt in the second quarter of 2004, net of the final payment of \$1,000,000 on the 1998 term loan made during the first two quarters and the payment of \$700,000 on the new loan in the third quarter. (See Note 6, Contractual Obligations, Long-term Debt.)

The decrease in accrued interest on long-term debt results from the payment, at maturity, of the deferred interest on the 1998 term loan.

The increase in long-term debt results from the proceeds from the issuance of \$3,500,000 of new working capital debt in the second quarter of 2004. (See Note 6, Contractual Obligations, Long-term Debt.)

#### Note 4 - STOCK OPTIONS

During the first nine months of the current fiscal year, the Company granted 10,000 stock options, at \$2.80 under all Stock Option Plans. During the same period, 6,000 options were forfeited and 31,701 options were exercised under all plans during the first three quarters.

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. At October 31, 2004, LanVision had three stock-based compensation plans, which are more fully disclosed in Note 7 of the Notes to Consolidated Financial Statements in the Form 10-K for the Fiscal year ended January 31, 2004. No stock-based compensation cost is reflected in the net earnings (loss), as all options granted under the plans had exercise prices equal to the fair market value of the underlying common stock on the date of grant. The following table illustrates the effect on net earnings and earnings per share as if LanVision had



applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, to stock-based employee compensation.

	Three ----- 2004 -----	Months ----- 2003 -----	Nine ----- 2004 -----	Months ----- 2003 -----
Net earnings (loss), as reported	\$ (156,401)	\$ 481,655	\$(1,039,792)	\$ 19,459
Deduct: Total stock based compensation expense determined under the fair value based methods for all awards, net of tax related effects	(16,605)	(12,155)	(47,730)	(13,159)
Pro forma net earnings (loss)	\$ (173,006)	\$ 469,500	\$(1,087,522)	\$ 6,300
Earnings (Loss) per share				
Basic - as reported	\$ (0.02)	\$ 0.05	\$ (0.11)	\$ (0.00)
Basic - pro forma	\$ (0.02)	\$ 0.05	\$ (0.11)	\$ (0.00)
Earnings (Loss) per share				
Diluted - as reported	\$ (0.02)	\$ 0.05	\$ (0.11)	\$ (0.00)
Diluted - pro forma	\$ (0.02)	\$ 0.05	\$ (0.11)	\$ (0.00)

The assumptions used to calculate the fair value of options granted are evaluated and revised, as necessary, to reflect current market conditions and prior experience.

#### Note 5 - EARNINGS PER SHARE

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

The 2004 diluted net (loss) per common share calculation is based on the weighted average number of common shares outstanding during the period. The diluted net (loss) per common share calculation excludes common stock equivalents (stock options and the employee stock purchase plan), as the inclusion thereof would be antidilutive.

The 2003 diluted net earnings per common share calculation, for the third quarter, is based on the weighted average number of common shares outstanding adjusted for the dilutive effect of the common stock equivalents (stock options and the employee stock purchase plan) of 208,019 shares. The 2003 diluted net earnings per common share calculation, for the nine months, is based on the weighted average number of common shares outstanding adjusted for the dilutive effect of the common stock equivalents (stock options and the employee stock purchase plan) of 206,551 shares. The Company had approximately 177,775 option shares outstanding at October 31, 2003 that were not included in the third quarter and nine months diluted net earnings per share calculation as the inclusion thereof would be antidilutive.

Note 6 - CONTRACTUAL OBLIGATIONS

The following table details the remaining obligations, by fiscal year, as of the end of the quarter for the capitalized leases, long-term debt, other commitments and the operating leases.

	Total	2004	2005	2006	2007	Thereafter
	-----	----	----	----	----	-----
Capitalized leases	\$ 233,209	\$ 59,973	\$173,236	\$ -	\$ -	\$ -
Long-term debt	2,800,000	-	466,667	1,166,667	1,166,666	-
Other commitments	50,000	25,000	25,000	-	-	-
Operating leases	1,700,294	71,465	224,179	292,433	308,467	803,750
	-----	-----	-----	-----	-----	-----
Total	\$4,783,503	\$156,438	\$889,082	\$1,459,100	\$1,475,133	\$ 803,750
	=====	=====	=====	=====	=====	=====

Capitalized Leases

During fiscal year 2002, LanVision acquired computer equipment and related software for a new application-hosting services data center, which are accounted for as capitalized leases. The amount of the leased assets by category is computer equipment \$372,705; computer software \$196,799; and prepaid maintenance and expenses \$84,626, for a total of \$654,130 in new assets. The leases are payable monthly in installments of \$19,991, through August 2005 and an additional amount of \$8,323, through December 2005. The present value of the future lease payments upon lease inception was \$654,130 using the interest rates implicit in the lease agreements at the inception of the leases.

Long-term Debt

In July 2004, the LanVision entered into a new three year working capital term loan agreement. The long-term debt of \$3,500,000 is secured by all of the assets of LanVision and the loan agreement restricts LanVision from incurring additional indebtedness for borrowed money, including capitalized leases, etc. without lender consent. The loan is repayable in three annual installments, and interest is payable quarterly, at the bank prime rate plus 2% (currently 7%). In addition, LanVision is required to meet certain financial covenants, including; minimum level of tangible net worth, fixed charge coverage ratio and funded indebtedness to earnings before interest, taxes, depreciation and amortization. Also, LanVision has agreed to maintain a minimum cash balance of \$2,000,000 through the maturity of the loan. LanVision complied with all of the provisions of its loan agreements during the quarter except for the Funded Indebtedness to EBITDA ratio of not greater than 1.50. At October 31, 2004 the ratio was 1.58 and the lender has granted a waiver of the requirement through the fiscal year end. The balance of this debt is \$2,800,000 at October 31, 2004.

Warrants

In connection with the 1998 long-term debt agreement, LanVision issued Warrants to purchase 750,000 shares of Common Stock of LanVision at \$3.87 per share at any time through

July 16, 2008. The Warrants are subject to customary antidilution and registration rights provisions.

#### Warranties and Indemnities

LanVision provides for the estimated cost of the product warranties at the time revenue is recognized. Should products fail to meet certain performance standards for an initial warranty period, LanVision's estimated warranty liability might need to be increased. LanVision bases its warranty estimates on the nature of any performance complaint, the effort necessary to resolve the issue, customer requirements and any potential concessions, which may be required to be granted to a customer, which result from performance issues. LanVision's ASPeN application-hosting services guarantees specific "up-time" and "response time" performance standards, which, if not met may result in reduced revenues, as a penalty, for the month in which the standards are not met. LanVision's standard agreements with its customers also usually include provisions to indemnify them from and against third party claims, liabilities, damages, and expenses arising out of LanVision's operation of its business or any negligent act or omission of LanVision. To date, LanVision has always maintained the ASPeN performance standards and has not been required to make any material penalty payments to customers or indemnify any customers for any material third party claims. At October 31, 2004 and January 31, 2004, LanVision had a warranty reserve in the amount of \$250,000. Each contract is reviewed quarterly with the appropriate LanVision Client Manager to determine the need for a warranty reserve based upon the most currently available information as to the status of the contract, the customer comments, if any, and the status of any open or unresolved issues with the customer.

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

In addition to historical information contained herein, this Quarterly Report on Form 10-Q contains forward-looking statements. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements, included herein. These risks and uncertainties include, but are not limited to, the impact of competitive products and pricing, product demand and market acceptance, new product development, key strategic alliances with vendors that resell LanVision products, the ability of LanVision to control costs, availability of products obtained from third-party vendors, the healthcare regulatory environment, healthcare information system budgets, availability of healthcare information systems trained personnel for implementation of new systems, as well as maintenance of legacy systems, fluctuations in operating results, the impact of Section 404 of the Sarbanes-Oxley Act of 2002 from failing to complete the required assessment, our registered public accounting firm not timely attesting to our assessment, or difficulties in implementing new or improved controls, and other risk factors that might cause such differences including those discussed herein. 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 LanVision files from time to time with the Securities and Exchange Commission, including Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K.

LanVision's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires LanVision to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent liabilities. On an ongoing basis, LanVision evaluates its estimates, including those related to product revenues, bad debts, capitalized software development costs, income taxes, warranty obligations, support contracts, contingencies, and litigation. LanVision bases its estimates on historical experience and on various other assumptions that LanVision believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and revenue recognition. Actual results may differ from these estimates under different assumptions or conditions.

#### Current Regulatory Matters

The U. S. Department of Health and Human Services (HSS) has asked the Institute of Medicine of the National Academy of Sciences to design a standardized model of an electronic health record, in a move that may help spur nationwide acceptance of Electronic Medical Records. The impact of such a change, if implemented by HSS, on current LanVision products and services is unknown at this time. However, LanVision believes that its software and systems are sufficiently flexible to accommodate changing regulatory requirements. Also, in April 2004, President Bush put forth the goal of establishing electronic medical records for most Americans within 10 years. According to a Wall Street Journal article dated April 27, 2004, a new national health-technology coordinator has been appointed who reports to the Secretary of Health and Human Services. His responsibility is specifically to create a plan to guide the highly fragmented industry toward an interoperable electronic medical records system. The HSS Secretary has also announced incentives for healthcare providers to speed up the conversion to electronic medical records, with possible regional grants, low-rate loans and various pilot programs. The Bush administration made \$50 million available for electronic-records demonstration projects in 2004. The President's 2005 budget doubles that amount to \$100 million. As noted in a Wall Street Journal article dated July 21, 2004, "Putting such a system in place can cost a major hospital \$20 million or more. HSS estimates that in the U.S., only about 13% of hospitals have adopted electronic health records for patients. As a result, the health-care industry lags far behind most other industries in using computers."

#### President's Information Technology Advisory Committee

On June 30, 2004, the President's Information Technology Advisory Committee issued its report entitled Revolutionizing Health Care Through Information Technology, which focused on the "most fundamental and pervasive problem of healthcare delivery: the paper-based medical record." In the report, they stated "the potential of information technology to reduce the number

of medical errors, reduce cost, and improve patient care is enormous. The essence of our recommendations is a framework for 21st century health care information infrastructure that revolutionizes medical records systems. The four core elements of this framework are:

1. Electronic health records for all Americans that provide every patient and his or her caregivers the necessary information required for optimal care while reducing costs and administrative overhead.
2. Computer-assisted clinical decision support to increase the ability of health care providers to take advantage of state-of-the-art medical knowledge as they make treatment decisions (enabling the practice of evidenced-based medicine).
3. Computerized provider order entry - such as for tests, medicine, and procedures - both for outpatient care and within the hospital environment.
4. Secure, private, interoperable, electronic health information exchange, including both highly specific standards for capturing new data and tools for capturing non-standard-compliant electronic information from legacy systems."

LanVision's current products and services can currently be used to implement some of the recommendations or provide interim solutions to some of the aspects recommended in items 1, 3 & 4 above, especially with regard to legacy, paper-based, medical information, order entry systems, other than medication, and security etc. of exchanging health information.

Based on the two Federal initiatives noted above, LanVision believes that its product and services are able to support these and other similar initiatives, and its products are currently available and installed at leading healthcare facilities throughout the U.S.

#### RESULTS OF OPERATIONS

##### GENERAL

LanVision Systems, Inc. (LanVision(TM) or the Company) is a healthcare information technology company focused on solutions that improve document-centric information flows and complement existing transaction-centric healthcare information systems. The Company's workflow and document management solutions bridge the gap between current, predominantly paper-based processes and transaction-based healthcare information systems by 1) electronically capturing document-centric information from disparate sources, 2) electronically directing that information through vital business processes, and 3) providing access to the information to authenticated users (such as physicians, nurses, administrative and financial personnel and payers) across the continuum of care.

The Company's workflow solutions and services offer solutions to specific healthcare business processes within the revenue cycle, such as remote coding, abstracting and chart completion, remote physician order processing, pre-admission registration scanning, insurance verification, denial management, secondary billing services, explanation of benefits processing and release of information processing.

LanVision's products and services also create an integrated document-centric repository of historical health information that is complementary and can be seamlessly "bolted on" to existing transaction-centric clinical, financial and management information systems, allowing healthcare providers to aggressively move toward fully Electronic Medical Record processes while improving service levels and convenience for all stakeholders. These integrated systems allow providers and administrators to dramatically improve the availability of patient information while decreasing direct costs associated with document retrieval, work-in-process, chart completion, document retention and archiving.

LanVision's systems can be provided on a subscription basis via remote application-hosting services or installed locally. LanVision provides its ASPeN(SM), Application Service Provider-based remote hosting services to, among others, The University Hospital, a member of The Health Alliance of Greater Cincinnati, M.D. Anderson Cancer Center and Children's Medical Center of Columbus, OH among others. In addition, LanVision has installed its workflow and document management solutions at leading healthcare providers including, but not limited to, Stanford Hospital and Clinics, the Albert Einstein Healthcare Network, Beth Israel Medical Centers, the University of Pittsburgh Medical Center, Medical University Hospital Authority of South Carolina, and Memorial Sloan-Kettering Cancer Center.

LanVision's applications allow authenticated users, such as physicians, nurses, administrative and financial personnel, and payers, with access to patient healthcare information that exists in disparate systems across the continuum of care and improve operational efficiencies through business process re-engineering and automating labor-intensive and demanding paper environments. LanVision's applications and services are complementary to existing clinical and financial systems, and use document imaging and advanced workflow solutions to ensure users can electronically access both "structured" and "unstructured" patient data and all the various forms of clinical and financial healthcare information from a single permanent and secure repository, including clinician's handwritten notes, laboratory 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 and utilize LanVision's advanced technological workflow solutions to process the document-centric information, on a real-time basis from virtually any location, including the Physician's desktop, using Web-based technology. LanVision's solutions integrate its own proprietary imaging platform, workflow solutions and image and web-enabling tools that allow for the seamless merger of "back office" functionality with existing Clinical and Financial Information Systems at the desktop.

LanVision offers its own document imaging/management infrastructure (Foundation Suite) that is built for high volume transaction processing and is specifically designed for the healthcare industry. In addition to providing 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 (Siemens), Cerner Corporation and IDX Information Systems Corporation (IDX)

applications. By offering electronic access to all the patient information components of the medical record, this integration completes one of the most difficult tasks necessary to provide a true Electronic Medical 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, and microfilm.

LanVision operates in one segment as a provider of health information technology solutions that streamline document-centric information flows.

Historically, LanVision has derived most of its revenues from systems sales, recurring application-hosting services, recurring maintenance fees and professional services involving the licensing, either directly or through remarketing partners, of its Medical Record and Revenue Cycle Management solutions to Integrated Healthcare Delivery Networks (IDN). In a typical transaction, LanVision, or its remarketing partners, enter into a perpetual license or fee-for-service subscription agreement for LanVision's software application 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 application-hosting services and the lowest margins on third-party hardware. Systems sales to customers may include different configurations of LanVision software, hardware and professional services, resulting in varying margins among contracts. The margins on professional services revenues 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 solutions on an application-hosting basis as an Application Service Provider (ASP). LanVision established a hosting data center and installed LanVision's suite of solutions, called ASPeN (Application Service Provider eHealth Network) within the hosting data center. Under this arrangement, customers electronically capture information and securely transmit the data to the hosting data center. The ASPeN services store and manage the data using LanVision's suite of applications, and customers can view, print, fax, and process the information from anywhere using the LanVision Web-based applications. LanVision charges and recognizes revenue for these ASPeN services monthly on a per transaction or subscription basis as information is captured, stored, retrieved and processed.

The decisions 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 not uncommon 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 and maintenance of the system and specify the

installation schedule, which typically takes place in one or more phases. The licensing 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 ASPeN services solution, the application-hosting services agreements generally provide for utilizing LanVision's software and third-party software on a fee per transaction or recurring subscription basis.

ASPeN services were 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. LanVision believes that IDN's and smaller healthcare providers are looking for this type of ASP application because of the ease of implementation and lower entry-level costs. LanVision believes its business model is especially well suited for the medium to small acute care facility marketplace as well as the ambulatory marketplace and is actively pursuing remarketing agreements, in addition to those discussed below, with other Healthcare Information Systems (HIS) and staff outsourcing providers to distribute LanVision's workflow solutions.

Generally, revenues from systems sales are recognized when an agreement is signed and products are made available to end-users. Revenue recognition related to routine installation, integration and project management are deferred until the work is performed. If an agreement requires LanVision to perform services and modifications that are deemed significant to system acceptance, revenues are 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 application-hosting 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. Revenues recognized prior to progress billings to customers are recorded as contract receivables.

LanVision has entered into third party agreements to market, remarket or refer business to LanVision, including, in 2002, a five year Remarketing Agreement with IDX Information Systems Corporation. Under the terms of the agreement, IDX was granted a non-exclusive worldwide license to distribute all LanVision software and ASPeN application-hosting services to IDX customers and prospective customers, as defined in the Remarketing Agreement; and a Marketing and Referral Agreement with the 3M Health Information Systems, a division of Minnesota Mining & Manufacturing Co., whereby 3M Health Information Systems and LanVision entered into a referral marketing agreement for its new product codingANYware.

LanVision's quarterly operating results have varied in the past and may continue to do so in the future because of various reasons including: demand for LanVision's products and services, long sales cycles, and extended installation and implementation cycles based on customer's schedules.



Sales are often delayed because of customers' budgets and competing capital expenditure needs as well as personnel resource constraints within an integrated delivery network.

Delays in anticipated sales or installations may have a significant impact on LanVision's quarterly revenues and operating results, because substantial portions of the operating expenses are relatively fixed.

#### UNEVEN PATTERNS OF QUARTERLY OPERATING RESULTS

The Company's revenues from systems sales have varied, and may continue to vary, significantly from quarter-to-quarter because of the volume and timing of systems sales and delivery. Professional services revenues also fluctuate from quarter to quarter because of the timing of the installation of software and hardware, project management and customized programming. Revenues from maintenance services do not fluctuate significantly from quarter to quarter, but have been increasing as the number of customers increase. Revenues from ASP application-hosting services operations are expected to increase over time, as more hospitals outsource services to LanVision's ASPEN ASP Division, or its remarketing partners begin to utilize the software, and existing customers increase its usage and or the volume of documents stored on the systems, and the number of retrievals increase.

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

#### REVENUES

Revenues for the fiscal quarter ended October 31, 2004, were \$2,538,262, compared with \$3,666,564 reported in the comparable quarter of 2003. Last year, during the third quarter LanVision had \$1,100,000 in new software licensing revenues from a single agreement which a remarketing partner signed with a new customer. The decrease was primarily the result of the lack of a similar large agreement this year and the delayed purchasing decision on a significant new customer sale still in negotiations, offset to some extent with increased application-hosting revenues, when compared to the prior comparable period.

Revenues for the first nine months ended October 31, 2004, were \$7,738,112, compared with \$9,253,226 reported in the comparable period of 2003. The decrease was primarily the result of, as noted above, a decline in software licensing revenues, and the delayed purchasing decision on a significant new customer sale still in negotiations and which is anticipated will close in the

fourth quarter, offset to some extent with increased application-hosting revenues, when compared to the prior comparable period.

Traditionally, the first two quarters are the most challenging because of the historical seasonality of software licensing revenues, which the Company has experienced in the past, with a greater portion of the annual revenues recorded in the later two quarters.

The increase in the application-hosting revenues during the first three quarters resulted from approximately \$401,000 in increased revenues from existing clients and approximately \$153,000 in increased revenues from new clients when compared to 2003.

#### OPERATING EXPENSES

##### Cost of Systems Sales

The cost of systems sales includes amortization of capitalized software development costs on a straight-line basis, royalties and the cost of third party software and hardware. Cost of systems sales as a percentage of systems sales may vary from period to period depending on the mix of hardware and software of the systems or add-on sales delivered.

The cost of systems sales, which is primarily amortization of capitalized software during the quarter, as a percentage of systems sales for the third quarter of fiscal 2004 and 2003 were 331% and 20%, respectively. The higher percentage of cost of sales reflects lower software licensing revenues during the current period compared to the comparable prior period.

The cost of systems sales, which is primarily amortization of capitalized software during the first nine months, as a percentage of systems sales for the first nine months of fiscal 2004 and 2003 were 157% and 42%, respectively. The higher percentage of cost of sales reflects lower software and hardware revenues during the current period compared to the comparable prior period.

##### Cost of Services, Maintenance and Support

The cost of services, maintenance and support includes compensation and benefits for support and professional services personnel and the cost of third party maintenance contracts. The Company's support margins are highest on LanVision's proprietary software. Accordingly, margins improve as more customers are added.

As a percentage of services, maintenance and support revenues, the cost of such services, maintenance and support was 37% and 40% for the third quarter of fiscal 2004 and 2003, respectively.

As a percentage of services, maintenance and support revenues, the cost of such services, maintenance and support was 39% and 41% for the first nine months of fiscal 2004 and 2003, respectively.

#### Cost of Application-hosting services

The cost of application-hosting services includes compensation and benefits for hosting center personnel, the cost of third party maintenance contracts, occupancy and depreciation on the hosting center equipment. The cost of application-hosting services operations remained approximately the same for 2004 when compared to 2003, as the cost of providing these services is relatively fixed.

As a percentage of application-hosting revenues, the cost of application-hosting was 35% and 49% for the third quarter and first nine months of fiscal 2004 and 2003, respectively.

The current period's decline in the cost percentage reflects the higher revenues from existing clients without a corresponding increase in operating costs.

#### Selling, General and Administrative

Selling, General and Administrative expenses consist primarily of compensation and related benefits and reimbursable travel and living expenses related to the Company's sales, marketing and administrative personnel; advertising and marketing expenses, including trade shows and similar type sales and marketing expenses; and general corporate expenses, including occupancy costs.

During the third quarter of fiscal 2004, Selling, General and Administrative expenses were \$1,040,490 compared with \$914,128 in the comparable prior period. The increase was due primarily to increased trade show expenses and professional fees.

During the first nine months of fiscal year 2004, Selling, General and Administrative expenses were \$2,878,763 compared with \$2,392,369 in the comparable prior period. The increase when compared with the comparable prior period was primarily because of the increases noted above for the third quarter and the reimbursement during the second quarter of the prior year of legal expenses in conjunction with the settlement of certain litigation initiated by LanVision to defend its intellectual property.

Demand for medical record technologies and healthcare information access systems is growing and the frequency of requests for proposals received is increasing. Accordingly, the Company has increased its selling expenses by approximately \$287,000 year-to-date when compared with the prior comparable period, primarily for; increased personnel and benefits costs, increased travel and living expenses and increased trade show expenses to take advantage of current market opportunities.

#### Product Research and Development

Product research and development expenses consist primarily of compensation and related benefits; the use of independent contractors for specific development projects; and an allocated portion of general overhead costs, including occupancy.

During the third quarter, research and development expenses were \$493,730 compared with \$509,923 in the comparable prior quarter. The decrease results primarily from additional staff associated with new Patient Financial Services products under development in 2004 and reduced use of higher cost outside contractors.

During the nine months, research and development expenses were \$1,551,520 compared with 1,554,029 in the comparable prior period.

The Company monitors closely and augments its Research and Development staff, as necessary, with outside contractors to assist with the development and testing of new products. The Company capitalized, in accordance with Statement of Financial Accounting Standards No. 86, approximately \$250,000 and \$200,000 of product research and development costs in the third quarter of fiscal 2004 and 2003, respectively, and approximately \$750,000 and \$600,000 of product research and development costs in the first nine months of fiscal 2004 and 2003, respectively.

#### Operating income (loss)

The operating (loss) for the third quarter of fiscal 2004 was (\$118,609) compared with operating income of \$985,129 in the third quarter of fiscal 2003. The decrease in operating income is primarily the result of a decline in system sales software licensing revenues in the current quarter, as noted above.

The operating (loss) for the first nine months of fiscal year 2004 was (\$244,248) compared with operating income of \$1,383,671 in the first nine months of 2003. The decrease results primarily from a decrease in system sales software licensing revenues and the increase in selling, general and administrative expenses, as discussed above.

Interest income consists primarily of interest on invested cash. The change in interest income results from changes in the cash balances and interest rates.

Interest expense for the quarter and year to date declined as a result of the repayment in July, 2004 of the high interest rate 1998 debt, which was replaced with a new working capital term-loan at a significantly reduced interest rate. See Note 6 to the Financial Statements for additional information on the working capital term-loan.

#### Net earnings (loss)

The net (loss) for the third quarter of fiscal 2004 was (\$156,401) (\$0.02 loss per share) compared with a net earnings of \$481,655 (\$0.05 earnings per share) in the third quarter of fiscal 2003.

This decrease results primarily from a decrease in system sales software licensing revenues in the current quarter as noted above.

The net (loss) for the first nine months of fiscal year 2004 was (\$1,039,792) or (\$0.11 loss per share) compared with net earnings of \$19,459 or \$0.00 per share loss in the first nine months of fiscal year 2003. This decrease is primarily the result of primarily lower revenues as noted above.

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

Since commencing operations in 1989, the Company has incurred operating losses. Although the Company achieved profitability in fiscal years 1992, 1993, and 2000 through 2003, the Company incurred a net (loss) in fiscal years 1994 through 1999. In view of the Company's prior operating history, there can be no assurance that the Company will be able to achieve consistent profitability on a quarterly or annual basis or that it will be able to sustain or increase its revenue growth in future periods. Based upon the expenses associated with current and planned staffing levels, profitability is dependent upon increasing revenues.

#### LIQUIDITY AND CAPITAL RESOURCES

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, and the 1998 and 2004 loans. LanVision's liquidity is dependent upon numerous factors including the timing and amount of revenues and collection of contractual amounts from customers, amounts invested in research and development and capital expenditures, and the level of operating expenses.

LanVision's customers typically have been well-established hospitals or medical facilities or major Healthcare Information Systems companies that resell LanVision' products which have good credit histories and payments are received within normal time frames for the industry. However, some healthcare organizations have experienced significant operating losses because 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 as noted in note 6 to the financial statements included herein.

Over the last four years, 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 four years. Although LanVision has controlled expenses, increased revenues and improved operating performance in the prior four fiscal years, LanVision's expenses will continue to increase. Accordingly, to continue to achieve increasing profitability, and positive cash flow, it is necessary for LanVision to increase revenues or reduce expenses. LanVision believes that the requirement for healthcare organizations to become compliant with the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the IDX Information Systems Corporation Remarketing Agreement and the 3M Marketing and Referral Agreement should offer significant opportunities to increase revenues. 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 do so.

In July, 2004 the Company retired its existing high interest 1998 debt and the associated deferred interest. Based on the current prime rate and the anticipated outstanding loan balance during the second half of the current fiscal year, the anticipated interest expense will be \$110 thousand compared with \$955.8 thousand in the second half of the prior fiscal year or a reduction in interest expense of \$845.8 thousand, or approximately \$0.09 per share, pre tax, for the second half of the current fiscal year. For the next fiscal year (2005), the annual interest expense is anticipated to be approximately \$148 thousand compared with \$907 thousand anticipated for the current fiscal-year (2004), or a reduction of approximately \$759 thousand in interest expense.

As discussed in footnote 6 to the enclosed financial statements, in July 2004, LanVision entered into a new three year working capital term loan agreement. The remaining long-term debt of \$2,800,000 is secured by all of the assets of LanVision and the loan agreement restricts LanVision from incurring additional indebtedness for borrowed money, including capitalized leases, etc. without lender consent. The loan is repayable in three annual installments, and interest is payable quarterly, at the bank prime rate plus 2% (currently 7%). In addition, LanVision is required to meet certain financial covenants, including minimum level of tangible net worth, fixed charge coverage ratio and funded indebtedness to earnings before interest, taxes, depreciation and amortization. Also, LanVision has agreed to maintain a minimum cash balance of \$2,000,000 through the maturity of the loan.

At October 31, 2004, LanVision had cash of \$3,152,022. By July 30, 2005, a total of \$466,667 of long-term debt is still required to be repaid to the lender. LanVision has the option of when and how much to repay prior to July 30, 2005, and can make prepayments at any time to satisfy the annual repayment requirement without penalty.

LanVision has carefully monitored operating expenses during the last five fiscal years, and believes it will continue to improve operating results in the future. Notwithstanding the level of revenues and operating profits in fiscal years 2001 through 2003, for the near future, LanVision will need to assess continually its revenue prospects compared to its then current expenditure levels. If it does not appear likely that revenues will increase, it may be necessary to 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 reduce significantly operating expenses, this could have an adverse effect on future operating performance.

LanVision believes that its present cash position, combined with cash generation anticipated from operations, will be sufficient to meet anticipated cash requirements during fiscal year 2004.

To date, inflation has not had a material impact on LanVision's revenues or expenses. In addition, LanVision does not have any significant market risk exposure at October 31, 2004.

#### SIGNED AGREEMENTS - BACKLOG

LanVision, or its remarketing partners, enter into master agreements with their customers to specify the scope of the system to be installed and services to be provided, the agreed upon aggregate price and the timetable for implementation. The master agreement typically provides that the Company, or its remarketing partner, 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 customers will continue in the future to expand their systems and purchase additional licenses and services, LanVision believes, based on its past experience, that its customers will expand their existing systems.

At October 31, 2004, LanVision has master agreements, purchase orders or royalty reports from remarketing partners for systems and related services (excluding support and maintenance, and transaction-based revenues for the application-hosting services) which have not been delivered, installed and accepted which, if fully performed, will generate future revenues of approximately \$2,500,000. The related products and services are expected to be delivered over the next two to three years. Furthermore, LanVision has entered into application-hosting agreements, which are expected to generate revenues in excess of \$1,525,000, through their respective renewal dates in fiscal 2005 through 2007.

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 2003, 2002 and 2001 were approximately \$4,712,000, \$4,176,000 and \$4,032,000, respectively. Maintenance and support revenues are expected to increase in 2004. At October 31, 2004, LanVision had Maintenance Agreements, purchase orders or royalty reports from remarketing partners for maintenance, which if fully performed, will generate future revenues of approximately \$3,071,000, through their respective renewal dates in fiscal 2005 and 2006.

The commencement of revenue recognition varies depending on the size and complexity of the system; the implementation schedule requested by the customer, and the usage by customers of the application-hosting services. Therefore, LanVision is unable to predict accurately 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 a 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.

#### Item 4. Controls and Procedures

LanVision maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in LanVision's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to LanVision's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of LanVision's senior management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of LanVision's disclosure controls and procedures. Based on that evaluation, LanVision's management, including the Chief Executive and Chief Financial Officer, concluded that LanVision's disclosure controls and procedures were effective as of the end of the period covered by this report. There have been no significant changes in LanVision's internal control or in the other controls that could significantly affect internal controls subsequent to the date LanVision completed its evaluation. Therefore, no corrective actions were taken.

#### Part II. OTHER INFORMATION

##### Item 1. LEGAL PROCEEDINGS

LanVision is a party to various legal proceedings and claims, which arise, in the ordinary course of business from time to 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 3. DEFAULTS ON SENIOR SECURITIES

The Company is not in default under its existing Loan Agreements.

Item 6. EXHIBITS

Exhibits

- 3.1 Certificate of Incorporation of LanVision Systems, Inc. (\*)
- 3.2 Bylaws of LanVision Systems, Inc. (\*)
- 11 Computation of Earnings (Loss) Per Common Share
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a -14(a) and Rule 15d - 14(a) of the Securities Exchange Act, as Amended
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a -14(a) and Rule 15d - 14(a) of the Securities Exchange Act, as Amended
- 32.1 Certification of the Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of the Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

(\*) Incorporated 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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LANVISION SYSTEMS, INC.

DATE: December 9, 2004

By: /s/ J. BRIAN PATSY

-----  
J. Brian Patsy  
Chief Executive Officer and President

DATE: December 9, 2004

By: /s/ PAUL W. BRIDGE, JR.

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

INDEX TO EXHIBITS

Exhibit No.	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.
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EXHIBIT 11

LANVISION SYSTEMS, INC.  
COMPUTATION OF EARNINGS (LOSS) PER COMMON SHARE

For the three and nine months ended October 31, 2004 and 2003

	Three ----- 2004 -----	Months ----- 2003 -----	Nine ----- 2004 -----	Months ----- 2003 -----
Net earnings (loss)	\$ (156,401)	\$ 481,655	\$ (1,039,792)	\$ 19,459
Average shares outstanding	9,082,494	9,011,131	9,062,221	8,989,303
Stock options & purchase plan:				
Total options & purchase plan shares	-	393,487	-	385,662
Assumed treasury stock buyback	-	(185,468)	-	(179,111)
Warrants assumed converted	-	-	-	-
Convertible redeemable preferred stock assumed converted	-	-	-	-
Number of shares used in per common share computation	9,082,494	9,219,150	9,062,221	9,195,854
Basic net earnings (loss) per share of common stock	\$ (0.02)	\$ 0.05	\$ (0.11)	\$ 0.00
Diluted net earnings (loss) per share of common stock	\$ (0.02)	\$ 0.05	\$ (0.11)	\$ 0.00

LANVISION SYSTEMS, INC.

Certification of Chief Executive Officer pursuant to Rule 13a -14(a) and Rule 15d - 14(a) of the Securities Exchange Act, as Amended

CERTIFICATIONS

I, J. Brian Patsy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LanVision Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a - 15(e) and 15d - 15(e)), for the registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrants internal control over

financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
- a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

December 9, 2004

/s/ J. Brian Patsy  
-----  
Chief Executive Officer and  
President

LANVISION SYSTEMS, INC.

Certification of Chief Financial Officer pursuant to Rule 13a -14(a) and Rule 15d - 14(a) of the Securities Exchange Act, as Amended

I, Paul W. Bridge, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of LanVision Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a - 15(e) and 15d - 15(e)), for the registrant and we have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls, as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any change in the registrants internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
- a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

December 9, 2004

/s/ Paul W. Bridge, Jr.  
-----  
Chief Financial Officer and  
Treasurer



LANVISION SYSTEMS, INC.

Certification of the Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

I, J. Brian Patsy, Chairman of the Board, Chief Executive Officer and President of LanVision Systems, Inc. "(the Company)", certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarter ended October 31, 2004 (the "Report") fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

December 9, 2004

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

LANVISION SYSTEMS, INC.

Certification of the Chief Financial Officer Pursuant to  
18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of  
2002

I, Paul W. Bridge, Jr., Chief Financial Officer of LanVision Systems, Inc. "(the  
Company)", certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,  
18 U.S.C. Section 1350, that:

- (3) The Quarterly Report on Form 10-Q of the Company for the quarter  
ended October 31, 2004 (the "Report") fully complies with the  
requirements of section 13(a) of the Securities Exchange Act of 1934  
(15 U.S.C. 78m); and
- (4) The information contained in the Report fairly presents, in all  
material respects, the financial condition, and results of  
operations of the Company.

December 9, 2004

/s/ Paul W. Bridge, Jr.  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been  
provided to the Company and will be retained by the Company and furnished to the  
Securities and Exchange Commission or its staff upon request.