



CEOCFO

Interviews & News!

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With mold affecting not only peoples health, but also large industries such as the mortgage banking, insurance, building and real estate industries, Environmental Services Professionals is in the right place at the right time with their franchised inspection service

Environmental
Service
Professionals



THE EXPERTS IN MOLD & MOISTURE MANAGEMENT

Services
Business Services
(EVSP.OB)

Environmental Service
Professionals, Inc.

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Edward L. Torres
Chairman, President and CEO

BIO:

Mr. Ed Torres graduated with a Bachelor's Degree in Business Development from South Bay University, Long Beach, California.

As Chairman & CEO of ESP, Mr. Torres

leads a team of experts in Mold and Moisture Management, which provides Limited Allergen Survey Services for single-family, multi-tenant residential and commercial buildings. He is instrumental in establishing the first nationally based company in the Inspection industry that brings solutions to the 5 major stakeholders – the Insurance industry, Mortgage Banking, the Building industry, the Real Estate industry and consumers.

Mr. Torres continues to serve on several task forces and on a variety of building Industry and Moisture Management organizations. He currently is President of the Building Industry Association Desert Chapter, is President of the Palm Springs Economic Development Corporation (PSEDC), and is a Member of the Citizens Task Force for establishing new development standards for the City of Palm Springs.

Company Profile:

Since 2002, Environmental Service Professionals, Inc. has offered franchised inspection services for addressing mold and moisture intrusion that can have an acute or chronic negative impact on the indoor air quality of commercial and residential buildings. The company meets federal and specific state requirements as a highly regulated franchisor of environmental service companies. The franchises, offered throughout North America, are independently owned and operated. Environmental Service Professionals also provides services directly to builders and homeowners through subscription-based maintenance programs. The company's California-based call center provides a single point of contact for the delivery of all services. The company

was formerly known as Pacific Environmental Sampling, Inc.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Torres, what was your vision when Environmental Service Professionals was started and where are you today?

Mr. Torres: "The vision for Environmental Service Professionals was to create a national moisture inspection company for the United States. Today we are moving in that direction; we have many programs that are in effect right now and we are looking forward to accomplishing that goal very quickly."

CEOCFO: Please tell us more about the moisture and mold industry and your target market.

Mr. Torres: "Today the world is unique. We know about mold and people have heard about the stories and how mold may affect our health, but most people do not realize the seriousness of how it affects several industries. I look at these industries, the stakeholders and I will point out who they are. We have the mortgage banking industry, the building industry, the insurance industry, the real estate industry, and most importantly, we have the consumer. Those are the five stakeholders that are affected by moisture mold issues and all have a vested interest together. When I started about two years ago looking at whether or not to take this company public, I looked the industry and I realized it was very embryonic and fragmented. There was no one out there who was leading the pack as far as policy or protocols. That is when I realized that

it was time to craft a solution and develop a protocol to benefit all stakeholders. That was the most important component. I knew the public market was the most advantageous way to raise capital. It also was the most effective way to get the word out and to make our mission known. By doing so, we also knew that we had to contact the stakeholders. We started off by contacting the National Insurance Agents Association and then the Mortgage Banking Association in Washington, D.C. With those two stakeholders of industry representation, we began the process of establishing and understanding what protocols would be needed and what components we had to establish for a national guideline.”

CEOCFO: Are people routinely inspecting for mold and moisture now or is this a concept you have to introduce to people?

Mr. Torres: “A home is normally inspected only at the time of purchase. It can range from three to five to seven to fifty years; it all depends on when that house gets sold. Our philosophy is that mold is something that is growing, it does affect our families, our health, and our most cherished asset, our home. Yet, it is not being addressed or looked upon as an important component. We have taken a step forward to come up with a program that will create a healthy home and that is the key.”

CEOCFO: What is the service you are offering, and to whom are you offering it?

Mr. Torres: “We went to all the necessary stakeholders to find out what their needs were and what elements we needed to resolve for them. We created protocols and guidelines to ensure the two primary stakeholders, the mortgage banking industry and insurance industry would be able to adapt, understand and use our company’s services. The biggest sleeping giant of these stakeholders is the consumer, so there are three things that we are doing. One, we are going to start educating the consumer on what moisture is

and how it effects your family, and your home. Two, we have established a program that will benefit all stakeholders, a low cost effective annual moisture/mold management inspection program for \$250.00. We found out that the average American that is going to charge something on a credit card will not ask their spouse or partner for permission if the item is under \$480.00. We knew that we had to create a cost effective product, but we also knew that we had to create a very cost effective price to value inspection process for all of the other stakeholders. Every stakeholder will feel that this in-

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spection is very beneficial at a minimal cost.”

CEOCFO: How do you educate the consumer?

Mr. Torres: “We have signed up with a company called Clear Vision Productions in West Hollywood. They work a lot with publicly traded companies and they have established a national PR and marketing campaign for the three programs, one of which will be educating the consumer. To give you some facts, there are over 40 million consumers in the US that have a chronic sinus problem that is related to respiratory issues and 96% of those 40 million Americans obtained that sinus

problem through molds. The Mayo Clinic validated this in 1999, in one of their studies. We know that there is a problem out there but mainly people do not know what is affecting them. Secondly, the next campaign is to explain to them why they need to go out and get their home inspected by Certified Environmental Home Inspector (CEHI). This is a home inspector with moisture mold qualifications. The concept is something new; two industries coming together. We did this for a very specific reason. We knew that the home inspectors out there in America were the best candidates to inspect a home. The only problem is that the traditional home inspector was not allowed to render an opinion or take any samplings if they detected any kind of moisture mold related issue because they did not have insurance.

ESP in conjunction with Legends Environmental Brokerage Firm, went to American Safety Insurance Company in Atlanta and sat down with them and told them we needed to create a policy that will cover a home inspector to do moisture mold sampling. The inspector can make a determination right at the home. They are inspecting the home so they can make an assessment right away. They helped us create a policy. This was the first policy in the United States that truly covers the home inspector to do moisture mold sampling and inspection. They wanted to differentiate from the

traditional home inspectors, so what they did is let us create a hybrid. That hybrid is the certified environmental home inspector. This home inspector is certified, trained, and meets certain stringent requirements. It is not like somebody going out getting a \$399.00 course to become a mold inspector. The CEHI has gone through certain protocol requirements, meets certain standards, not only from the insurance industry, but also from the American Safety Insurance criteria from the IAQA. Most importantly, they are also certified through the National Association of Moisture Management Professionals; that is critical.

We created this hybrid home inspector to start doing these inspections. This is the second part of our public relations marketing to educate the consumers to get someone who is qualified. The third step is very critical and that is providing and educating the consumers that they now can have an annual inspection at low cost to keep their home healthy, provide them the peace of mind that they have a healthy home and that they can now protect their families from moisture related issues and molds. They can also protect their investment, which is their home. When you sell your home, you have a lot of unknowns, but the biggest unknown in our rising world today is what moisture is doing to our greatest investment. In 2003, the US insurance industry stepped over three billion dollars in moisture mold related claims. They are estimated to spend \$15 billion in 2007; that is serious, yet no one has found the solution.”

CEO CFO: Are you envisioning, at some point, the insurers will say that if you get your annual inspection, you will have “X” amount deducted from your insurance rate?

Mr. Torres: “Here is a step further, this is our vision; we are going back to the stakeholders. One of the key components of all the five stakeholders and the builders; most new construction in the United States, when a builder builds a community, they are responsible for ten years of exposures in that new home; especially in California under the FB800 law. That means that anything that happens in those ten years, if something is defective because of new construction issues, the builder is responsible. This is what we have spoken about. We asked them to help us prepare a program that they could present to the stakeholders. It is a ten-year inspection program, which every consumer can finance through their mortgage. On a thirty-year mortgage that is about \$2.00 to \$4.00 a month to the consumer; that means every year their home is inspected and they get a clearance report and the service is provided by the same home inspector every year. Now you are building a relationship, consis-

tency, and continuity with the same inspector every year. They get to know that home, so that if anything changes, that inspector can quickly identify if a problem is going to arise.

Secondly, we decided to say, ‘Ok mortgage banking industry, what is this worth to you?’ We do know that several million homes and businesses in America are uninsurable due to moisture mold related issues. That greatly affects the mortgage banking industry that has assets out there that cannot be insured so therefore cannot be sold or auctioned. We are challenging the mortgage banking industry to offer an eighth of a percent discount to that consumer who proactively signs up for a ten-year inspection protocol for their home. That means that everyone is giving a little. We are then asking them to go to the insurance industry. It is like good consumer credit; if this consumer takes a proactive approach and signs up for an annual inspection for their home, then they should receive a good credit of between \$75.00 to \$150.00 off of their homeowners insurance. It is worth that money to that insurance carrier, because now that insurance carrier is going to get a clearance document. Every year that insurance carrier is going to know what is happening with the structure that they are insuring. This allows all of the different stakeholders to benefit from this type of investment. Everyone is giving a little but they are all getting much more back.”

CEO CFO: What is the business plan?

Mr. Torres: “One, we are targeting strategic companies to roll up under ESP to give us that national presence. Number two, our goal is to capture between five to ten thousand current home inspectors to convert them into certified environmental home inspectors. We have targeted 60 cities throughout the United States. We know that we cannot just service everyone, so we target cities.”

CEO CFO: What are the criteria for the target?

Mr. Torres: “It is with the population. A lot of people think there is no mold here

if they live in a dry climate. On the contrary, the desert is one of the greatest places where mold and moisture are found because of the disparity between outside temperature and the inside temperature. We have targeted cities all by population and by household.”

CEO CFO: How are you funded?

Mr. Torres: “We have obtained an investment banking firm through the public arena that has been bringing in capital for us. We also have a private placement that we did in the early stages of the company. Those are the two vehicles that we are using for investment capital right now. The public arena is how we are funding our venture.”

CEO CFO: Why should potential investors be interested in Environmental Service Professionals?

Mr. Torres: “If we know that there are 40 million Americans that have sinus or respiratory problems that are related somehow to mold exposure, ESP is very favorably positioned to help these individuals. We are going out and our goal is in 24 months to inspect on an annual basis, one million households in those targeted 50 states collectively. At \$250 dollars, that is \$250 million in gross revenue. 50% goes to the inspector at CEHI, 25% goes for operations and then you have the bottom line EBITDA of 25%. We have a healthy company with no equipment or employee or trucks to be concerned with because we are using the home inspection industry as our arm. They make money. It is quite simple and the time is now because if you think about it, 40 million Americans suffering from chronic sinus issues related to some kind of mold. You are going to definitely at least attract between 2 and 3% to have inspections done on an annual basis.”

CEO CFO: What should people remember most about the ESP?

Mr. Torres: “Peace of mind for your family, your home and your house.”

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