FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2003-08-13** | Period of Report: **2003-06-30**
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FILER

VLPS LIGHTING SERVICES INTERNATIONAL INC

CIK:**1033491**| IRS No.: **752239444** | State of Incorp.:**DE** | Fiscal Year End: **0930**
Type: **10-Q** | Act: **34** | File No.: **000-23159** | Film No.: **03839683**
SIC: **7359** Equipment rental & leasing, nec

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003

COMMISSION FILE NUMBER: 0-23159

VLPS Lighting Services International, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**75-2239444**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8617 Ambassador Row, Suite 120, Dallas, Texas	**75247**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code: **(214) 630-1963**

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 the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date: As of August 11, 2003, there were 7,455,103 shares of Common Stock outstanding.

VLPS LIGHTING SERVICES INTERNATIONAL, INC.
INDEX TO QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2003

VLPS LIGHTING SERVICES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands except share data)

ASSETS

	September 30, 2002	June 30, 2003
CURRENT ASSETS:		
Cash	$ 2,296	$ 4,873
Receivables, less allowance for doubtful accounts of $827 and $572	7,016	7,780
Inventory	722	1,004
Prepaid expense and other current assets	1,306	1,950
Assets held for sale (Note 1)	13,097	–
TOTAL CURRENT ASSETS	24,437	15,607
EQUIPMENT AND OTHER PROPERTY:		
Lighting and sound equipment	101,372	108,158
Machinery and tools	1,169	1,216
Furniture and fixtures	864	954
Office and computer equipment	3,355	3,867
	106,760	114,195
Less accumulated depreciation and amortization	67,477	75,343
	39,283	38,852

OTHER ASSETS	580	368
TOTAL ASSETS	$ 64,300	$ 54,827
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 3,709	$ 6,496
Accrued liabilities	2,500	3,429
Unearned revenue	1,632	1,972
Income taxes payable	329	310
Current portion of long-term obligations	14,003	2,268
Liabilities held for sale (Note 1)	2,068	–
TOTAL CURRENT LIABILITIES	24,241	14,475
LONG-TERM OBLIGATIONS	6,801	5,659
DEFERRED INCOME TAXES	–	103
TOTAL LIABILITIES	31,042	20,237
COMMITMENTS AND CONTINGENCIES (Note 4)	–	–
STOCKHOLDERS' EQUITY:		
Preferred Stock, $0.10 par value (10,000,000 shares authorized; no shares issued)	–	–
Common Stock, $0.10 par value (40,000,000 shares authorized; 7,845,167 shares issued; 7,800,003 and 7,455,103 shares outstanding as of September 30, 2002 and June 30, 2003, respectively)	785	785
Treasury Stock	(186)	(617)
Additional paid-in capital	25,026	25,026
Accumulated other comprehensive income - foreign currency translation adjustment	1,058	1,366
Retained earnings	6,575	8,030
TOTAL STOCKHOLDERS' EQUITY	33,258	34,590
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 64,300	$ 54,827

See notes to condensed consolidated financial statements.

VLPS LIGHTING SERVICES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the Three Months Ended June 30, 2002 and 2003

(Unaudited)

(In thousands except share data)

	2002	2003

Rental revenues	$	10,007	$	13,469
Product sales and services revenues		1,262		2,204
TOTAL REVENUES		11,269		15,673
Rental cost		5,496		6,253
Product sales and services cost		1,031		1,576
TOTAL COST OF SALES		6,527		7,829
GROSS PROFIT		4,742		7,844
Selling, general and administrative expense		5,586		5,323
Research and development expense		265		216
Write off of receivables related to premiums paid under split-dollar life insurance policies		1,348		–
TOTAL OPERATING EXPENSES		7,199		5,539
OPERATING INCOME (LOSS)		(2,457)		2,305
Interest expense (net)		345		148
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES		(2,802)		2,157
Income tax expense		618		438
INCOME (LOSS) FROM CONTINUING OPERATIONS		(3,420)		1,719
DISCONTINUED OPERATIONS (Note 1)				
Loss from operations of sales and manufacturing business		(3,286)		–
NET INCOME (LOSS)		(6,706)		1,719
Other comprehensive income (loss) – foreign currency translation adjustment		1,265		(6)
COMPREHENSIVE INCOME (LOSS)	$	(5,441)	$	1,713
WEIGHTED AVERAGE BASIC SHARES OUTSTANDING		7,800,003		7,455,103
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING		7,800,003		7,631,458
PER SHARE INFORMATION				
BASIC :				
Net income (loss)	$	(0.86)	$	0.23
DILUTED:				
Net income (loss)	$	(0.86)	$	0.23

See notes to condensed consolidated financial statements.

VLPS LIGHTING SERVICES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the Nine Months Ended June 30, 2002 and 2003

(Unaudited)

(In thousands except share data)

	2002	2003
Rental revenues	$ 31,577	$ 37,511
Product sales and services revenues	4,430	7,584
TOTAL REVENUES	36,007	45,095
Rental cost	16,114	17,379
Product sales and services cost	2,876	5,290
TOTAL COST OF SALES	18,990	22,669
GROSS PROFIT	17,017	22,426
Selling, general and administrative expense	15,909	17,051
Research and development expense	876	616
Write off of receivables related to premiums paid under split-dollar life insurance policies	1,348	–
TOTAL OPERATING EXPENSES	18,133	17,667
OPERATING INCOME (LOSS)	(1,116)	4,759
Interest expense (net)	946	852
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(2,062)	3,907
Income tax expense	902	663
INCOME (LOSS) FROM CONTINUING OPERATIONS	(2,964)	3,244
DISCONTINUED OPERATIONS (Note 1)		
Loss from operations of sales and manufacturing business including loss on disposal of $1,000 in 2003	(5,004)	(1,788)
NET INCOME (LOSS)	(7,968)	1,456
Other comprehensive income – foreign currency translation adjustment	242	308
COMPREHENSIVE INCOME (LOSS)	$ (7,726)	$ 1,764
WEIGHTED AVERAGE BASIC SHARES OUTSTANDING	7,800,003	7,603,084
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	7,800,003	7,700,506
PER SHARE INFORMATION		
BASIC :		
Net income (loss)	$ (1.02)	$ 0.19
DILUTED:		
Net income (loss)	$ (1.02)	$ 0.19

See notes to condensed consolidated financial statements.

VLPS LIGHTING SERVICES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended June 30, 2002 and 2003

(Unaudited)

(In thousands)

	2002	2003

Cash flows from operating activities:		
Net income (loss)	$ (7,968)	$ 1,456
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,859	7,378
Amortization of note discount and deferred loan fees	129	11
Provision for doubtful accounts	244	232
Deferred income taxes	(2,209)	103
Reserve for excess, slow moving and obsolete inventory	4,900	–
Write-off of receivables related to premiums paid under split-dollar life insurance policies	1,348	–
Other	–	215
Loss on sale of equipment and other property	214	39
Net change in assets and liabilities:		
Accounts receivable	(114)	748
Prepaid expenses	(1,232)	(614)
Inventory	(1,126)	(33)
Other assets	(35)	4
Accounts payable, accrued liabilities and income taxes payable	438	1,967
Unearned revenue	568	340
Net cash provided by operating activities	3,016	11,846
Cash flows from investing activities:		
Capital expenditures, including rental equipment	(4,615)	(6,432)
Proceeds from sale of manufacturing and sales business	–	10,641
Proceeds from sale of equipment	87	109
Net cash provided by (used in) investing activities	(4,528)	4,318
Cash flows from financing activities:		
Proceeds from issuance of debt	45,894	76,426
Principal payments on debt	(46,152)	(89,614)
Purchase of treasury stock	–	(431)
Net cash used in financing activities	(258)	(13,619)
Effect of exchange rate changes on cash and cash equivalents	75	32
Net increase (decrease) in cash during the period	(1,695)	2,577
Cash, beginning of period	3,686	2,296
Cash, end of period	$ 1,991	$ 4,873
Supplemental Cash Flow Information		
Cash paid for interest expense	$ 1,075	$ 684
Cash paid for income taxes	$ 674	$ 524

See notes to condensed consolidated financial statements.

VLPS LIGHTING SERVICES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)
(In thousands except share data)

1. Interim Financial Information

The accompanying unaudited condensed consolidated financial statements of VLPS Lighting Services International, Inc. (the "Company") have been prepared by the Company in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

On November 18, 2002, the Company sold substantially all of the assets of its manufacturing and sales business to Genlyte Thomas Group LLC ("Genlyte") for $10,641. The sale included all of the sales, marketing, manufacturing and engineering operations associated with this business, as well as the VARI*LITE® trademark and substantially all patents and other intellectual property associated with VARI*LITE products. This transaction resulted in a pre-tax loss of $4,500, of which $3,500 was recognized in fiscal 2002 as an impairment of net assets held for sale. The remaining charge of $1,000, which represents severance payments, was recognized in the first quarter of fiscal 2003. As part of this transaction, the Company entered into a supply agreement, pursuant to which Genlyte agreed to manufacture and sell to the Company, for a minimum of ten years, VARI*LITE equipment and parts to support existing and future VARI*LITE products and appointed the Company as the exclusive distributor of VARI*LITE products in Europe and Japan and a non-exclusive dealer in North America.

On October 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, the September 30, 2002 Balance Sheet has been reclassified to reflect the assets and liabilities from the manufacturing and sales business as held for sale and the Statements of Operations for the three and nine-month periods ended June 30, 2002 and the nine-month period ended June 30, 2003 reflect the results of operations of the manufacturing and sales business as discontinued operations. The operations of the manufacturing and sales business are included only through the date of the sale.

In the opinion of management, the condensed consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary to present fairly the consolidated financial position, results of operations and cash flows of the Company. The results of operations for the three and nine-month periods ended June 30, 2003 are not necessarily indicative of the results of operations that may be expected for any other interim periods or for the fiscal year ending September 30, 2003.

For further information, refer to the consolidated financial statements and accompanying notes included in the Company' s Annual Report on Form 10-K for the year ended September 30, 2002.

2. Inventory

Inventory consists of the following:

	September 30, 2002	June 30, 2003
Raw materials	$ 384	$ 834
Finished goods for resale	338	170
	$ 722	$ 1,004

3. Debt

On December 19, 1997, the Company entered into a $50,000 multicurrency revolving credit facility (the "Old Credit Facility"). On December 29, 2000, VLPS Lighting Services, Inc. ("VLPS") entered into a new credit facility, which initially included a $12,000 Term Loan, a $5,000 Revolver and a $3,000 Capital Expenditure Loan. This facility with all subsequent amendments is herein referred to as the "New Credit

Facility." On November 18, 2002, the Company used $5,000 of the proceeds from the sale of the assets of its manufacturing and sales business to Genlyte to repay a portion of the borrowings outstanding under the Term Loan. Pursuant to an amendment to the New Credit Facility on December 31, 2002, the Term Loan and Capital Expenditure Loan were paid in full, the Revolver commitment was increased to $7,500 and capitalized loan origination fees of $215 were written off. As of June 30, 2003, there was no outstanding balance under the Revolver. Due to the repayment of the Term Loan and Capital Expenditure Loan, the Company classified $10,900 as current debt as of September 30, 2002. Borrowings under the Revolver are subject to availability under a borrowing base of eligible lighting rental assets, inventory and accounts receivable (as defined in the New Credit Facility). As of June 30, 2003, the eligible borrowing base exceeded the Revolver commitment of $7,500. Prior to June 30, 2002, all outstanding borrowings under the New Credit Facility accrued interest at the lender' s base rate or LIBOR, plus a rate margin of 0.75% and 2.50%, respectively. From June 30, 2002 through December 30, 2002, all outstanding balances under the New Credit Facility accrued interest at the lender' s base rate or LIBOR, plus a rate margin ranging from 1.25% to 1.75% or 3.00% to 3.50%, respectively, based upon the Company' s ratio of Adjusted Funded Debt to EBITDA (as defined in the New Credit Facility). Beginning on December 31, 2002, all outstanding balances under the New Credit Facility accrue interest at the lender' s base rate or LIBOR, plus a rate margin of 0.50% and 2.25%, respectively. The New Credit Facility is guaranteed by the Company and is secured by all of the stock and substantially all of the assets of VLPS, and a pledge of 65% of the outstanding capital stock of the Company' s foreign subsidiaries. A commitment fee of 0.25% is charged on the average daily unused portion of the Revolver. The New Credit Facility contains compliance covenants, including requirements that the Company achieve certain financial ratios. In addition, the New Credit Facility places limitations on annual capital expenditures and on the ability to incur additional indebtedness, make certain loans or investments, sell assets, pay dividends or reacquire the Company' s stock. The New Credit Facility terminates on December 31, 2005. Upon

termination of the New Credit Facility, the entire outstanding indebtedness thereunder becomes due and payable in full.

Beginning in fiscal 2001, the Company' s London subsidiary began financing its capital expenditures with British pounds sterling loans from a U. K. bank (collectively, the "London Bank Loans") that amortize over 48 to 60 months and accrue interest at various rates ranging from 6.33% to 9.10%. In June 2003, four of these loans were consolidated and refinanced into a single loan to be amortized over 48 months at an interest rate of 6.31%. Borrowings outstanding at September 30, 2002 and June 30, 2003 were approximately $5,467 and $6,019, respectively. The London Bank Loans are secured by all of the assets of the Company' s London operations and include certain financial covenants, limitations on capital expenditures and intercompany payments and the guarantee of the Company.

The Company has borrowed money to purchase computer equipment, office furniture and fixtures and conventional lighting equipment. These loans are typically amortized over three to five years and accrue interest at various rates ranging from 1.62% to 10.35%. Borrowings outstanding under this type of financing at September 30, 2002 and June 30, 2003 were approximately $2,324 and $1,477, respectively.

Net interest expense consists of the following:

	Three Months ended June 30,		Nine Months ended June 30,	
	2002	2003	2002	2003
Interest Expense	$ 356	$ 152	$ 1,101	$ 877
Interest Income	11	4	155	25
Net Interest Expense	$ 345	$ 148	$ 946	$ 852

4. Commitments and Contingencies

In the ordinary course of its business, the Company is from time to time threatened with or named as a defendant in various lawsuits. The Company is not currently involved in any material legal proceedings.

5. Segment Reporting – Continuing Operations

In 1999, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise." SFAS No. 131 establishes standards for the reporting by public business enterprises of information about product lines, geographic areas and major customers. The method for determining what information to report is based on the way that management organizes the operation segments within the Company for making operational decisions and assessments for financial performance. The Company' s chief operating decision maker is considered to be the Company' s Chief Executive Officer ("CEO"). The CEO reviews financial information presented on a consolidated basis accompanied by disaggregated information

about revenues by geographic region and by product lines for purposes of making operating decisions and assessing financial performance. The Company has three reportable segments: North America, Europe and Asia, which are organized, managed and analyzed geographically and operate in a single industry segment. Information about the Company' s operations for the three and nine-month periods ended June 30, 2002 and 2003 is presented below:

	Three Months Ended June 30, 2002				
	North America	Asia	Europe	Intercompany	Total
Net revenues from unaffiliated customers	$ 3,246	$ 4,142	$ 3,881	$ –	$ 11,269
Intersegment sales	1,302	5	–	(1,307)	–
Total net revenues	4,548	4,147	3,881	(1,307)	11,269
Operating income (loss)	(2,290)	(392)	225	–	(2,457)
Depreciation and amortization	1,816	72	573	–	2,461
Total assets	55,200	8,525	16,866	(9,315)	71,276

	Three Months Ended June 30, 2003				
	North America	Asia	Europe	Intercompany	Total
Net revenues from unaffiliated customers	$ 8,096	$ 2,671	$ 4,906	$ –	$ 15,673
Intersegment sales	759	12	76	(847)	–
Total net revenues	8,855	2,683	4,982	(847)	15,673
Operating income (loss)	1,046	703	556	–	2,305
Depreciation and amortization	1,738	88	628	–	2,454
Total assets	36,304	9,505	17,961	(8,943)	54,827

	Nine Months Ended June 30, 2002				
	North America	Asia	Europe	Intercompany	Total
Net revenues from unaffiliated customers	$ 16,926	$ 8,155	$ 10,926	$ –	$ 36,007
Intersegment sales	2,604	22	42	(2,668)	–
Total net revenues	19,530	8,177	10,968	(2,668)	36,007
Operating income (loss)	(2,217)	311	790	–	(1,116)
Depreciation and amortization	5,412	172	1,718	–	7,302
Total assets	55,200	8,525	16,866	(9,315)	71,276

	Nine Months Ended June 30, 2003				
	North America	Asia	Europe	Intercompany	Total
Net revenues from unaffiliated customers	$ 23,840	$ 6,810	$ 14,445	$ –	$ 45,095
Intersegment sales	1,984	22	273	(2,279)	–
Total net revenues	25,824	6,832	14,718	(2,279)	45,095
Operating income (loss)	2,499	854	1,406	–	4,759

Depreciation and amortization	5,222	192	1,836	–	7,250
Total assets	36,304	9,505	17,961	(8,943)	54,827

6. Net Income (Loss) Per Share

Basic net income (loss) per share is computed based upon the weighted average number of common shares outstanding. Diluted net loss per share reflects the dilutive effect, if any, of stock options and warrants.

	Three Months ended June 30,		Nine Months ended June 30,	
	2002	2003	2002	2003
Weighted average shares outstanding	7,800,003	7,455,103	7,800,003	7,603,084
Dilutive effect of stock options and warrants after application of treasury stock method	–	176,355	–	97,422
Shares used in calculating diluted net income (loss) per share	7,800,003	7,631,458	7,800,003	7,700,506

For the three-month period ended June 30, 2002, net income (loss) per share excludes stock options of 729,200 and warrants of 296,057 which were anti-dilutive. For the three-month period ended June 30, 2003, net income per share excludes stock options of 604,545 and warrants of 296,057 which were anti-dilutive, but includes 176,355 options which were dilutive. For the nine-month period ended June 30, 2002, net loss per share excludes stock options of 729,200 and warrants of 296,057 which were anti-dilutive. For the nine-month period ended June 30, 2003, net income per share excludes stock options of 683,478 and warrants of 296,057 which were anti-dilutive, but includes 97,422 options which were dilutive.

In January and March 2003, the Company repurchased 344,900 shares of Common Stock from two unaffiliated parties for approximately $431. The Company has declared a $0.04 per share dividend for all shareholders of record on August 25, 2003. Payment of this dividend is expected to be made on or about September 4, 2003. The Company may in the future use earnings or available financing to pay additional cash dividends or repurchase shares of Common Stock. The Company may spend between $500 and $3,000 over the next 12 months to pay dividends and repurchase shares of the Company' s stock through private transactions.

7. Stock-Based Employee Compensation

At June 30, 2003, the Company had a stock-based employee compensation plan. The Company accounts for this plan under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under this plan had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and net income per share if the Company had applied the fair value recognition provisions for FASB Statement No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2002	2003	2002	2003
Net income (loss), as reported	$ (6,706)	$ 1,719	$ (7,968)	$ 1,456
Less: Total stock-based employee compensation determined under fair value based method for all awards, net of related tax effects	(78)	(15)	(233)	(55)

Pro forma net income (loss)	$	(6,784)	$	1,704	$	(8,201)	$	1,401
Net income per share:								
Basic – as reported	$	(0.86)	$	0.23	$	(1.02)	$	0.19
Basic – pro forma	$	(0.87)	$	0.23	$	(1.05)	$	0.18
Diluted – as reported	$	(0.86)	$	0.23	$	(1.02)	$	0.19
Diluted – pro forma	$	(0.87)	$	0.23	$	(1.05)	$	0.18

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

Results of Operations

On November 18, 2002, the Company sold substantially all of the assets of its manufacturing and sales business to Genlyte Thomas Group LLC ("Genlyte") for $10.6 million. The sale included all of the sales, marketing, manufacturing and engineering operations associated with this business, as well as the VARI*LITE® trademark and substantially all patents and other intellectual property associated with VARI*LITE products. This transaction resulted in a pre-tax loss of $4.5 million, of which $3.5 million was recognized in fiscal 2002 as an impairment of net assets held for sale. The remaining charge of $1.0 million, which represents severance payments, was recognized in the first quarter of fiscal 2003. As part of this transaction, the Company entered into a supply agreement, pursuant to which Genlyte agreed to manufacture and sell to the Company, for a minimum of ten years, VARI*LITE equipment and parts to support existing and future VARI*LITE products and appointed the Company as the exclusive distributor of VARI*LITE products in Europe and Japan and a non-exclusive dealer in North America.

On October 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, the September 30, 2002 Balance Sheet has been reclassified to reflect the assets and liabilities from the manufacturing and sales business as held for sale and the Statements of Operations for the three and nine-months ended June 30, 2002 and 2003, reflect the results of operations of the manufacturing and sales business as discontinued operations. The operations of the manufacturing and sales business are included only through the date of the sale.

Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002

Revenues. Total revenues were $15.7 million for the three-month period ended June 30, 2003, compared to $11.3 million for the three-month period ended June 30, 2002. The components of these revenues are set forth below.

Rental Revenues. Rental revenues increased 34.6%, or $3.5 million, to $13.5 million in the three-month period ended June 30, 2003, compared to $10.0 million in the three-month period ended June 30, 2002. This increase was due to market improvements in all markets served by the Company' s offices in North America, London and Tokyo. In particular, the Company continues to experience increased revenues from the concert touring market, which was primarily attributable to equipment and services provided for the *Rolling Stones Licks World Tour 2002/03*, and television markets, including many of the "reality" theme and award show television programs.

Product Sales and Services Revenues. Product sales and services revenues increased 74.6%, or $0.9 million, to $2.2 million in the three-month period ended June 30, 2003, compared to $1.3 million in the three-month period ended June 30, 2002. This increase was due to an increase in product sales in the European and Japanese markets.

Rental Cost. Rental cost increased 13.8%, or $0.8 million, to $6.3 million in the three-month period ended June 30, 2003, compared to $5.5 million in the three-month period ended June 30, 2002. However, rental cost as a percentage of rental revenues decreased to 46.4% in the three-month period ended June 30, 2003, from 54.9% in the three-month period ended June 30, 2002. This decrease was due to depreciation expense and other fixed charges representing a lower percentage of revenues during the three-month period ended June 30, 2003 as a result of increased revenues compared to the three-month period ended June 30, 2002.

Product Sales and Services Cost. Product sales and services cost increased 52.9%, or $0.5 million, to $1.5 million in the three-month period ended June 30, 2003, compared to $1.0 million in the three-month period ended June 30, 2002. This increase was primarily due to increased new product sales. Product sales and services cost as a percentage of product sales and services revenues decreased to 71.5% in the three-month period ended June 30, 2003, from 81.7% in the three-month period ended June 30, 2002, primarily due to higher costs associated with the sale of used equipment during the three-month period ended June 30, 2002.

Selling, General and Administrative Expense. Selling, general and administrative expense decreased 4.7%, or $0.3 million, to $5.3 million in the three-month period ended June 30, 2003, compared to $5.6 million in the three-month period ended June 30, 2002. This expense as a percentage of total revenues decreased to 34.0% in the three-month period ended June 30, 2003, from 49.6% in the three-month period ended June 30, 2002 as a result of the significant increase in revenue.

Research and Development Expense. Research and development expense decreased 18.5%, or $0.1 million, to $0.2 million in the three-month period ended June 30, 2003, compared to $0.3 million in the three-month period ended June 30, 2002. This expense as a percentage of total revenues decreased to 1.4% in the three-month period ended June 30, 2003, from 2.4% in the three-month period ended June 30, 2002. These decreases were primarily due to cost reductions made during fiscal 2003, as well as a result of the significant increase in revenue.

Interest Expense. Interest expense decreased 57.1%, or $0.2 million, to $0.1 million in the three-month period ended June 30, 2003, compared to $0.3 million in the three-month period ended June 30, 2002. This decrease was due to the repayment of debt with proceeds from the sale of the manufacturing and sales business in November 2002.

Discontinued Operations. In November 2002, the Company sold substantially all of the assets of its manufacturing and sales business. The sale included all of the sales, marketing, manufacturing and engineering operations associated with this division, as well as the VARI*LITE® trademark and substantially all patents and other intellectual property associated with VARI*LITE products. The operating results for this business are included in discontinued operations through the date of the sale. The loss from discontinued operations for the three-month period ended June 30, 2002 was $3.3 million.

Income Taxes. The effective tax rates in the three-month periods ended June 30, 2003 and 2002 were 20.3% and negative 22.1%, respectively. The income tax expense for the three-month period ended June 30, 2003 represents income tax expense for the Company' s London and Tokyo operations at their respective statutory rates. The negative tax rate for the three-month period ended June 30, 2002 is due to a reserve of $1.8 million established against the Company' s deferred tax asset. The Company considered this reserve necessary due to the uncertainty of the Company' s ability to ultimately realize the benefit of the deferred tax asset as a result of past operational losses. Income tax expense for the three-month period ended June 30, 2003 for the Company' s U.S. operations has been offset by adjustments to the valuation allowance against the Company' s deferred tax asset.

Nine Months Ended June 30, 2003 Compared to Nine Months Ended June 30, 2002

Revenues. Total revenues were $45.1 million for the nine-month period ended June 30, 2003 compared to $36.0 million for the nine-month period ended June 30, 2002. The components of these revenues are set forth below.

Rental Revenues. Rental revenues increased 18.8%, or $5.9 million, to $37.5 million in the nine-month period ended June 30, 2003, compared to $31.6 million in the nine-month period ended June 30, 2002. This increase was due to market improvements in all markets served by the Company' s offices in North America, London and Tokyo. In particular, the Company continues to experience increased revenues from the concert touring market, which was primarily attributable to equipment and services provided for the *Rolling Stones Licks World Tour 2002/03*, and television markets, including many of the "reality" theme and award show television programs.

Product Sales and Services Revenues. Product sales and services revenues increased 71.2%, or $3.2 million, to $7.6 million in the nine-month period ended June 30, 2003, compared to $4.4 million in the nine-month period ended June 30, 2002. This increase was due to an increase in product sales in the European and Japanese markets.

Rental Cost. Rental cost increased 7.9%, or $1.3 million, to $17.4 million in the nine-month period ended June 30, 2003, compared to $16.1 million in the nine-month period ended June 30, 2002. However, rental cost as a percentage of rental revenues decreased to 46.3% in the nine-month period ended June 30, 2003, from 51.0% in the nine-month period ended June 30, 2002. This decrease was due to depreciation expense and other fixed charges representing a lower percentage of revenues during the nine-month period ended June 30, 2003 as a result of increased revenues compared to the nine-month period ended June 30, 2002.

Product Sales and Services Cost. Product sales and services cost increased 83.9%, or $2.4 million, to $5.3 million in the nine-month period ended June 30, 2003, compared to $2.9 million in the nine-month period ended June 30, 2002. This increase was primarily due to increased new product sales. Product sales and services cost as a percentage of product sales and services revenues increased to 69.8% in the nine-month period ended June 30, 2003, from 64.9% in the nine-month period ended June 30, 2002.

Selling, General and Administrative Expense. Selling, general and administrative expense increased 7.2%, or $1.1 million, to $17.1 million in the nine-month period ended June 30, 2003, compared to $15.9 million in the nine-month period ended June 30, 2002. This increase was primarily due to employee bonuses and higher costs associated with the Company' s London and Tokyo operations due to currency fluctuations between the U.S. dollar, Japanese yen and British pound during the nine- month period ended June 30, 2003 compared to the nine-month period ended June 30, 2002. This expense as a percentage of total revenues decreased to 37.8% in the nine-month period ended June 30, 2003, from 44.2% in the nine-month period ended June 30, 2002 as a result of the significant increase in revenue.

Research and Development Expense. Research and development expense decreased 29.7%, or $0.3 million, to $0.6 million in the nine-month period ended June 30, 2003, compared to $0.9 million in the nine-month period ended June 30, 2002. This expense as a percentage of total revenues decreased to

1.4% in the nine-month period ended June 30, 2003, from 2.4% in the nine-month period ended June 30, 2002. These decreases were primarily due to cost reductions made during fiscal 2003, as well as a result of the significant increase in revenue.

Interest Expense. Interest expense decreased 9.9%, or $0.1 million, to $0.9 million in the nine-month period ended June 30, 2003, compared to $1.0 million in the nine-month period ended June 30, 2002. This decrease was due to the early extinguishment of debt with proceeds from the sale of the manufacturing and sales business in November 2002.

Discontinued Operations. In November 2002, the Company sold substantially all of the assets of its manufacturing and sales business. The sale included all of the sales, marketing, manufacturing and engineering operations associated with this division, as well as the VARI*LITE® trademark and substantially all patents and other intellectual property associated with VARI*LITE products. This transaction resulted in a pre-tax loss of $4.5 million, of which $3.5 million was recognized in fiscal 2002 as an impairment of net assets held for sale. The remaining charge of $1.0 million, which represents severance payments, was recognized in the first quarter of fiscal 2003. The operating results for this business are included in discontinued operations. The loss from discontinued operations in the nine-month periods ended June 30, 2003 and 2002 was $1.8 million and $5.0 million, respectively.

Income Taxes. The effective tax rates for the nine-month periods ended June 30, 2003 and 2002 were 17.0% and negative 43.7%, respectively. The income tax expense for the nine-month period ended June 30, 2003 represents income tax expense for the Company' s London and Tokyo operations at their respective statutory rates. The negative tax rate for the nine-month period ended June 30, 2002 is due to a reserve of $1.8 million established against the Company' s deferred tax asset. The Company considered this reserve necessary due to the uncertainty of the Company' s ability to ultimately realize the benefit of the deferred tax asset as a result of past operational losses. Income tax expense for the nine-month period ended June 30, 2003 for the Company' s U.S. operations has been offset by adjustments to the valuation allowance against the Company' s deferred tax asset.

Liquidity and Capital Resources

Historically, the Company has financed its operations and capital expenditures with cash flow from operations, bank borrowings and advances from customers. The Company' s operating activities generated cash flow of $3.0 million and $11.8 million, respectively, in the nine-month periods ending June 30, 2002 and 2003.

On December 19, 1997, the Company entered into a $50.0 million multicurrency revolving credit facility (the "Old Credit Facility"). On December 29, 2000, VLPS Lighting Services, Inc. ("VLPS") entered into a new credit facility, which initially included a $12.0 million Term Loan, a $5.0 million Revolver and a $3.0 million Capital Expenditure Loan. This facility with all subsequent amendments is herein referred to as the "New Credit Facility." On November 18, 2002, the Company used $5.0 million of the proceeds from the sale of the assets of its manufacturing and sales business to Genlyte to repay a portion of the borrowings outstanding under the Term Loan. Pursuant to an amendment to the New Credit Facility on December 31, 2003, the Term Loan and Capital Expenditure Loan were paid in full, the Revolver commitment was increased to $7.5 million and capitalized loan origination fees of $0.2 million were written off. As of June 30, 2003, there was no outstanding balance under the Revolver. Due to the repayment of the Term Loan and Capital Expenditure Loan, the Company classified $10.9 as current debt as of September 30, 2002.

Borrowings under the Revolver are subject to availability under a borrowing base of eligible lighting rental assets, inventory and accounts receivable (as defined in the New Credit Facility). As of June 30, 2003, the eligible borrowing base exceeded the Revolver commitment of $7.5 million. Prior to June 30, 2002, all outstanding borrowings under the New Credit Facility accrued interest at the lender' s base rate or LIBOR, plus a rate margin of 0.75% and 2.50%, respectively. From June 30, 2002 through December 30, 2002, all outstanding balances under the New Credit Facility accrued interest at the lender' s base rate or LIBOR, plus a rate margin ranging from 1.25% to 1.75% or 3.00% to 3.50%, respectively, based upon the Company' s ratio of Adjusted Funded Debt to EBITDA (as defined in the New Credit Facility). Beginning on December 31, 2003, all outstanding balances under the New Credit Facility accrue interest at the lender' s base rate or LIBOR, plus a rate margin of 0.50% and 2.25%, respectively. The New Credit Facility is guaranteed by the Company and is secured by all of the stock and substantially all of the assets of VLPS and a pledge of 65% of the outstanding capital stock of the Company' s foreign subsidiaries. A commitment fee of 0.25% is charged on the average daily unused portion of the Revolver. The New Credit Facility contains compliance covenants, including requirements that the Company achieve certain financial ratios. In addition, the New Credit Facility places limitations on annual capital expenditures and on the ability to incur additional indebtedness, make certain loans or investments, sell assets, pay dividends or reacquire the Company' s stock. The New Credit Facility terminates on December 31, 2005. Upon termination of the New Credit Facility, the entire outstanding indebtedness thereunder becomes due and payable in full.

Beginning in fiscal 2001, the Company' s London subsidiary began financing its capital expenditures with British pounds sterling loans from a U. K. bank (collectively, the "London Bank Loans") that amortize over 48 to 60 months and accrue interest at various rates ranging from 6.33% to 9.10%. In June 2003, four of these loans were consolidated and refinanced into a single loan to be amortized over 48 months at an interest rate of 6.31%. Borrowings outstanding at September 30, 2002 and June 30, 2003 were approximately $5.5 million and $6.0 million, respectively. The London Bank Loans are secured by all of the assets of the Company' s London operations and include certain financial covenants, limitations on capital expenditures and intercompany payments and the guarantee of the Company.

The Company has borrowed money to purchase computer equipment, office furniture and fixtures and conventional lighting equipment. These loans are typically amortized over three to five years and accrue interest at various rates ranging from 1.62% to 10.35%. Borrowings outstanding under this type of financing at September 30, 2002 and June 30, 2003 were approximately $2.3 million and $1.5 million, respectively.

The Company' s business requires significant capital expenditures. Capital expenditures for the nine months ended June 30, 2002 and 2003 were approximately $4.6 million and $6.4 million, respectively, of which approximately $4.4 million and $5.8 million were for rental and demonstration equipment inventories. The majority of the Company' s revenues are generated through the rental of automated lighting systems and, as such, the Company must maintain a significant amount of rental equipment to meet customer demands.

In January and March 2003, the Company repurchased 344,900 shares of Common Stock from two unaffiliated parties for approximately $0.4 million. The Company has declared a $0.04 per share dividend for all shareholders of record on August 25, 2003. Payment of this dividend is expected to be made on or about September 4, 2003. The Company may in the future use earnings or available financing to pay additional cash dividends or repurchase shares of Common Stock. The Company may spend

between $0.5 million and $3.0 million over the next 12 months to pay dividends and repurchase shares of the Company' s stock through private transactions.

Management believes that cash flow generated from operations and borrowing capacity under the New Credit Facility will be sufficient to meet the anticipated operating cash needs and capital expenditures for the next twelve months. Because the Company’ s future operating results will depend on a number of factors, including the demand for the Company’ s products and services, competition, general and economic conditions and other factors beyond the Company’ s control, there can be no assurance that sufficient capital resources will be available to fund the expected expansion of its business beyond such period.

Disclosure Regarding Forward-Looking Statements

This report includes “forward-looking statements” as that phrase is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this report, the words “anticipate,” “believe,” “estimate,” “expect,” “will,” “could,” “may” and similar expressions, as they relate to management or the Company, are intended to identify forward-looking statements. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions, including without limitation the following as they relate to the Company: fluctuations in operating results and seasonality; technological changes; dependence on entertainment industry; competition; dependence on management; foreign exchange risk; international trade risk; and dependence on key suppliers. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not believe that the market risks for the nine-month period ended June 30, 2003 substantially changed from those risks outlined for the year ended September 30, 2002 in the Company’ s Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

The Company’ s Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company’ s disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934) as of June 30, 2003, the end of the period covered by this report (the “Evaluation Date”), have concluded in their judgment that, as of the Evaluation Date, the Company’ s disclosure controls and procedures were adequate and designed to ensure that material information relating to the Company and its subsidiaries would be made known to them.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the Company’ s reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’ s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Company’ s reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to

the Company’ s management, including the Company’ s Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

There were no significant changes in the Company’ s internal controls or in other factors that could significantly affect the internal controls subsequent to the Evaluation Date.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of its business, the Company is from time to time threatened with or named as a defendant in various lawsuits. Additionally, the Company has filed lawsuits claiming infringements of its patents by third parties for which the Company has been subject to counterclaims. The Company is not currently involved in any material legal proceedings.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.91	Mortgage, dated June 25, 2003, between VLPS Lighting Services, Ltd. and Barclays Bank PLC.
31.1	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) A Form 8-K was filed on May 14, 2003 reporting the press release announcing the Company' s financial results for the quarter ended March 31, 2003.

A Form 8-K was filed on June 26, 2003 reporting on the dismissal of Deloitte & Touche LLP as the Company' s Certifying Accountant and the appointment of Grant Thornton LLP as the Company' s Certifying Accountant.

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.

VLPS LIGHTING SERVICES INTERNATIONAL, INC.

Date: August 11, 2003

By: /s/ JEROME L. TROJAN III
Vice President - Finance,
Chief Financial Officer, Treasurer and Secretary
(Principal Financial and Accounting Officer)

Exhibit 10.91

Vari-LiteChtMtg2003

MORTGAGE
(Fixed)

Parties

This mortgage is made between the Borrower named below and **Barclays Bank PLC** (Company Number 1026167) ("the Lender" which expression shall include the Lender' s successors and assigns) of 54 Lombard Street, London EC3P 3AH and whose address for all correspondence in connection with this mortgage is **Barclays Mercantile Business Finance Limited** of Churchill Plaza, Churchill Way, Basingstoke, Hampshire RG21 7GP.

Date and Definitions

1.1 The date of this mortgage is 25 June 2003

In this mortgage the following expressions have the meanings respectively set out against them:-

"Borrower": **VLPS Lighting Services Limited** of 20-22 Fairway Drive, Greenford, Middlesex UB6 8PW (registered England No. 2876045);

"Goods": the goods, particulars of which are set out in the Schedule to this mortgage together with all component parts, accessories, improvements and renewals and all books, manuals, handbooks, technical data, drawings, schedules and other documentation and any amendments to them belonging to the Goods;

"Loan": £3,304,059.89 or the balance for the time being outstanding;

"Instalment Dates": the 24th day of each month in each year in which the Loan is outstanding the first Instalment Date being July 2003;

"Instalments": 48 monthly payments of £78,065.33 payable on the Instalment Dates;

"Base Rate": Finance House Base Rate as from time to time published in the Financial Times or other newspaper or, in default of such publication whilst any sum is outstanding under this mortgage, such alternative

equivalent base rate as shall be agreed between the parties or, in default of agreement, settled by the President for the time being of the Institute of Chartered Accountants in England and Wales or his nominee acting as an expert;

"Termination Sum": the balance of unpaid Instalments less a rebate of interest calculated by the Lender for early repayment;

"Insurances": all policies and contracts of insurance taken out or to be taken out in respect of the Goods, including all claims and benefits arising under them and returns of premium;

"Security Interest": any mortgage, charge, pledge, lien or other encumbrance;

	"Total Loss":	actual or constructive total loss or as compromised or agreed or arranged with the insurers of the Goods;
	"Default Events":	any of the events stated in clause 9 below;
	"Working Day":	any day, except Saturdays, on which the clearing Lenders in the City of London are (or would be but for strike, lockout or other stoppage, affecting particular Lenders or Lenders generally) open during banking hours.

Interpretation

1.2 In this mortgage the masculine includes the feminine and the neuter, and the singular includes the plural. If the Borrower is two or more persons, that expression includes all such persons (and each of them) and their liability under this mortgage is joint and several. The rights and obligations of the Borrower hereunder are personal to the Borrower and shall not be capable of being assigned or transferred

Construction

1.3 The marginal notes are for ease of reference only and do not affect the construction of this mortgage. Any reference in this deed to a statutory provision shall be construed as a reference to that provision as from time to time amended or re-enacted. The benefit of this deed and the security created hereby shall enure for the benefit of the Lender' s successors and assigns and any company for which the Lender may be acting as agent.

Instalments

2.1 The Borrower shall pay to the Lender on the Instalment Dates the Instalments which comprise repayments of principal

and payments of interest.

Interest

2.2. If the Borrower does not make payment of any Instalment on the relevant Instalment Date or any other sum payable under this mortgage within 10 days of the Lender' s demand, the Borrower shall pay interest to the Lender if demanded by the Lender at the rate of Finance House Base Rate plus 5% per annum calculated on a day to day basis from the due date to the date of receipt by the Lender both before and after judgement.

Early Settlement

2.3. As an alternative to payment of Instalments the Lender will accept the Termination Sum in full settlement of the Loan with interest.

Non-Working Day

2.4 Any amount payable to the Lender on a day which is not a Working Day will be payable on the preceding Working Day.

Sums Secured

3. This mortgage secures to the Lender repayment of the Loan, the payment of interest on the Loan and the payment from time to time of all other sums due from the Borrower to the Lender on any account whatsoever. If a Default Event occurs all amounts secured by this mortgage shall become immediately due and payable. The Borrower covenants to pay all such monies to the Lender.

Costs

4. Any legal or other costs, charges or expenses payable by the Borrower to the Lender under the provisions of this mortgage are payable by the Borrower to the Lender with value added tax thereon (if any). Legal Costs are payable on a full indemnity basis as between solicitor and own client.

Warranties by Borrower

5. The Borrower warrants to the Lender that the Borrower:-

(i) lawfully owns and is in possession of the Goods and that it and the Insurances are free of any Security Interest (other than any Security Interest created or subsisting with the written consent of the Lender);

(ii) is not subject to any prohibition or restriction of its right or ability to enter into this mortgage;

(iii) has power by its memorandum of association and has taken all corporate action necessary to enter into this mortgage;

(iv) has not suffered or there have not occurred any Default Events which are unremedied.

Mortgage

6. The Borrower hereby mortgages and charges with full title guarantee to the Lender all its right, title and interest in the Goods as security for all sums payable by the Borrower to the Lender, as referred to in clause 3 above.

Undertakings by Borrower

7. The Borrower:-

(i) shall at its own expense keep the Goods in good working order and condition;

(ii) shall not use or permit the Goods to be used in contravention of any statute or regulation or for any purpose for which they are not designed or reasonably suitable and shall take all reasonable steps to ensure that the use and operation of the Goods is by skilled personnel and is without risks to health and safety;

(iii) shall not (except with the consent of the Lender) sell, transfer, demise, let on hire or otherwise part with possession of the Goods or create or allow to arise any Security Interest in the Goods;

(iv) shall maintain all records, logs and other records required by the manufacturers of the Goods;

(v) shall replace any component, part or item of the Goods where necessary provided that such replacement is of at least equivalent value and condition when compared to the original;

(vi) shall cause any alterations to the Goods that are from time to time required by law to be made at the Borrower’ s expense, but shall not otherwise alter the Goods otherwise than by way of improvement;

(vii) shall notify the Lender within 24 hours following:-

(a) demand of the whereabouts of the Goods;

(b) any occurrence as a result of which the Goods are or are likely to become a Total Loss;

(c) the occurrence of any of the Default Events referred to in clause 9(ii) to (viii) below inclusive;

(viii) shall permit any person authorised by the Lender at all reasonable times upon at least 24 hours notice (unless a Default Event is continuing unremedied or unwaived in which case no notice will be required) to inspect the Goods and permit or procure the granting of permission for such person to enter any land or premises where the Goods may be situated;

(ix) shall pay on demand to the Lender with interest all its

costs and expenses incurred in:-

(a) the advance of the Loan and the acceptance and registration of this mortgage;

(b) the preservation of the Lender' s security in the Goods;

(c) the exercise by the Lender of any of its powers under this mortgage and in ascertaining the whereabouts and/or safekeeping of the Goods;

(d) any legal proceedings instituted by the Lender under this mortgage;

(x) undertakes that, for so long as any liability remains outstanding under this deed, and except with the prior written consent of the Lender:

(a) Operational Cash Flow for each Relevant Period shall be at least equal to Gross Total Financing Costs for such Relevant Period;

(b) Operational Cash Flow for each Relevant Period shall exceed 1.5 times Gross Senior Financing Costs for such Relevant Period;

(c) Consolidated Net Tangible Assets shall at all times exceed £1,450,000;

For the purposes of this clause

"Gross Senior Financing Costs" means, in respect of any Relevant Period, all interest, acceptance commission, payments under interest rate management arrangements (whether by way of swap, cap, collar, floor, option, forward rate agreement or otherwise) and other continuing, regular or periodic costs, charges and expenses in the nature of interest (whether paid, payable or capitalised and including the interest element in hire purchase and finance leasing charges) incurred by the Borrower during such Relevant Period in effecting, servicing or maintaining un-subordinated or un-postponed borrowings or borrowing facilities;

"Gross Total Financing Costs" means, in respect of any Relevant Period, all interest, acceptance commission, payments under interest rate management arrangements (whether by way of swap, cap, collar, floor, option, forward rate agreement or otherwise) and other continuing, regular or periodic costs, charges and

expenses in the nature of interest (whether paid, payable or capitalised and including the interest element in hire purchase and finance leasing charges) incurred by the Borrower during such Relevant Period in effecting, servicing or maintaining borrowings or borrowing facilities;

"Net Tangible Assets" means the aggregate of the amount paid up or credited as paid up on the issued share capital of the Borrower and the amount standing to the credit of the consolidated capital and revenue reserves (including share premium account, capital redemption reserve and profit and loss account) of the Borrower, but after deducting:

(i) (to the extent included) goodwill (including goodwill arising on consolidation) or other intangible assets of the Borrower;

(ii) (to the extent included) any reserve created by any upward revaluations of fixed assets made after the date of the most recent audited accounts of the Borrower as at the date of this deed and a copy of which accounts has been delivered to the Lender;

(iii) (to the extent included) amounts attributable to minority interests and deferred taxation;

(iv) any debit balance on the profit and loss account of the Borrower (but so that no amount shall be included or excluded more than once);

"Operational Cash Flow" means Total Operating Profit plus amounts charged to depreciation by the Borrower in the Relevant Period, capital receipts from the disposals of assets and funds received from equity subscription and capital issues minus corporation tax paid, dividends paid and un-funded capital expenditure of the Borrower during such Relevant Period;

"Total Operating Profit" means, in respect of any Relevant Period, the total operating profit for continuing operations, acquisitions (as a component of continuing operations) and discontinued operations (as set out in Financial Reporting Standard No. 3) of the Borrower but ignoring any exceptional items;

"Relevant Periods" means each period of twelve months ending on the last day of a financial year of the Borrower and each period of six months ending on the last day of the first half of a financial year of the Borrower (each a "Relevant Period");

(xi) shall (so long as any liability remains outstanding under this deed) ensure that cash balances of no less than £300,000 are retained at all times in the balance sheet of the Borrower;

(xii) agrees that the balance outstanding in respect of the Loan shall at no time exceed 85% of the value of the Goods; such value to be determined from time to time by the Lender in its opinion, or by professional valuers acceptable to the Lender, at the expense of the Borrower;

(xiii) (a) undertakes not (unless it has the prior written consent of the Lender) to exceed the annual capital expenditure levels determined by the Lender for each financial year of the Borrower;

(b) Acknowledges that the capital expenditure level determined by the Lender for the period from 1st October 2002 to 30th September 2003 is the net figure of £1,200,000 (after deduction of cash proceeds of any fixed asset disposals during that period).

(xiv) shall provide to the Lender once in each period of three months during each financial year of the Borrower such financial information as the Lender may require including (but not limited to) (a) profit and loss account in respect of the current quarter and the year to date, (b) comparisons to budgets, (c) balance sheets and (d) capital expenditure details.

Insurances

8.1 The Insurances shall be effected and maintained by the Borrower at all times while any amount is secured by this mortgage and shall be endorsed with a note of the Lender' s interest.

Risks Insured

8.2 The Insurances shall be all insurable risks cover under policies, on terms, subject only to exclusions and/or an excess approved by the Lender and with insurers acceptable to the Lender.

Sum Insured

8.3 The Goods shall be insured for their market value as agreed by the parties or, failing agreement, as determined, at the expense of the Borrower, by a valuer acceptable to the parties.

Premiums

8.4 The Borrower shall pay punctually all premiums payable by the Borrower in respect of the Insurances and, on request, produce receipts or other proof of payment to the Lender.

Application of Insurance Proceeds

8.5 The Lender may elect to require the Borrower to apply any proceeds of the Insurances received by it in making good the loss, repairing the damage, or satisfying the liability in respect of which the claim was made or in satisfaction of any amount secured by this mortgage and pending such election such proceeds shall be held in trust for the Lender.

Insurance Warranties

8.6 The Borrower shall not use and shall not allow the Goods to be used other than in conformity with the terms of the Insurances, including any express or implied warranties, without the prior written consent of the insurers and without paying any extra premium required.

Lender may Insure

8.7 If the Borrower fails to effect or maintain the Insurances, the Lender may effect such Insurances at the Borrower' s expense to be reimbursed to the Lender on demand with interest.

Default Events

9. The following are the Default Events:-

(i) the Borrower does not pay any sum of money secured by this mortgage within 10 days of the due date for payment (unless the Lender elects in its absolute discretion to accept late payment);

(ii) the Borrower enters into or attempts to enter into a composition or arrangement with its creditors or any of them;

(iii) a receiver or administrative receiver is appointed of the Borrower' s assets or any of them or a meeting, whether formal or informal, is called of the Borrower' s creditors or any of them;

(iv) the petition for the appointment to the Borrower of an administrator is presented or the Borrower goes into liquidation, except for a voluntary liquidation for the purpose of amalgamation or reconstruction on terms previously approved by the Lender in writing;

(v) the levy against the Goods of any distress or execution which is not paid out within 10 Working Days of written request so requiring from the Lender to the Borrower;

(vi) any of the warranties in clause 5 above proves to be incorrect, inaccurate or misleading in any material respect;

(vii) the Goods are a Total Loss;

(viii) the Borrower is unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986;

(ix) the Lender' s Security is in the Lender' s reasonable opinion in jeopardy in any material respect;

(x) any company in the Barclays PLC group withdraws any facility or demands payment as a result of a default by the Borrower;

(xi) the Borrower fails to comply with any of its obligations, covenants or undertakings contained in this deed (other than those relating to the payment of money) and such default (if in the opinion of the Lender it is capable of remedy) is not remedied to the Lender' s satisfaction within 10 days after the occurrence of such failure.

Lender' s Powers

10.1 On the occurrence of a Default Event the Lender may, at any time on the date of the occurrence or any subsequent date, without prejudice to any powers available to a Mortgagee by law, do any of the following by itself or by such agents as it thinks fit and without prior notice to the Borrower:-

(i) take possession of the Goods severing them from any land or other goods (but subject to the rights of the hirer under any hire agreement), if necessary, the Borrower reimbursing the Lender any expense incurred or damage suffered on demand with interest;

(ii) move the Goods to a safe place;

(iii) discharge, settle or take or defend any proceedings in respect of any claims incurred in connection with the Goods or the Insurances and collect on the Insurances and give any good receipts required;

(iv) pending sale, insure, maintain, repair, operate, hire out or otherwise use the Goods (but subject to the rights of the hirer under any hire agreement);

(v) sell the Goods by public auction or private sale, without advertisement and at such place, at such time and on such terms as the Lender may determine;

(vi) do all such other acts and things as may be considered to be necessary for any of the matters or powers aforesaid.

Section 103 of the Law of Property Act 1925 shall not apply to this security or any sale made by virtue hereof.

Lender not Liable

10.2 The Lender shall not be answerable for any loss occasioned by sale by it of the Goods under this mortgage or any postponement of sale.

Lender' s Receipt

10.3 On any sale of the Goods the Lender' s receipt for the purchase money shall effectively discharge the purchaser. The purchaser shall not be bound to enquire whether the Lender' s power of sale has arisen or is exercisable and shall not be concerned as to how the proceeds of sale are applied.

Application

10.4 All monies received by the Lender in respect of:-

(i) sale of the Goods and/or

(ii) proceeds of the Insurances which the Lender, in its sole discretion, elects not to release to the Borrower for application by it in accordance with clause 8.5 above;

shall be applied as follows:-

FIRST in payment or reimbursement to the Lender of all costs and expenses incurred by it in connection with this mortgage and the exercise of its powers hereunder;

SECONDLY in payment of any accrued but unpaid interest in connection with this mortgage;

THIRDLY in repayment or reduction of the Loan;

FOURTHLY in payment of any surplus to the Borrower.

Attorney

11. The Borrower hereby irrevocably appoints the Lender as its attorney with full power to substitute any other person, for the Borrower and in the Borrower' s name to sign, seal, deliver and otherwise perfect any deed, assurance or agreement and do anything which may be required for any purpose under or in connection with this mortgage.

Waiver

12. The Lender' s rights and powers under this mortgage shall not be prejudiced or affected by delay or omission on the Lender' s part. If the Lender, on occasion expressly or impliedly waives any of its rights or powers, such waiver shall not prevent the Lender from subsequently acting strictly in accordance with such rights and powers.

Further Assurances

13. The Borrower shall at its own expense sign, seal, deliver and otherwise perfect any deed, assurance or agreement and do anything the Lender may require to perfect or protect the security constituted by this mortgage.

Notices

14. Any notice served under this mortgage shall be sufficiently served if sent by pre-paid letter post to the respective addresses above (or such changed address as one party may notify to the other) and proof of dispatch shall be conclusive evidence of receipt by the addressee in due course of transmission.

Consolidation

15. If the Lender has from the Borrower security over any other property of the Borrower, the Borrower may not redeem such security or the security constituted by this mortgage alone without the prior written consent of the Lender. Section 93 of the Law of Property Act 1925 (which restricts the consolidation of mortgages) shall not apply to the security constituted by this mortgage.

Law

16. This mortgage shall be governed by the laws of England.

Severance

17. Each of the provisions of this deed is severable and distinct from the others and if at any time one or more of such provisions is or becomes invalid illegal or unenforceable, the validity legality

and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

IN WITNESS of which this deed was executed and is delivered on and takes effect from the day and year first before written.

THE COMMON SEAL OF the)
Company was affixed to this)
deed in the presence of:-)
(*or where no seal is to be affixed***)**)
EXECUTED as a Deed by the)
Company acting by:-)

Director /s/ H.R. Brutsché III

Director/Secretary /s/ James H. Clark, Jr.

CERTIFICATION

I, H. R. Brutsché III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of VLPS Lighting Services International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement 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 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 officer 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 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 and procedures, 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 registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably 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 (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control 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 control over financial reporting.

Date: August 11, 2003

/s/ H. R. Brutsché III

H. R. Brutsché III
Chairman of the Board and Chief Executive Officer

CERTIFICATION

I, Jerome L. Trojan III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of VLPS Lighting Services International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement 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 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 officer 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 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 and procedures, 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 registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably 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 (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control 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 control over financial reporting.

Date: August 11, 2003

/s/ Jerome L. Trojan III

Jerome L. Trojan III

Vice President – Finance, Chief Financial Officer,

Treasurer and Secretary

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of VLPS Lighting Services International, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the dates indicated below, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2002

/s/ H.R. BRUTSCHÉ III
H.R. Brutsché III
Chairman of the Board and Chief Executive Officer

Date: August 11, 2002

/s/ JEROME L. TROJAN III
Jerome L. Trojan III
Vice President - Finance, Chief Financial Officer, Treasurer and Secretary

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

This Certification shall not be deemed to be "filed" or part of the referenced Quarterly Report on Form 10-Q or incorporated by reference into any of the registrant' s filings with the Securities and Exchange Commission by implication or by any reference in any such filing to such report.
