

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Environmental Service Professionals, Inc.

We have audited the accompanying consolidated balance sheet of Environmental Service Professionals, Inc. (a Nevada Corporation) as of December 31, 2007, and the related consolidated statements of operations, stockholders' deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2 to the consolidated financial statements, the accompanying 2007 financial statements have been restated.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Environmental Service Professionals, Inc. as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred a loss of approximately \$10,435,000 in the current year, has a negative working capital of approximately \$5,072,000 and is in default on substantially all of its term debt of approximately \$3,695,000. These conditions raise substantial doubt about the Company's ability to continue as a going concern without raising additional equity, debt or other financing and to attain profitable operations. Management's plans in regard to these matters are described in the notes to the consolidated financial statements. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.



Farber Hass Hurley LLP

Camarillo, CA

March 7, 2011

ENVIRONMENTAL SERVICE PROFESSIONALS, INC. AND SUBSIDIARIES
(Formerly Glass-Aire Industries Group, Ltd.)
Consolidated Balance Sheet
December 31, 2007 (As Restated)

ASSETS

| | |
|--|-----------------------|
| Current Assets | |
| Cash and cash equivalents | \$ 8,504 |
| Accounts receivable | 50,409 |
| Total Current Assets | 58,913 |
| Net Property & Equipment | 18,597 |
| Other Assets | |
| Deposits | 3,390 |
| Membership list, net of accumulated amortization | 522,000 |
| Total Other Assets | 525,390 |
| TOTAL ASSETS | \$ 602,900 |

LIABILITIES & STOCKHOLDERS' DEFICIT

| | |
|---|-----------------------|
| Current Liabilities | |
| Accounts payable | \$ 940,844 |
| Line of credit | 95,417 |
| Accrued expenses | 38,460 |
| Accrued expenses- related party | 22,500 |
| Unrealized income | 57,505 |
| Interest payable | 58,672 |
| Loans - related party | 222,565 |
| Loans payable, net of unamortized discount of \$36,455 | 3,694,779 |
| Total Current Liabilities | 5,130,742 |
| Stockholders' Deficit | |
| Common stock, (par value \$.001 per share, 100,000,000 shares authorized: 21,620,879 and 14,741,118 shares issued and outstanding as of December 31, 2007 and December 31, 2006 respectively) | 21,623 |
| Paid-in capital | 9,243,772 |
| Retained earnings | (13,793,237) |
| Total Stockholders' Deficit | (4,527,842) |
| TOTAL LIABILITIES & STOCKHOLDERS' DEFICIT | \$ 602,900 |

ENVIRONMENTAL SERVICE PROFESSIONALS, INC. AND SUBSIDIARIES
(Formerly Glass-Aire Industries Group, Ltd.)
Consolidated Statement of Operations
For the Year Ended December 31, 2007 (As Restated)

| | |
|---|------------------------|
| Revenues | |
| Safeguard inspections | \$ 585,589 |
| Association dues and fees | 38,784 |
| | 624,373 |
| Net Revenue | |
| | 624,373 |
| Cost of Goods Sold | |
| Cost of Goods Sold | (83,118) |
| | 541,255 |
| Gross Profit | |
| | 541,255 |
| Operating Expenses | |
| Depreciation | 16,487 |
| Finance fee | 132,000 |
| Consulting | 2,408,338 |
| Commission | 282,959 |
| Professional fees | 1,089,116 |
| General and administrative | 2,181,501 |
| | 6,110,401 |
| Total Operating Expenses | |
| | 6,110,401 |
| Loss from operations | |
| | (5,569,146) |
| Other Income (Expenses) | |
| Interest income | 452 |
| Interest expense | (2,995,614) |
| Other income | 271,475 |
| Sales of asset | 10,000 |
| Other expenses | (2,152,161) |
| | (4,865,848) |
| Total Other income (Expenses) | |
| | (4,865,848) |
| NET LOSS | |
| | \$ (10,434,994) |
| <hr/> | |
| Basic and diluted loss per share | |
| | \$ (0.58) |
| <hr/> | |
| Weighted average number of common shares - basic and diluted | |
| | 18,080,033 |
| | 18,080,033 |

See Notes to the Consolidated Financial Statements

ENVIRONMENTAL SERVICE PROFESSIONALS, INC. AND SUBSIDIARIES
(Formerly Glas-Aire Industries Group, Ltd.)
Consolidated Statement of Stockholder's Equity (Deficit)
For the Year Ended December 31, 2007 (As Restated)

| | Common Shares | | Common Stock | | Additional Paid-in Capital | | Retained Earnings (Deficit) | | Total |
|--|-------------------|-----------|-----------------|-----------|----------------------------------|-----------|-----------------------------------|-----------|--------------------|
| Balance, December 31, 2006, As Restated | 14,741,118 | \$ | 14,741 | \$ | 2,890,011 | \$ | (3,358,243) | \$ | (453,491) |
| Shares issued for Acquisition of AHI | 1,000,000 | | 1,000 | | 549,000 | | | | 550,000 |
| Shares issued for Acquisition of IAMI | 50,000 | | 50 | | 54,950 | | | | 55,000 |
| Shares issued for Cash | 844,051 | | 844 | | 488,707 | | | | 489,551 |
| Shares issued for Employee Compensation | 226,000 | | 226 | | 236,174 | | | | 236,400 |
| Shares issued for Services | 1,882,743 | | 1,895 | | 2,569,931 | | | | 2,571,826 |
| Shares issued with Loans | 2,866,967 | | 2,867 | | 1,489,751 | | | | 1,492,618 |
| Warrants issued with Loans | - | | - | | 232,170 | | | | 232,170 |
| Warrants Issued to Consultants | - | | - | | 733,078 | | | | 733,078 |
| - | | | - | | | | | | |
| Net loss for the year ending December 31, 2007 | | | | | | | (10,434,994) | | (10,434,994) |
| Balance, December 31, 2007, as Restated | 21,610,879 | \$ | 21,623 | \$ | 9,243,772 | \$ | (13,793,237) | \$ | (4,527,842) |

See Notes to the Consolidated Financial Statements

ENVIRONMENTAL SERVICE PROFESSIONALS, INC. AND SUBSIDIARIES
(Formerly Glass-Aire Industries Group, Ltd.)
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2007 (As Restated)

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|----|--------------------|
| Net loss | \$ | (10,434,994) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Depreciation | | 16,487 |
| Amortization | | 74,343 |
| Gain on sale of fixed assets | | (10,000) |
| Derivative gain | | (235,480) |
| Amortization of debt discount | | 2,117,899 |
| Common stock for compensation and services | | 2,808,226 |
| Warrants issued for services | | 733,078 |
| Impairment of acquisition | | 1,580,704 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | | 285,072 |
| Other assets | | 68,636 |
| Accounts payable | | 665,953 |
| Interest payable | | 58,672 |
| Unrealized income | | 57,506 |
| Accrued expenses | | 24,028 |
| <i>Net cash used by operating activities</i> | | (2,189,870) |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|--|--|------------------|
| Sale of fixed assets | | 10,000 |
| Acquisition of intangible asset | | (825,000) |
| <i>Net cash used in investing activities</i> | | (815,000) |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|--|--|------------------|
| Line of credit, net | | (6,545) |
| Repayments on loan payable - related party | | (15,435) |
| Borrowings on loan payable | | 2,242,045 |
| Proceeds from sale of common stock | | 489,551 |
| <i>Net cash provided by financing activities</i> | | 2,709,616 |

Net decrease in cash & cash equivalents **(295,254)**

Cash at beginning of year **303,758**

Cash at end of year **\$ 8,504**

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

| | | |
|------------------------|----|---------|
| Cash paid for interest | \$ | 117,896 |
| Income taxes paid | \$ | - |

SUPPLEMENTAL DISCLOSURES OF NON CASH FINANCING ACTIVITIES:

| | | |
|--|----|-----------|
| Common stock and warrants issued with debt | \$ | 1,724,788 |
| Common stock issued for acquisitions | \$ | 605,000 |

See Notes to the Consolidated Financial Statements

Environmental Service Professionals, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
As of December 31, 2007

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION

Business Description and Presentation

Environmental Service Professionals, Inc. (formerly Glass-Aire Industries Group Ltd.), a Nevada corporation ("ESP" or the "Company"), was incorporated on September 29, 1992. On October 11, 2006, the Company completed the closing of a stock purchase agreement (the "SPA") to effect a reverse merger between the companies (the "Business Combination") under which the Glass-Aire Industries Group Ltd. issued 14,625,000 shares of its common stock to the Company in consideration for 14,625,000 shares of the Company's outstanding common stock. As a result of the closing, the Company became the accounting acquirer and the historical operations represent that of the Company.

ESP has developed a standardized training, certification, inspection and results reporting analysis program which form the foundation of a suite of services that together comprise: "The Industry's Best in Class Inspection". The brand name of this Program is ESP's Certified Environmental Home Inspector ("CEHI") and is operating under ESP's Environmental Safeguard Professionals Business Unit. This Business Unit will also provide the annual subscription-based moisture maintenance programs to both residential and commercial clients.

National Professional Services, Inc. ("NPSI"), a wholly-owned Business Unit is currently a conglomerate of 7 individual associations and maintains 8,200 annual paying members. The focus of this Business Unit is to establish cross-training on CEHI Programs and to provide information concerning residential environmental issues, establish training for Underwriters, Loan Officers and Appraisers to educate these groups about CEHI inspection protocols. These training programs for Insurance Companies, Underwriters, Loss Control and Risk Management personnel educate and emphasize the benefits of using a CEHI on the initial inspection and then establishing annual inspections.

Going Concern and Management Plans

These financial statements are presented on the basis that the Company is a going concern. Being a going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time. The Company has incurred a loss of approximately \$10,435,000 in the current period and has a negative working capital of approximately \$5,072,000 and is in default on substantially all of its term debt of approximately \$3,953,800. These matters raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, to obtain additional financing or refinancing as may be required and, ultimately, to attain profitable operations. Management's plan to eliminate the going concern situation include, but are not limited to, the raise of additional capital through issuance of debt and equity, improved cash flow management, aggressive cost reductions, and the creation of additional sales and profits across its product lines.

Restatement

The Company identified errors in previously issued financial statements as of and for the years ended December 31, 2006 and 2007. It evaluated and corrected these errors through adjustments reflected in the restated historical Consolidated Financial Statements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections."

The consolidated financial statements for the year ended December 31, 2007 have been restated to correct certain errors in the financial statements and notes thereto. The errors primarily relate to the recording of the reverse merger and new acquisition which affected: prepaid expenses, erroneously booked debt discount, errors related to the recording of goodwill in acquisition, errors related to common stock issued dates and errors in common stock valuations.

Environmental Service Professionals, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
As of December 31, 2007

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION-Continued

Restatement of Financial Statements

The following financial statement line items for fiscal year 2007 were affected by the corrections.

| Statement of Operations 2007 | <u>As Reported</u> | <u>As Adjusted</u> | <u>Effect of Change</u> |
|---|--------------------|--------------------|-----------------------------|
| Gross Profit | \$ 524,699 | \$ 541,255 | \$ 16,556 |
| Expenses | (21,992,805) | (10,976,249) | 11,016,556 |
| Net Loss | \$ (21,468,106) | \$ (10,434,994) | \$ 11,033,112 |
| Basic and Diluted Loss Per Share | \$ (1.18) | \$ (0.58) | \$ 0.60 |
| Balance Sheet 2007 | | | |
| Total Assets | \$ 1,789,245 | \$ 602,900 | \$ (1,186,345) |
| Total Liabilities | \$ 5,224,682 | \$ 5,130,742 | \$ (93,940) |
| Common Stock | \$ 21,783 | \$ 21,623 | \$ (160) |
| Additional Paid-In Capital | \$ 20,568,299 | \$ 9,243,772 | \$ (11,324,527) |
| Accumulated Deficit | \$ (24,025,519) | \$ (13,793,237) | \$ 10,232,282 |
| Total Shareholders' Deficit | \$ (3,435,437) | \$ (4,527,842) | \$ (1,092,405) |

Principles of Consolidation and Reporting

The consolidated financial statements include the accounts of Environmental Service Professionals, Inc., the parent Company, and National Professional Service Inc., a Delaware Corporation, Allstate Home Inspection & Household Environmental Testing, Ltd, a Delaware corporation, which subsequently changed its name to Environmental Safeguard Professionals, Inc. on February 1, 2008, and International Association Managers, Inc. ("IAMI"), a Minnesota corporation. All significant intercompany balances and transactions have been eliminated in consolidation.

Fair Value of Financial Instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2007. The respective carrying value of certain on-balance-sheet financial instruments, approximate their fair values. These financial instruments include cash, accounts receivable, accounts payable, accrued expenses and notes payable. Fair values were assumed to approximate carrying values for these financial instruments because they are short term in nature and their carrying amounts approximate fair values or they are receivable or payable on demand.

Use of Estimates

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could materially differ from those estimates. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. The Company maintains their cash in bank deposit accounts that at times may exceed federally insured limits. ESP has not experienced any losses in such accounts. Management believes that they are not exposed to any significant credit risk related to cash.

Environmental Service Professionals, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
As of December 31, 2007

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION-Continued

Accounts Receivable

Accounts receivable are not collateralized and interest is not accrued on past due accounts. Periodically, management reviews the adequacy of its provision for doubtful accounts based on historical bad debt expense results and current economic conditions using factors based on the aging of its accounts receivable. After management has exhausted all collection efforts, management writes off receivables and the related reserve. Additionally, the Company may identify additional allowance requirements based on indications that a specific customer may be experiencing financial difficulties. Actual bad debt results could differ materially from these estimates.

Concentration of Credit Risk

Credit risk concentration with respect to receivables is limited due to the geographic dispersion of our customer base. We conduct ongoing credit evaluations but do not obtain collateral or other forms of security. We believe our credit policies do not result in significant adverse risk and historically have not experienced significant credit-related losses. We had no customers whose balances due at December 31, 2007 exceeded 10% of gross accounts receivable or sales.

Intangibles

Intangibles represent primarily costs allocated to the membership lists acquired this year. As part of the acquisition of IAMI the Company received the association's membership lists, which consisted of approximately 8,200 members and each member pays annual dues of \$195.00 per year. There are a total of seven independent associations that represents various industries within the Real Estate Industry, such as Inspectors, Mortgage Underwriters, Real Estate Appraisers and Meeting Planners.

The Company recorded \$580,000 as an intangible asset. This amount is to be amortized over 5 years. Amortization for the year ended December 31, 2007 was \$58,000. Such costs are amortized using the straight-line method over the useful life of the membership lists once recorded, or expensed immediately if any specific application is unsuccessful. The loss or infringement of our trademarks or service marks could impair the goodwill associated with our brands, harm our reputation and have a material adverse effect on our financial results.

Impairment of Long-Lived Assets and Goodwill

Intangible assets that are not subject to amortization shall be tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test shall consist of a comparison of the fair value of the intangible asset with its carrying amount, as defined. If the carrying amount of the intangible asset exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess. The impairment loss recognized in 2007 was \$1,580,704. See Note 8.

The carrying value of long-lived assets, including amortizable intangibles and property and equipment, are evaluated whenever events or changes in circumstances indicate that a potential impairment has occurred relative to a given asset or assets. Impairment is deemed to have occurred if projected undiscounted cash flows associated with an asset are less than the carrying value of the asset. The estimated cash flows include management's assumptions of cash inflows and outflows directly resulting from the use of that asset in operations. The amount of the impairment loss recognized is equal to the excess of the carrying value of the asset over its then estimated fair value.

Revenue Recognition and Franchise Fees

Revenue includes the following services:

- Certified Environmental Home Inspector (CEHI)
- Annual Membership Dues and Fees (seven associations)

The Company recognizes revenue when services on contracts are provided.

Environmental Service Professionals, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
As of December 31, 2007

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION-Continued

Revenue Recognition and Franchise Fees-Continued

The Company ceased offering franchises and did not renew any franchise registration or make any franchise sales for the year 2007. All existing franchises were converted into independent contracts as approved vendors under the CEHI program of Environmental Safeguard Professionals, Inc. ("Safeguard").

The vendor approval process is a two-step process for independent contractors to be able to provide CEHI Program Services. The contractor must submit a completed vendor approval form to validate their eligibility and specifically verify that the contractor has the necessary training, certifications and equipment. The applicant must show that they are in good standing. Based on this verification, the contractor must obtain the required instruction and equipment to operate ESP's proprietary on-line systems and to deliver the program of services. There is a fee to the contractor to receive this equipment and instruction. The contractor can either purchase the sampling kit from ESP or preferably order it directly from the supplier. Once the contractor has obtained the necessary approved vendor status, they must execute a standardized independent contractor agreement. Each independent contractor is provided leads by ESP; the contractor enters all customer data into the ESP portal for pricing, billing and receipt of payment.

Association membership dues and fees are paid by individual persons or entities that have requested an association designation to receive training, education and other industry information as to the industry that the association represents. The membership dues are amortized over 12 months. The seven associations are managed by National Professional Services, Inc. ("NPSI"). Deferred revenue is recorded when the dues are received and the dues are recognized as revenue over a twelve month period.

Income Taxes

The Company accounts for income taxes under the provisions of Financial Accounting Standards Board Accounting Standards Codification, ASC 740, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between bases used for financial reporting and income tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations.

Stock-Based Compensation

In accordance with FASB ASC 718 the Company calculates compensation costs for all share-based awards to employees based on the grant date fair value of those awards and recognized over the period during which the employee is required to perform services in exchange for the award (generally over the vesting period of the award). The Company has no outstanding employee options or share-based payment awards with market or performance conditions.

Basic and Diluted Income / (Loss) per Share

Basic income / (loss) per common share is computed by dividing net income / (loss) available to common stockholders by the weighted average number of common shares outstanding. Diluted income / (loss) per common share is computed similar to basic income per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. As of December 31, 2007, the Company had debt instruments, options and warrants outstanding that can potentially be converted into approximately 10,052,637 shares of common stock. Inclusion of these shares is not incorporated in the computation as their effect would be anti-dilutive.

Environmental Service Professionals, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
As of December 31, 2007

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION-Continued

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(revised 2007), "Business Combinations" ("SFAS No. 141R"). SFAS No. 141R will significantly change the accounting for business combinations in a number of areas, including the treatment of contingent consideration, contingencies, acquisition costs, in-process research and development and restructuring costs. SFAS No. 141R includes an amendment to SFAS No. 109, "Accounting for Income Taxes." This statement is effective for fiscal years beginning after December 15, 2008. The Company determined that SFAS No. 141R did not have a material impact on the Company's results of operations or financial position. Future acquisitions may be materially affected by SFAS No. 141R.

In February 2007, the FASB issued SFAS No. 159, which permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 also includes an amendment to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" which applies to all entities with available-for-sale and trading securities. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company determined that SFAS No. 159 did not have a material impact on the Company's results of operations or financial position.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." The Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements, and does not require any new fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. The Statement is effective for the fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FSP FAS No. 157-1 and FSP FAS No. 157-2. FSP FAS No. 157-1 amends SFAS No. 157, "Fair Value Measurements" to exclude SFAS No. 13, "Accounting for Leases," and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS No. 13. FSP FAS No. 157-2 delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. The Company determined that the above pronouncements would not have had a material impact on the Company's results of operations or financial position.

The following pronouncements have been issued subsequent to the original filing date of the Company's 2007 Form 10K/A:

The Company adopted the "FASB Accounting Standards Codification" and the Hierarchy of Generally Accepted Accounting Principles. This guidance establishes only two levels of U.S. generally accepted accounting principles ("GAAP"), authoritative and non-authoritative. The Financial Accounting Standard Board ("FASB") Accounting Standards Codification (the "Codification") became the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification became non-authoritative. This new guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this guidance has changed how we reference various elements of GAAP when preparing our financial statement disclosures, but did not have an impact on the Company's financial statements.

In January 2010, the FASB issued ASU 2010-06, an update that improves the requirements related to Fair Value Measurements and Disclosures Subtopic 820-10 of the FASB Accounting Standards Codification originally issued as FASB Statement 157. This update requires disclosures about transfers between Level 1, Level 2 and Level 3 assets and the disaggregated activity in the roll forward for level 3 Fair Value measurements. These new disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company does not expect the adoption of ASU 2010-06 to have a material impact on its consolidated financial statements.

Environmental Service Professionals, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
As of December 31, 2007

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION-Continued

Recent Accounting Pronouncements-Continued

In October 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-13, "Multiple-Deliverable Revenue Arrangements - a consensus of the FASB Emerging Issues Task Force," ("ASU 2009-13"). This update provides amendments to the criteria of ASC 605, "Revenue Recognition," for separating consideration in multiple-deliverable arrangements. The amendments to this update establish a selling price hierarchy for determining the selling price of a deliverable. This Accounting Standards Update will be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier application permitted. Alternatively, an entity can elect to adopt this standard on a retrospective basis. The Company is currently evaluating the potential impact this standard may have on its financial position and results of operations upon adoption.

In September 2009, the Company adopted new accounting guidance on derivatives and hedging, which changes the disclosure requirements for derivative instruments and hedging activities. This new guidance requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The Company has applied the provisions of this new guidance to its financial statement disclosures beginning in the third quarter of 2009. The impact of adopting this new guidance did not have a material effect on the Company's results of operations or financial position.

In May 2009, the Company adopted new accounting guidance on subsequent events. The objective of this guidance is to establish general standards of accounting for, and disclosures of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This new accounting guidance was effective for interim and annual periods ending after June 15, 2009. The impact of adopting this new guidance had no effect on the accompanying financial statements.

In April 2009, the Company adopted new accounting guidance on fair value measurements. The new guidance impacts certain aspects of fair value measurement and related disclosures. The new guidance was effective beginning in the second quarter of 2009. The impact of adopting this new guidance did not have a material effect on the Company's results of operations or financial position.

In January 2009, the Company adopted new accounting guidance on consolidations and requires the presentation of a non-controlling interest (formerly known as minority interest) as equity in the consolidated balance sheet and separate from the parent's equity. The new guidance also requires that the amount of net income attributable to the non-controlling interest be included in consolidated net income on the face of the income statement and that any dividends paid to non-controlling interests be reported as a financing activity in the statement of cash flows. This new guidance requires changes in the parent's ownership interest in consolidated subsidiaries to be accounted for as equity transactions. This new guidance also includes expanded disclosure requirements regarding the interests of the parent and related non-controlling interests. Beginning January 1, 2009, the Company has applied the new guidance to its accounting for non-controlling interests and its financial statement disclosures. The provisions of the new guidance have been applied to all periods presented in the accompanying financial statements. The impact of adopting this new guidance did not affect the Company's results of operations or financial position.

In January 2009, the Company adopted new accounting guidance on business combinations. The new guidance retains the underlying concepts of previously issued accounting guidance in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting (formerly known as the purchase method of accounting), but this new guidance changes the method of applying the acquisition method in a number of significant aspects. Under the new guidance, acquisition costs are generally to be expensed as incurred; non-controlling interests are valued at fair value at the acquisition date; in-process research and development is recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination are generally expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax

Environmental Service Professionals, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
As of December 31, 2007

NOTE 1 ORGANIZATION AND BASIS OF PRESENTATION-Continued

Recent Accounting Pronouncements-Continued

uncertainties after the acquisition date generally affect income tax expense. These changes are effective on a prospective basis for all business combinations for which the acquisition date is on or after January 1, 2009, with an exception related to the accounting for valuation allowances on deferred taxes and acquired tax contingencies related to acquisitions completed before that date. This new guidance amends the accounting guidance for income taxes to require adjustments, made after the effective date of this statement, to valuation allowances for acquired deferred tax assets and uncertain income tax positions to be recognized as income tax expense. The adoption of this new guidance as of January 1, 2009 did not have an effect on the accompanying financial statements.

NOTE 2 CONTRACTS RECEIVABLE – FRANCHISE FEES

All but 15 existing franchisees have been incorporated into the CEHI program and franchisees have executed mutual releases for their previously owned franchise. Of these 15 only 5 have existing financing agreements for the initial franchise fee. The Company ceased offering franchises and did not renew any franchise registration or make any franchise sales for the year 2007. The Company continues to transition all remaining franchises to the standard CEHI program.

NOTE 3 PROPERTY & EQUIPMENT

Property is stated at cost. Additions, renovations, and improvements are capitalized. Maintenance and repairs, which do not extend asset lives, are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives ranging, five years for tenant improvements, and five to seven years on furniture and equipment.

Equipment consisted of the following:

| | December 31, 2007 |
|--------------------------------|----------------------|
| Fixed Assets | |
| Machinery & Equipment | \$ 24,442 |
| Furniture and Fixtures | 17,583 |
| Computers | 55,854 |
| Total Fixed Assets | 97,879 |
| Less: Accumulated Depreciation | (79,282) |
| Net Property & Equipment | \$ 18,597 |

Depreciation expense for the year ended December 31, 2007 was \$16,487.

NOTE 4 INTANGIBLE ASSETS

Intangible assets consist of association membership lists.

The Company had amortization expenses of \$58,000 in 2007. As part of the acquisition of IAMI the Company received the association's membership lists. The Company recorded \$580,000 as an intangible asset. This amount is being amortized over 5 years. Amortization for the year ended December 31, 2007 was \$58,000. Membership list amortization is as follows:

| | |
|------|-----------|
| 2008 | \$116,000 |
| 2009 | \$116,000 |
| 2010 | \$116,000 |
| 2011 | \$116,000 |
| 2012 | \$ 58,000 |

Environmental Service Professionals, Inc. and Subsidiaries
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NOTE 5 LINES OF CREDIT

The Company has two lines of credit; the lines of credit are for \$75,000 and \$30,000. These lines of credit are in an adjustable rate loan (Prime + 5.74% and Index + 4.25% at December 31, 2007). The loans are open revolving lines of credit with annual interest rates. There are no restrictions on the use of this line of credit. There was an outstanding balance of \$65,402 and \$30,015, respectively, as of December 31, 2007.

Subsequent to December 31, 2007 the lines of credits that the Company currently has were converted to a fixed rate loan.

NOTE 6 LOANS PAYABLE

Loans payable consist of the following at December 31, 2007:

| | | |
|--|-----------|------------------|
| Note payable, annual interest rate of 12%, due December 18, 2007 with 275,000 warrants convertible into stock at \$0.01 per share, exercisable through June 2010. Note has matured and are now in default. | \$ | 615,000 |
| Note payable, annual interest rate of 12%, due December 22, 2007 with 120,000 warrants convertible into stock at \$1.50 per share, exercisable through July 2010. Note has matured and are now in default. | | 400,000 |
| Various notes due to individuals with interest rates ranging from 3.0% to 14.0%. Notes have matured and are in default. | | 2,716,234 |
| Unamortized debt discount | | (36,455) |
| | <u>\$</u> | <u>3,694,779</u> |

For the notes that were issued with warrants and stock attached, the Company valued these instruments using the “Relative Fair Value” approach. A total of 642,420 warrants were issued with the loans convertible into common stock at \$0.01 to \$1.50 per share. The warrants mature at various dates from June 2007 to June 2012. A total of 2,969,667 shares of common stock were issued with the loans. Accordingly the Company recognized a debt discount of \$2,117,899.00 and has amortized it over the related terms of the notes.

Related Party Debt

There is \$220,000 in loans due to Pro-Active (a company owned by Enda M. Fair and the Company’s CEO) and \$2,565 in loans to the Company’s CEO. In addition, the Company has an accrued expense due to Pro-Active for \$22,550 for management fees. The Company has a management agreement with Pro-Active to provide services on a monthly basis through March 2009. The total for management expense incurred in 2007 was approximately \$196,000.

NOTE 7 LEASE AGREEMENTS

The Company signed a lease agreement for its corporate offices in Palm Springs commencing August 1, 2006 with the option of renewal for an additional three years at a 5% increase each year.

The base rent is currently \$6,206 per month. The following is a schedule of future payments under the above operating lease:

| YEAR ENDING DECEMBER 31, | <u>AMOUNT</u> |
|-----------------------------|-------------------|
| 2008 | \$ 79,822 |
| 2009 | 43,442 |
| | <u>\$ 123,264</u> |

Environmental Service Professionals, Inc. and Subsidiaries
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NOTE 7 LEASE AGREEMENTS-Continued

The Company signed a one-year lease agreement for its AHI office in Arizona commencing September 15, 2007 through September 14, 2008 in the amount of \$34,598, \$2,883 per month. Future payments under this operating lease amount to \$24,507.

The Company signed a two-year lease agreement for its NPSI office in Arizona commencing April 12, 2007 through April 30, 2009. The first year rent is \$1,095 per month and increases to \$1,128 per month for the second year. The Company terminated the agreement in October 2008 to have all operations moved to corporate headquarters in Palm Springs, California. Future payments under this operating lease amount to \$13,403 and \$4,613 for 2008 and 2009, respectively.

NOTE 8 ACQUISITIONS

On February 20, 2007 (the "Closing"), the Company, Allstate Home Inspection & Household Environmental Testing, Ltd., a Delaware corporation ("AHI"), and Francis X. Finnegan ("Finnegan"), an individual and sole shareholder of AHI, completed the closing of a stock purchase agreement (the "SPA") pursuant to which the Company acquired 100% of the total issued and outstanding stock of AHI from Finnegan. Pursuant to the SPA, the Company issued 1,000,000 shares of the Company's common stock issuable in installments over time (the "Stock Payment"), 250,000 warrants issuable 275 days after the Closing entitling Finnegan to purchase 250,000 additional shares of the Company's common stock at a purchase price of \$0.75 per share exercisable for a period of five years from the date of the Closing, assumed liabilities of approximately \$30,000 plus \$950,000 in cash, payable in installments over time (the "Cash Payment"). As a result of the Closing, AHI became a wholly owned subsidiary of the Company; subsequently the division name was changed to Environmental Safeguard Professionals, Inc. The total value of this acquisition was approximately \$1,581,000.

All shares of the Company's common stock and all of the warrants issuable to Finnegan by the Company under the SPA must be held by Finnegan for a period of at least one year from the date of the Closing. Furthermore, Finnegan will have piggyback registration rights with respect to the shares and the shares underlying the warrants, subject to potential adjustment by the Underwriter for such registration statement, if any.

Subsequent to the Closing, it was determined that there was no value to the net assets acquired and the Company attempted to rescind and unwind the transaction. The Company has been pursuing legal remedies to this acquisition but as of the date of this report, it has been unable to rescind the transaction. Accordingly, the Company has expensed the value of the acquisition in 2007. The Company still has \$650,000 due and payable under the agreement but will pursue all legal recourse to have this debt dismissed and unwind the transaction.

On July 23, 2007, Environmental Service Professionals, Inc., a Nevada corporation (the "Company"), Robert G. Johnson, an individual (the "Seller"), and International Association Managers, Inc., a Minnesota corporation (the "Manager") closed the acquisition of all of the tangible and intangible assets (the "Acquired Assets") of International Association Managers, Inc. The acquired assets included the following associations: National Association of Real Estate Appraisers, Environmental Assessment Association, Association of Construction Inspectors, Housing Inspection Foundation, International Real Estate Institute, International Society of Meeting Planners, and National Association of Review Appraisers & Mortgage Underwriters, a non-profit association.

Pursuant to the Asset Purchase Agreement, dated April 3, 2007 (the "APA") covering the acquisition, in consideration for the transfer of the Acquired Assets, the Company paid the Seller a total amount of \$525,000 in cash and issued 50,000 shares of its common stock. Upon closing of the APA, the Company took control of the day-to-day management responsibilities of the associations. The total value of this acquisition was \$580,000.

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NOTE 9 STOCK WARRANTS

At December 31, 2006 the Company had 4,936,895 warrants outstanding. During 2007, the Company issued the following warrants:

- (i) Warrants to purchase 275,000 shares of the Company's common stock at an exercise price of \$0.01.
- (ii) Warrants to purchase 1,311,245 shares of the Company's common stock at an exercise price of \$0.25.
- (iii) Warrants to purchase 86,206 shares of the Company's common stock at an exercise price of \$0.58.
- (iv) Warrants to purchase 2,950,871 shares of the Company's common stock at an exercise price of \$0.75.
- (v) Warrants to purchase 125,000 shares of the Company's common stock at an exercise price of \$1.25.
- (vi) Warrants to purchase 367,420 shares of the Company's common stock at an exercise price of \$1.50.

At December 31, 2007, there were no warrants cancelled and no warrants exercised.

The outstanding warrants for the purchase of the Company's Common Stock as of December 31, 2007, are listed below. None of the warrants are owned by a director, officer or employee of the Company.

| <u>Strike Price</u> | <u>Number of Warrants</u> | <u>Exercise Period</u> |
|---------------------|---------------------------|-----------------------------------|
| \$ 0.01 | 275,000 | June 2007 through June 2010 |
| \$ 0.25 | 1,311,245 | June 2007 through June 2012 |
| \$ 0.58 | 86,206 | October 2007 through October 2010 |
| \$ 0.75 | 7,517,766 | June 2006 through January 2015 |
| \$ 1.25 | 125,000 | April 2007 through March 2010 |
| \$ 1.50 | 737,420 | June 2006 through December 2012 |
| | <u>10,052,637</u> | |

All of the above warrants are exercisable during the exercise period noted.

NOTE 10 BASIC AND DILUTED LOSS PER COMMON SHARE

Basic and diluted loss per common share has been calculated based on the weighted average number of shares of common stock outstanding during the period.

| | <u>As restated</u> <u>December 31,</u> <u>2007</u> |
|-------------------------------------|--|
| Net loss | \$ (10,434,994) |
| Weighted average shares outstanding | <u>18,080,033</u> |
| Basic and diluted loss per share | <u>(0.58)</u> |

Environmental Service Professionals, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
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NOTE 11 STOCK TRANSACTIONS

During 2007, the Company issued stock as follows:

Employee Compensation

A total of 226,000 shares were issued for employee compensation at fair market values ranging from \$1.00 to \$1.40 per share.

Loans

A total of 2,866,967 shares were issued with loans at fair market values ranging from \$0.25 to \$0.67 per share.

Services

A total of 1,782,743 shares were issued for services at fair market values ranging from \$0.75 to \$1.91 per share.

Cash

A total of 844,051 shares were issued for cash at fair market values ranging from \$0.38 to \$1.02 per share.

Acquisitions

A total of 1,050,000 shares were issued for acquisitions at fair market values ranging from \$0.55 to \$1.10 per share.

NOTE 12 INCOME TAXES

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and income tax bases of assets and liabilities. Such deferred income tax asset and liability computations are based on enacted tax laws and rates applicable to periods in which the differences are expected to reverse. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amounts expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred income tax assets and liabilities.

In assessing the reliability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income, management has chosen not to compute a deferred income tax benefit at this time.

No provision was made for Federal income taxes for the year ended December 31, 2007 since the company had a significant net operating loss. As of December 31, 2007, the Company had accumulated Federal net operating loss carry forwards totaling approximately \$10,163,800 which may be used to reduce Federal taxable income through 2027. The accumulated California net operating loss carry forwards totaling approximately \$11,149,400 may be used to reduce California taxable income through 2021. The availability of the Company's net operating loss carry forwards are subject to limitation if there is a 50% or more positive change in the ownership of the Company's stock. The provision for income taxes consists of the state minimum tax imposed on corporations in the amount of \$800.

| | December 31, 2007 |
|-----------------------------|-------------------|
| Deferred income tax benefit | \$ 4,431,000 |
| Valuation allowance | (4,431,000) |
| Net income tax benefit | \$ - |

Environmental Service Professionals, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
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NOTE 13 CONTINGENCIES AND LITIGATION

John Cooley v. Pacific Environmental Sampling, Inc., et. al.:

On December 6, 2006, John Cooley filed a civil complaint in Ventura County alleging breach of fiduciary duty and fraud regarding the restructuring of Pacific Environmental Sampling, Inc. on March 25, 2006. On December 12, 2006, a hearing before the Court was held on the application for injunctive relief and for appointment of a receiver. Both of Cooley's requests were denied by the Court. ESP and its affiliates subsequently filed a demurrer challenging the legal sufficiency of the fraud claim and the demurrer was sustained. Cooley was permitted by the Court to file a First Amended Complaint to attempt to correct deficiencies. With an extension, the First Amended Complaint was filed on March 27, 2007. Subsequently, this First Amended Complaint was rejected as was the Second Amended Complaint. On April 4, 2008 a hearing for a Third Amended Complaint was held before the court and the Company was granted all submitted demurrers and Motions to Strike. On April 25, 2008, Cooley submitted a Fourth Amended Complaint. In January 2010, without admitting liability, the Company entered into a settlement agreement with Mr. Cooley pursuant to which Mr. Cooley agreed to dismiss this case with prejudice in consideration for \$40,000 plus 100,000 shares of our Common Stock. The value of this settlement will be reflected in our 2009 financial statements.

NOTE 14 SUBSEQUENT EVENTS (UNAUDITED)

Litigation

Bakai v. Environmental Service Professionals, Inc., et. al.:

In July 17, 2008, Mr. Bakai filed a civil action against ESP for failure to pay on a promissory note. ESP elected not to defend against the claim and a default Judgment was entered on September 18, 2008 which is now valued at \$22,982. We estimate that we incurred approximately \$1,000 in legal costs to defend this case.

Palm Desert National Bank v. Environmental Service Professionals, Inc., et. al.:

On October 22, 2008 Palm Desert National Bank filed a civil action against ESP for failure to pay on a promissory note. ESP elected not to defend against the claim and a default Judgment was entered on January 26, 2009 which is now valued at \$344,398. We estimate that we incurred approximately \$4,000 in legal costs to defend this case. On December 3, 2010 Palm Desert National Bank was sold to Bank of Southern California.

Keith Swift, et. al. v. Lorne Steiner:

On December 9, 2008, Lorne Steiner filed a cross complaint in Los Angeles County naming Environmental Service Professionals, Inc. as a Cross-Defendant in response to a civil complaint filed against him by Keith Swift and Jacki Swift. Steiner's allegation against the Company are for breach of contract, fraud, abuse of legal process and indemnification as it relates to the stock purchase agreement of Porter Valley Software, Inc. Lorne Steiner filed a Cross-Complaint against ESP for breach of contract based upon claims that ESP failed to pay the amounts required by a settlement agreement relating to the purchase of Porter Valley Software. A Judgment was entered on December 1, 2009 for \$511,342 against ESP which is now (with interest) at the amount of \$565,558. We estimate that we incurred approximately \$125,000 in legal costs to defend this case.

Jerry Thompson v. Environmental Service Professionals, Inc., et. al.:

On, July 17, 2009 Mr. Thompson filed a civil action against ESP for failure to pay on a promissory note. ESP elected not to defend against the claim and a Default Judgment was entered on April 2, 2010 against ESP which is now valued at \$123,262. We estimate that we incurred approximately \$2,500 in legal costs to defend this case.

Lyle Watkins v. Environmental Service Professionals, Inc., et. al.:

On May 14, 2010, Lyle Watkins filed a civil action against ESP and other based upon a settlement agreement entered into between Mr. Watkins and ESP. Mr. Watkins claims that he is owed either \$397,000 or that he is entitled to keep 9 million shares of ESP common stock. ESP has filed a Demurrer to the First Amended Complaint which is set for hearing in January, 2011. ESP will defend against Mr. Watkins' claims as management feels that many such claims are frivolous and

Environmental Service Professionals, Inc. and Subsidiaries
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NOTE 14 SUBSEQUENT EVENTS (UNAUDITED)-Continued

Litigation-Continued

Lyle Watkins v. Environmental Service Professionals, Inc., et. al.-Continued

unwarranted. ESP feels that it will prevail against all of Mr. Watkins claims but that ESP may be required to pay Mr. Watkins \$397,000 plus interest based upon the previous settlement agreement (less substantial amounts for off-sets, credits and reimbursements based upon claims that ESP has against Mr. Watkins. Mr. Watkins is seeking damages in the amount of \$397,000 or 9 million shares of ESP stock. We estimate that we incurred approximately \$65,000 in legal costs to defend this case.

Tatro & Zamoyski, LLP v. Environmental Service Professionals, Inc.:

In July 9, 2010, Tatro & Zamoyski, LLP filed a claim against ESP seeking \$4,508 for breach of contract. ESP is defending this claim. ESP will work with Tatro & Zamoyski to reach a settlement within the next few months. We estimate that we incurred approximately \$500 in legal costs to defend this case.

Niv Benshalom v. Environmental Service Professionals, Inc.:

In July 9, 2010 Niv Benshalom has asserted a claim against ESP seeking \$100,749 for breach of contract. ESP is defending this claim. ESP will work with Mr. Benshalom to reach a settlement within the next few months. We estimate that we incurred approximately \$500 in legal costs to defend this case.

Environmental Service Professionals, Inc., ESP Settlement, LLC v. Lion Share Capital, LLC:

ESP filed a civil action against Lion Share Capital for breach of contract based upon Lion Share Capital's failure to comply with the terms of an equity contract. ESP seeks damages in an amount in excess of \$25,000 plus the cancellation of 5 million common stock warrants and the return of 5 million shares of ESP common stock. The Complaint has been filed and is in the process of being served upon the Defendant. ESP is prosecuting this case vigorously. ESP believes that it has a meritorious case and that Lion Share will be required to pay damages as well as return the 5 million shares of ESP stock and the Company cancelled the 5 million warrants at \$ 0.75 per share. There are no claims asserted against ESP in this litigation.

Acquisitions

Leverage Alternative Solutions (LAS):

On October 1, 2009 Environmental Service Professionals, Inc. (ESP) signed and closed a Stock Purchase Agreement (SPA) with United Capitalists, Inc dba Leverage Alternative Solutions (LAS). ESP acquired from United Capitalists, Inc 100% of the total issued and outstanding stock of UCI in exchange for 1,000,000 shares of the Company's common stock plus \$ 300,000 in cash. LAS is working on becoming the nation's leading green builder for the residential space. LAS will be focused on developing zero energy homes, by maximizing solar, wind and geothermal technologies. In addition Leverage will work with municipalities to develop state programs that help fund green training, and green job development.

National Indoor Environmental Quality Institute (NIEQI):

On January 25, 2010 Environmental Service Professionals, Inc. (ESP) signed a Stock Purchase Agreement (SPA) with National Indoor Environmental Quality Institute (NIEQI). ESP acquired from NIEQI 100% of the total issued and outstanding stock of NIEQI in exchange for 1,000,000 shares of the ESP's common stock plus \$1,000,000 in cash. The closing of the purchase under the SPA would be completed on or before June 1, 2011 or upon completion of funding. NIEQI is the Master Distributor of Bio Sciences' TM100 Products throughout the United States and Canada. NIEQI will remain as a key division of training and establishing Bio-Remediation end users through the Veterans new American Workforce Jobs program of ESP. NIEQI will also be used to assist in the implementation of the ESP European operations scheduled for the 3rd and 4th quarter of 2011.

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NOTE 14 SUBSEQUENT EVENTS (UNAUDITED)-Continued

Acquisitions-Continued

Bio Science:

On January 27, 2010 Environmental Service Professionals, Inc. (ESP) signed a Stock Purchase Agreement (SPA) with Bioscience Environmental Services and Laboratory, Inc. ESP acquired from the Seller 100% of the total issued and outstanding stock of BioScience in exchange for 4,000,000 shares of the ESP's common stock plus \$4,000,000 in cash. The estimated closing of the purchase under the SPA would be completed on or before June 1, 2011 or upon completion of funding. BioScience is a manufacture of the TM-100 remediation process dedicated to reducing microbial growth indoors in structures to acceptable levels according to the standards set by the National Allergy Bureau. TM-100 is designed to be used in various applications other than structures. TM-100 is structures to implement solutions for producing standardized industry remediation protocols to provide industry professionals with a remediation method to confront the environmental and safety issues faced by property owners, inspectors, remediation experts, and all other related industry personnel in the United States and Canada.

Great Water, Inc.:

On February 19, 2010 Environmental Service Professionals, Inc. (ESP) signed a Stock Purchase Agreement (SPA) with Great Water, Inc. and Aqua Pure International, Inc. ESP acquired from the seller 100% of the total issued and outstanding stock of GR8 WATER AND AQUA PURE in exchange for 4,500,000 shares of the ESP's common stock and 4,750,000 in five (5) year warrants at Twenty-Five cents (\$0.25). The estimated closing of the purchase under the SPA would be completed on or before June 1, 2011 or upon completion of funding. GR8 WATER AND AQUA PURE builds and sells unique water production products for local, national and international markets. Using the Moisture present in the atmosphere, each Company is creating unique appliances that resolve the need for fresh drinking water while cooling and dehumidifying at the same time. Aqua Pure International, Inc. markets Large Scale Atmospheric Water Generators for industrial, commercial, community and institutional applications. The Companies call their products "Water Factories" because they make water, harvesting it directly from ambient air. The Aqua Pure Water Factory produces the finest drinking water available anywhere, completely free from any foreign matter, bacterial, organic or other impurities. With over 20 models, the family of Water Factories creates volumes of pure drinking water to satisfy virtually any application or need. GR8 Water and Aqua Pure will remain as a key division of training and establishing US based manufacturing Green Jobs through the Veterans new American Workforce Jobs program of ESP

HomeSafe:

On February 19, 2010 Environmental Service Professionals, Inc. (ESP) signed a Stock Purchase Agreement (SPA) with HomeSafe Inspection, Inc. ESP acquired 100% of the HomeSafe preferred and common stock in exchange for 5,000,000 shares of the ESP's common stock and 5,000,000 shares in five (5) year warrants at Twenty-Five cents (\$0.25) and 5,000,000 shares in one (1) year warrants at One Cent (\$.01). The estimated closing of the purchase under the SPA would be completed on or before June 1, 2011 or upon completion of funding. HomeSafe's new infrared imaging technology, customized especially for infrared home inspections, is the next best thing to X-ray vision: Infrared detects tiny but crucial differences in temperature throughout a house, including behind the walls, beneath the floors and beyond ceilings. These temperature variations often reveal "invisible" problems concealed from the naked eye, including hidden moisture intrusion, roof and plumbing leaks, faulty wiring, and energy loss, missing insulation, ventilation problems, structural concerns and moisture related to termite infestations. Most of these problems will go undetected in an ordinary visual inspection. But with a HomeSafe infrared home inspection, inspectors can easily and quickly scan the house and pinpoint these concerns, providing clients with additional vital information those competitors simply can't offer. HomeSafe is a unique business as to the Patent Ownership of unique Infrared and acoustic technology used to conduct building inspections such as energy audits, air quality inspections, real estate/home inspections and termite inspections.