

UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF TEXAS  
(DALLAS DIVISION)

HOME SOLUTIONS OF AMERICA  
INVESTOR GROUP, On Behalf of Themselves  
and All Others Similarly Situated,

Plaintiffs,

vs.

FRANK J. FRADELLA, et al.,

Defendants.

Civil Action No. 3:06-cv-01096-N

Judge David C. Godbey

STANLEY SVED, derivatively on behalf of  
Nominal Defendant Home Solutions of  
America, Inc.,

Plaintiff,

vs.

MICHAEL S. CHADWICK, et al.,

Defendants,

and

HOME SOLUTIONS OF AMERICA, INC.,

Nominal Defendant

Civil Action No. 3:06-cv-01135-N

Judge David C. Godbey

Notice of Proposed Settlements of Class Action and Derivative Action,  
Motion for Attorneys' Fees, and Settlement Fairness Hearing

**TO: ALL PERSONS WHO PURCHASED THE COMMON STOCK OF HOME SOLUTIONS OF AMERICA, INC. DURING THE PERIOD BETWEEN APRIL 11, 2006 AND MARCH 5, 2007, INCLUSIVE, AND WERE DAMAGED THEREBY (THE "CLASS"). IF YOU ARE A MEMBER OF THE CLASS, PLEASE PROCEED TO SECTION 1 OF THIS NOTICE, BEGINNING ON PAGE 2.**

**AND**

**TO: ALL PERSONS WHO CURRENTLY OWN HOME SOLUTIONS OF AMERICA INC. COMMON STOCK. IF YOU CURRENTLY OWN HOME SOLUTIONS COMMON STOCK, PLEASE PROCEED TO SECTION 2 OF THIS NOTICE, BEGINNING ON PAGE 14.**

QUESTIONS? VISIT [WWW.HOMESOLUTIONSOFAMERICASETTLEMENT.COM](http://WWW.HOMESOLUTIONSOFAMERICASETTLEMENT.COM)  
OR CALL TOLL-FREE 1 (800) 961-3413

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. PLEASE NOTE THAT IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THE SETTLEMENT PROCEEDS, YOU MUST SUBMIT A VALID PROOF OF CLAIM **POSTMARKED ON OR BEFORE FEBRUARY 26, 2009.**

This Notice has been sent to you pursuant to Rules 23 and 23.1 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Northern District of Texas (Dallas Division) (the “Court”). The purpose of this Notice is to inform you of the proposed Settlements of the Actions and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlement as well as counsels’ applications for costs and fees. This Notice describes the rights you may have in connection with your participation in the Settlements, what steps you may take in relation to the Settlements and the two Actions, and, alternatively, what steps you must take if you wish to be excluded from the Settlements and these Actions.

*THE DESCRIPTIONS OF THE ACTIONS AND THE SETTLEMENTS THAT FOLLOW HAVE BEEN PREPARED IN CONSULTATION WITH COUNSEL FOR THE PARTIES. THE COURT HAS MADE NO FINDINGS WITH RESPECT TO SUCH MATTERS, AND THIS NOTICE IS NOT AN EXPRESSION OR STATEMENT BY THE COURT OF FINDINGS OF FACT.*

**SECTION 1 – CLASS ACTION**

**THIS SECTION RELATES TO PERSONS AND ENTITIES THAT ARE MEMBERS OF THE CLASS AS DEFINED ABOVE.**

<b>YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:</b>	
<b>SUBMIT A CLAIM FORM</b>	The only way to get a payment. Claim Forms must be <b>postmarked on or before February 26, 2009.</b>
<b>EXCLUDE YOURSELF</b>	Get no payment. This is the only option that allows you to ever be part of any other lawsuit against the Defendants about the legal claims in this case. Exclusions must be <b>postmarked on or before February 26, 2009.</b>
<b>OBJECT</b>	Write to the Court about why you do not like the Settlement. Objections must be received by the Court and counsel <b>on or before February 26, 2009.</b>
<b>GO TO A HEARING</b>	Ask to speak in Court about the fairness of the Settlement. Requests to speak must be received by the Court and counsel <b>on or before February 26, 2009.</b>
<b>DO NOTHING</b>	Get no payment. Give up rights.

QUESTIONS? VISIT [WWW.HOMESOLUTIONSOFAMERICASETTLEMENT.COM](http://WWW.HOMESOLUTIONSOFAMERICASETTLEMENT.COM)  
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## SUMMARY NOTICE

### Statement of Class Plaintiff Recovery

Pursuant to the Settlement described herein, a \$3.5 million Settlement Fund is being provided. Class Plaintiffs estimate that there were approximately 36 million common shares of Home Solutions of America, Inc. (“Home Solutions” or the “Company”) common stock which may have been damaged during the Class Period. Class Plaintiffs estimate that the average recovery under the Settlement is roughly \$0.10 per damaged share before deduction of any taxes on the income thereof, notice and administration costs and the attorneys’ fee and expense award as determined by the Court. A Class Member’s actual recovery will be a proportion of the Net Settlement Fund determined by that claimant’s Recognized Claim as compared to the total of all Recognized Claims submitted. An individual Class Member may receive more or less than this average amount depending on the number of claims submitted, when during the Class Period a Class Member purchased shares of Home Solutions, the purchase price paid, and whether those shares were held at the end of the Class Period or sold during the Class Period, and, if sold, when they were sold and the amount received. See Plan of Allocation as set forth on pages 12-14 below for more information on your Recognized Claim.

### Statement of Potential Outcome of Case

The parties disagree on both liability and damages and do not agree on the average amount of damages per share or security, as appropriate, that would be recoverable if Class Plaintiffs were to have prevailed at trial on each claim alleged. The Settling Defendants deny that they are liable to the Class Plaintiffs or the Class and deny that Class Plaintiffs or the Class have suffered any damages.

### Statement of Attorneys’ Fees and Costs Sought

Class Plaintiffs’ Lead Counsel will apply to the Court for an award from the Settlement Fund of attorneys’ fees not to exceed thirty percent (30%) of the Settlement, and for reimbursement of expenses incurred in connection with the prosecution of this Action and interest. Since the Action’s inception, Class Plaintiffs’ Counsel have expended considerable time and effort in the prosecution of this litigation on a contingent fee basis and advanced the expenses of the litigation in the expectation that if they were successful in obtaining a recovery for the Class they would be paid from such recovery. In this type of litigation it is customary for counsel to be awarded a percentage of the common fund recovery as their attorneys’ fees. The requested fees amount to an average of approximately \$0.03 per damaged share.

### Further Information

For further information regarding the Action, this Notice or to review the Stipulation and Agreement of Settlement with Defendants, please contact the Claims Administrator toll-free at 1-800-961-3413 or by visiting [www.homesolutionsofamericasettlement.com](http://www.homesolutionsofamericasettlement.com).

You may also contact counsel for Class Plaintiffs and the Class: David R. Scott, Esq., Scott + Scott, LLP, 108 Norwich Avenue, P.O. Box 192, Colchester, Connecticut 06415, Telephone (860) 537-5537.

### Reasons for the Settlement

The principal reason for the Settlement is the benefit to be provided to the Class now. This benefit must be compared to the risk that no recovery might be achieved after a contested trial and likely appeals, possibly years into the future.

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## BASIC INFORMATION

### 1. Why did I get this notice package?

You or someone in your family may have purchased Home Solutions common stock during the period between April 11, 2006 and March 5, 2007, inclusive.

The Court directed that this Notice be sent to Class Members because they have a right to know about the proposed Settlement of this Class Action lawsuit, and about all of their options, before the Court decides whether to approve the Settlement. If the Court approves the Settlement and after objections and appeals, if any, are resolved, a Claims Administrator appointed by the Court will make the payments provided for in the Settlement in accordance with the Plan of Allocation ultimately approved by the Court.

This Notice explains the Class Action lawsuit, the Settlement, Class Members' legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the Action is the United States District Court for the Northern District of Texas (Dallas Division), and the case is known as *Hansen, et al. v. Fradella, et al.*, Civil Action No. 3:06-cv-01096-N. The case has been assigned to the Honorable David C. Godbey. The people who sued are called plaintiffs, and the company and the persons they sued and who have now settled with plaintiffs (Home Solutions, Frank J. Fradella, Jeffrey M. Mattich, Rick J. O'Brien, Michael Chadwick, Brian Marshall, Charles P. McCusker, and Sanders Harris Group, Inc.) are called the Settling Defendants.

### 2. What is this lawsuit about?

The Consolidated Class Action Complaint for Violations of Federal Securities Laws dated March 12, 2007 (the "Complaint") filed in the Action generally alleges, among other things, that Defendants issued false and misleading press releases and other statements regarding the financial condition of Home Solutions during a Class Period of April 11, 2006 through and including March 5, 2007, in a scheme to artificially inflate the value of Home Solutions' securities.

The Complaint further alleges that the Class Plaintiffs and other Class Members purchased Home Solutions common stock during the Class Period at prices artificially inflated as a result of the Defendants' dissemination of materially false and misleading statements regarding Home Solutions and were damaged thereby, and assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder.

Defendants denied that they violated any laws or committed any improper acts and asserted affirmative defenses. Defendants maintain that their actions were proper under the federal securities laws and deny that they are liable to Class Plaintiffs or the Class for the claims asserted in the Complaint.

### 3. Why is this a class action?

In a class action, one or more people called Class Plaintiffs (in this case, Reze Taherian, Ray Roehuer, William Shockley and Howard Louie) sue on behalf of people who have similar claims. All of the people with similar claims are referred to as a Class or Class Members. One court resolves the issues for all Class Members, except for those who exclude themselves from the Class.

4. Why is there a settlement?

Beginning in June 2006, various class actions alleging violations of federal securities laws were filed in this Court and were subsequently consolidated under the caption *Hansen, et al. v. Fradella, et al.*, and are hereinafter referred to collectively as the “Class Action.” On January 10, 2007, the Court appointed Reze Taherian, Ray Roehuer, William Shockley and Howard Louie collectively as the Lead Plaintiffs and appointed Scott + Scott, LLP as Lead Counsel.

The Consolidated Class Action Complaint for Violations of Federal Securities Laws dated March 12, 2007 (the “Complaint”) filed in the Action generally alleges, among other things, that Defendants issued false and misleading press releases and other statements regarding the financial condition of Home Solutions during a Class Period of April 11, 2006 through and including March 5, 2007, in a scheme to artificially inflate the value of Home Solutions’ securities in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder.

Defendants deny any wrongdoing whatsoever and this Stipulation shall in no event be construed or deemed to be evidence of or an admission or concession on the part of Defendants with respect to any claim or of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in the defenses that Defendants have asserted.

The Court did not decide in favor of Class Plaintiffs or Settling Defendants. Instead, both sides agreed to the Settlement to avoid the risks and cost of a trial, and so Class Members will receive compensation. The case would require all parties to engage experts and much of the proof would be highly technical making the outcome of any trial unpredictable. The Settling Defendants have vigorously contested this litigation and there is no assurance that a trial would have produced any recovery for the Class. Lead Plaintiffs and Plaintiffs’ Lead Counsel have concluded that the terms and conditions of this Stipulation are fair, reasonable and adequate to the Class Members and in their best interests in light of the real possibility that continued litigation would delay any recovery by the Class and could result in no recovery at all.

### WHO IS IN THE SETTLEMENT

To see if you will get money from this Settlement, you first have to determine if you are a Class Member.

5. How do I know if I am part of the Settlement?

The Court directed, that everyone who fits this description is a Class Member: *all persons who purchased the common stock of Home Solutions during the period between April 11, 2006 and March 5, 2007, inclusive (the “Class Period”), and were damaged thereby.*

6. Are there exceptions to being included?

Excluded from the Class are the Defendants, their officers, directors, and partners at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns, and any entity in which Defendants have or had a controlling interest. For purposes of this Settlement, the term “controlling interest” shall include any interest of 10% or more of the common stock of any entity. Also excluded from the Class are any putative Class Members who now exclude themselves by filing a timely request for exclusion in accordance with the requirements set forth in question 13 below.

If one of your mutual funds owns shares of Home Solutions common stock, that alone does not make you a Class Member. You are a Class Member only if you directly purchased or otherwise acquired Home Solutions

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OR CALL TOLL-FREE 1 (800) 961-3413

common stock during the Class Period. Contact your broker to see if you have or held Home Solutions common stock.

If you sold or otherwise disposed of Home Solutions common stock during the Class Period, that alone does not make you a Class Member. You are a Class Member only if you purchased Home Solutions common stock, as defined above.

7. What if I am still not sure if I am included?

If you are still not sure whether you are included, you can ask for free help. You can contact the Claims Administrator toll-free at 1 (800) 961-3413, or you can fill out and return the Proof of Claim form enclosed with this Notice package, to see if you qualify.

### THE SETTLEMENT BENEFITS — WHAT YOU GET

8. What does the Settlement provide?

In exchange for the Settlement and dismissal of the Action, the Settling Defendants have agreed to the payment of \$3.5 million to be divided, after taxes, fees, and expenses, among all Class Members who send in a valid Proof of Claim form.

9. How much will my payment be?

Your share of the fund will depend on the total Recognized Claims represented by the valid Proof of Claim forms that Class Members send in, the amount of Home Solutions common stock you purchased or acquired, and when you acquired it, and if and when you sold it.

By following the instructions on the Plan of Allocation, you can calculate what is called your Recognized Claim. It is unlikely that you will get a payment for all of your Recognized Claim. After all Class Members have sent in their Proof of Claim forms, the payment you get will be a part of the Net Settlement Fund equal to your Recognized Claim divided by the total of everyone's Recognized Claim. See the Plan of Allocation beginning on page 12 of this Notice for more information on your Recognized Claim.

### HOW YOU GET A PAYMENT — SUBMITTING A CLAIM FORM

10. How can I get a payment?

To qualify for a payment, you must send in a Proof of Claim form. A Proof of Claim form is enclosed with this Notice. Read the instructions carefully, fill out the Proof of Claim form, include all the documents the form asks for, sign it, and mail it so that it is **postmarked no later than February 26, 2009**.

11. When would I get my payment?

The Court will hold a Fairness Hearing on **March 23, 2009 at 3:00 p.m.** to decide whether to approve the Settlement. If the Court approves the Settlement after that, there may be appeals. It is always uncertain whether these appeals can be resolved, and resolving them can take time, perhaps more than a year. It also takes time for all of the Proofs of Claim to be processed. Please be patient.

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12. What am I giving up to get a payment or to stay in the Class?

Unless you exclude yourself, you will remain a Class Member, and that means that, if the Settlement is approved, you will release all “Settled Claims” (as defined below), including “Unknown Claims” (as defined below) against the “Released Parties” (as defined below):

- “Settled Claims” means any and all claims, debts, demands, rights or causes of action or liabilities whatsoever (including, but not limited to, any claims for damages, interest, attorneys’ fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on United States federal, state, local, statutory or common law or any other law, rule or regulation, whether foreign or domestic, fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, foreseen or unforeseen, whether class, derivative, or individual in nature, including both known claims and Unknown Claims (as defined below), (i) that have been asserted in the Action by the Class Members or any of them against any of the Released Parties (whether pleaded in the Complaint or not), or (ii) that could have been asserted in the Action or in any forum by the Class Members or any of them against any of the Released Parties, which arise out of, relate in any way to, or are based in any way upon any of the claims set forth in the Complaint and relate in any way to the purchase, sale, transfer or acquisition of any securities of Home Solutions during the Class Period, or any actions, representations or omissions that were alleged or might have been alleged to affect the price of any publicly traded securities of Home Solutions during the Class Period.

- “Released Parties” means Defendants and any and all of their past or present partners, principals, employees, predecessors, successors, affiliates, officers, directors, attorneys, agents, insurers and assigns.

- “Unknown Claims” means any and all Settled Claims which any Lead Plaintiff or Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, and any Settled Defendants’ Claims which Defendants do not know or suspect to exist in their favor, which if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Settled Claims and Settled Defendants’ Claims, the parties stipulate and agree that by operation of the Order and Final Judgment, upon the Effective Date, the Lead Plaintiffs and Defendants shall have expressly waived, and each Class Member shall be deemed to have waived, and by operation of the Final Judgment shall have expressly waived, any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his settlement with the debtor.

Lead Plaintiff and Defendants acknowledge, and Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Settled Claims and Settled Defendant’s Claims was separately bargained for and was a key element of the Settlement.

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OR CALL TOLL-FREE 1 (800) 961-3413

If you remain a member of the Class, all of the Court's orders will apply to you and legally bind you.

### EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do not want a payment from this Settlement, but you want to keep the right to sue one or more of the Settling Defendants and the other Released Parties, on your own, about the legal issues in this case, then you must take steps to remove yourself from the Settlement. This is called excluding yourself — or is sometimes referred to as “opting out.”

13. How do I get out of the proposed Settlement?

To exclude yourself from the Settlement Class, you must send a letter by first class mail stating that you “request exclusion from the Class in *Hansen, et al. v. Fradella, et al. Class Action.*” Your letter should include the date(s), price(s), number(s) and type(s) of all purchases and sales of Home Solutions common stock during the Class Period. In addition, you must include your name, address, telephone number, and your signature. You must mail your exclusion request **postmarked no later than February 26, 2009** to:

Home Solutions Securities Class Action  
c/o The Garden City Group, Inc.  
P.O. Box 9319  
Dublin, OH 43017-4219

You cannot exclude yourself by telephone or by e-mail. If you ask to be excluded, you will not get any payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit, and you may be able to sue the Settling Defendants and the other Released Parties in the future.

14. If I do not exclude myself, can I sue the Settling Defendants and the other Released Parties for the same thing later?

No. Unless you exclude yourself, you give up any rights to sue the Settling Defendants and the other Released Parties for any and all Settled Claims. If you have a pending lawsuit against the Released Parties, speak to your lawyer in that case immediately. You must exclude yourself from *this* Class Action to continue your own lawsuit. Remember, the exclusion deadline is **February 26, 2009**.

15. If I exclude myself, can I get money from the proposed Settlement?

No. If you exclude yourself, you may not send in a Proof of Claim form to ask for any money. But, you may sue or be part of a different lawsuit against the Settling Defendants and the other Released Parties.

### THE LAWYERS REPRESENTING YOU

16. Do I have a lawyer in this case?

The Court ordered that the law firm of Scott + Scott, LLP represent the Class Plaintiffs and the Class Members, including you. These lawyers are called Plaintiffs' Lead Counsel. If you want to be represented by your own lawyer, you may hire one at your own expense.

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OR CALL TOLL-FREE 1 (800) 961-3413

17. How will the lawyers be paid?

Plaintiffs’ Lead Counsel are moving the Court to award attorneys’ fees from the Settlement Fund in an amount not greater than thirty percent (30%) of the Gross Settlement Fund and for reimbursement of their expenses and interest from the Gross Settlement Fund.

**OBJECTING TO THE SETTLEMENT**

18. How do I tell the Court that I do not like the proposed Settlement?

If you are a Class Member, you can object to the proposed Settlement if you do not like any part of it. You can give reasons why you think the Court should not approve it. The Court will consider your views. To object, you must send a signed letter saying that you object to the proposed Settlement in the *Hansen, et al. v. Fradella et al.* Class Action. Be sure to include your name, address, telephone number, and your signature, identify the date(s), price(s), number(s) and type(s) of all Home Solutions common stock you purchased and sold during the Class Period, and state the reasons why you object to the proposed Settlement. Mail the objection to each of the following addresses so that it is received no later than **February 26, 2009**:

<b>COURT</b>	<b>PLAINTIFFS’ LEAD COUNSEL</b>	<b>COUNSEL FOR DEFENDANTS</b>
Clerk of the Court United States District Court Northern District Of Texas – Dallas Division 1100 Commerce Street – Room 1452 Dallas, TX 75242	SCOTT + SCOTT, LLP David R. Scott, Esq. 108 Norwich Avenue P.O. Box 192 Colchester, CT 06415	FULBRIGHT & JAWORSKI Gerard G. Pecht 1301 McKinney St Suite 5100 Houston, TX 77010-3095

19. What is the difference between objecting and excluding?

Objecting is simply telling the Court that you do not like something about the proposed Settlement. You can object only if you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

**THE COURT’S FAIRNESS HEARING**

The Court will hold a hearing to decide whether to approve the proposed Settlement. You may attend and you may ask to speak, but you do not have to.

20. When and where will the Court decide whether to approve the proposed Settlement?

The Court will hold a Fairness Hearing at **3:00 p.m. on Monday, March 23, 2009**, at the United States District Court for the Northern District of Texas, 1100 Commerce St., Room 1358, Dallas, Texas 75242. At the Hearing the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will listen to people who have asked to speak at the hearing. The Court may also decide how much to pay to Plaintiffs’ Lead Counsel. After the Settlement Fairness Hearing, the Court will decide whether to approve the Settlement. We do not know how long these decisions will take.

21. Do I have to come to the hearing?

No. Plaintiffs' Lead Counsel will answer questions the Court may have. You are, however, welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it although you are entitled to attend. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

22. May I speak at the hearing?

If you object to the Settlement, you may ask the Court for permission to speak at the Fairness Hearing. To do so, you must include with your objection (see question 18 above) a statement saying that it is your "Notice of Intention to Appear in *Hansen, et al. v. Fradella et al. Class Action*." Persons who intend to object to the Settlement, the Plan of Allocation, and/or counsel's application for an award of attorneys' fees and expenses and desire to present evidence at the Settlement Fairness Hearing must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the Settlement Fairness Hearing. You cannot speak at the hearing if you excluded yourself from the Class.

### IF YOU DO NOTHING

23. What happens if I do nothing at all?

If you do nothing, you will get no money from this Settlement. Unless you exclude yourself, you will not be able to start a lawsuit or be part of any other lawsuit against the Released Parties about the legal issues in this case, ever again.

### GETTING MORE INFORMATION

24. Are there more details about the proposed Settlement?

This Notice summarizes the proposed Settlement. More details can be found in an Amended Stipulation and Agreement of Settlement with Defendants filed **November 6, 2008** (the "Stipulation"). You can get a copy of the Stipulation and obtain answers to common questions regarding the proposed Settlement by contacting the Claims Administrator toll-free at 1 (800) 961-3413. A copy of the Stipulation is also available on the Claims Administrator's website at [www.homesolutionsofamericasettlement.com](http://www.homesolutionsofamericasettlement.com).

25. How do I get more information?

For even more detailed information concerning the matters involved in this Action, reference is made to the pleadings, to the Stipulation, to the Orders entered by the Court and to the other papers filed in the Action, which may be inspected at the Clerk of the Court's Office, United States District Court, Northern District Of Texas – Dallas Division, 1100 Commerce Street – Room 1452, Dallas, TX 75242, during regular business hours.

## PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS

The Cash Settlement Amount of \$3.5 million and any interest earned thereon shall be the Gross Settlement Fund. The Gross Settlement Fund, less all taxes, approved costs, fees and expenses (the "Net Settlement Fund") shall be distributed to Class Members who submit timely and valid Proof of Claim forms to the Claims Administrator ("Authorized Claimants").

The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's "Recognized Claim." The Recognized Claim formula is not intended to be an estimate of the amount a Class Member might have been able to recover after a trial; nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Claim formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

The following proposed Plan of Allocation reflects the proposition that the prices of Home Solutions common stock ("HSOA") were artificially inflated during the Class Period, from April 11, 2006, the first day of the Class Period, until March 5, 2007, inclusive, the last day of the Class Period, and that specified losses from trading Home Solutions common stock purchased during the Class Period will be recognized. Accordingly, Recognized Claims will be calculated for purposes of the Settlement as follows:

1. For HSOA common stock purchased between April 11, 2006 through May 22, 2006, inclusive:
  - a. No claim will be recognized for any shares of HSOA common stock purchased between April 11, 2006 and May 22, 2006 which were not owned as of the close of trading on March 2, 2007.
  - b. For common stock purchased between April 11, 2006 and May 22, 2006 and owned as of the close of trading on March 2, 2007 the Authorized Claimant's Recognized Claim shall be the lesser of: (i) of the difference, if a loss, between the purchase price and the sale price; or (ii) \$0.10 per share.
2. For HSOA common stock purchased between May 22, 2006 and June 1, 2006:
  - a. No claim will be recognized for any shares of HSOA common stock purchased between May 22, 2006 and June 1, 2006 which were not owned as of the close of trading on June 1, 2006.
  - b. For common stock purchased between May 22, 2006 and June 1, 2006 and sold between June 2, 2006 and June 5, 2006 inclusive, an Authorized Claimant's Recognized Claim shall be the lesser of: (i) the difference, if a loss, between the purchase price and \$9.70 per share; or (ii) \$1.27 per share.
  - c. For common stock purchased between May 22, 2006 and June 1, 2006 held as of the close of trading on June 5, 2006, an Authorized Claimant's Recognized Claim shall be the lesser of: (i) the difference, if a loss, between the purchase price and \$7.94 per share; or (ii) \$3.00 per share.
3. For HSOA common stock purchased between June 2, 2006 and June 5, 2006:
  - a. No claim will be recognized for any shares of HSOA common stock purchased between June 2, 2006 and June 5, 2006 which were not owned as of the close of trading on June 5, 2006.

b. For common stock purchased between June 2, 2006 and June 5, 2006 and held as of the close of trading on June 5, 2006, an Authorized Claimant's Recognized Claim shall be the lesser of: (i) the difference, if a loss, between the purchase price and \$7.94 per share; or (ii) \$1.73 per share.

4. For HSOA common stock purchased between June 6, 2006 and March 2, 2007:

a. No claim will be recognized for any shares of HSOA common stock purchased between June 6, 2006 and March 2, 2007 which were not owned as of the close of trading on March 2, 2007.

b. For common stock purchased between June 6, 2006 and March 2, 2007 and held as of the close of trading on March 2, 2007, an Authorized Claimant's Recognized Claim shall be the lesser of: (i) the difference, if a loss, between the purchase price and \$4.91 per share; or (ii) \$0.10 per share.

5. For HSOA common stock purchased on March 5, 2007: an Authorized Claimant's Recognized Claim shall be the lesser of: (i) the difference, if a loss, between the purchase price and \$4.91 per share; or (ii) \$0.10 per share.

In the event a Class Member has more than one purchase or sale of Home Solutions common stock during the Class Period, all purchases and sales within the Class Period shall be matched on a Last In First Out ("LIFO") basis. A purchase or sale of Home Solutions common stock shares shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date. The receipt or grant by gift, devise or operation of law of Home Solutions common stock during the Class Period shall not be deemed a purchase or sale of Home Solutions common stock for the calculation of an Authorized Claimant's Recognized Claim nor shall it be deemed an assignment of any claim relating to the purchase of such shares unless specifically provided in the instrument of gift or assignment. The receipt of Home Solutions common stock during the Class Period in exchange for securities of any other corporation or entity shall not be deemed a purchase or sale of Home Solutions common stock.

To the extent a Claimant had a net gain from his, her or its overall transactions in Home Solutions common stock during the Class Period, the value of the Recognized Claim will be zero.

Each Authorized Claimant shall be allocated a *pro rata* share of the Net Settlement Fund based on his, her, or its Recognized Claim as compared to the total Recognized Claims of all Authorized Claimants.

Class Members who do not submit acceptable Proofs of Claim will not share in the Settlement proceeds. The Settlement and the Order and Final Judgment of the Court dismissing this Class Action will nevertheless bind Class Members who do not either submit a request for exclusion or submit an acceptable Proof of Claim form.

Please contact the Claims Administrator or the offices of Plaintiffs' Lead Counsel if you disagree with any determinations made by the Claims Administrator regarding your Proof of Claim. If you are unsatisfied with the result, you may ask the Court, which retains jurisdiction over the Claims Administration process, to decide the issue in your favor by submitting a written request.

Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement. If any funds remain in the Net Settlement Fund by reason of un-cashed distribution checks or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, any balance remaining in the Net Settlement Fund one (1) year after the initial distribution of such funds shall be re-distributed to Class Members who have cashed their initial distributions and who would receive at least \$10.00 from such re-distribution, after payment of any unpaid costs or fees incurred in

administering the Net Settlement Fund for such re-distribution. If after six months after such re-distribution any funds shall remain in the Net Settlement Fund, then such balance shall be contributed to non-sectarian, not-for-profit, 501(c)(3) organization(s) designated by Plaintiffs' Lead Counsel.

## **SECTION 2 – DERIVATIVE LITIGATION**

*(Sved v. Chadwick et al., Civil Action No. 3:06-cv-01135-N)*

### **PURPOSE OF NOTICE**

This section of the Notice serves to inform you of the above captioned action (the "Derivative Action") pending in the United States District Court for the Northern District of Texas (Dallas Division) (the "Court"), the proposed settlement of the Derivative Action (the "Settlement"), a hearing on the proposed settlement (the "Settlement Hearing"), and your right, among other things, to participate in the Settlement Hearing. The Settlement Hearing will be held before The Honorable David C. Godbey, on **March 23, 2009, at 3:00 p.m.**, at the United States District Court for the Northern District of Texas, 1100 Commerce St., Room 1358, Dallas Texas 75242, to: (i) determine whether the terms and conditions of the proposed Settlement provided for in the Stipulation of Compromise and Settlement executed on **November 10, 2008** (the "Derivative Stipulation," ), are fair, reasonable, adequate, and in the best interests of Home Solutions and its stockholders; (ii) determine whether Judgment should be entered dismissing, with prejudice, the Derivative Action, as asserted by the Named Shareholder Plaintiff on behalf of the other stockholders of the Company and the Company itself; (iii) hear and determine any objections to the Settlement; (iv) determine whether the Named Shareholder Plaintiff and their Counsel have adequately represented the interests of the Company and its shareholders; and (v) if the Court approves the Settlement and enters Judgment, determine whether it should award attorneys' fees and expenses to Counsel for the Named Shareholder Plaintiffs; and (vi) consider other such matters as the Court deems appropriate.

### **FACTUAL BACKGROUND**

This is a shareholder derivative action brought by Plaintiff for the benefit of Nominal Defendant Home Solutions against Defendants Michael S. Chadwick, Frank J. Fradella, Willard W. Kimbrell, Charles P. McCusker, Jr., Patrick A. McGeeney and Rick J. O'Brien for breaches of fiduciary duties owed to Home Solutions during the period April 11, 2006 through the present ("relevant period").

### **SUMMARY OF THE SETTLEMENT**

In order to effect a full and final settlement of the Derivative Action, the Company has agreed to implement the following corporate governance measures:

- a.) Home Solutions will separate the positions of Chairman of the Board and Chief Executive Officer, which shall remain separated for a period of at least four years following the date of the stipulation.
- b.) The appointment by Home Solutions of an independent and disinterested Chairman of the Board, Michael McGrath, whom Plaintiff acknowledges is independent and disinterested.
- c.) The appointment by Home Solutions of a new interim Chief Financial Officer.
- d.) The resignation of Defendant Brian Marshall as an officer and director of Home Solutions.
- e.) The retention of an outside law firm, Haynes & Boone, to conduct an investigation and report their findings to Home Solutions' Board of Directors.
- f.) The adoption by Home Solutions of enhanced procedures to ensure the accuracy of its press releases and public announcements.

QUESTIONS? VISIT [WWW.HOMESOLUTIONSOFAMERICASETTLEMENT.COM](http://WWW.HOMESOLUTIONSOFAMERICASETTLEMENT.COM)

OR CALL TOLL-FREE 1 (800) 961-3413

- g.) Home Solutions shall not make strategic equity investments in any company in which a Director or Executive Director has a direct ownership of more than 5%, subject to Home Solutions' ability, through reasonable efforts, to determine ownership interests in any such company.

### **ATTORNEYS' FEES, PLAINTIFF AWARD AND EXPENSES**

Plaintiff's Counsel may apply for and receive an award of attorneys' fees and reimbursement of expenses from the District Court of \$200,000 in cash and \$50,000 in Home Solutions common stock (the "Settlement Stock"), and Plaintiff may apply for a Plaintiff Award of \$2,000 without opposition from Defendants or Nominal Defendant.

### **THE SETTLEMENT HEARING**

The Court has scheduled a Settlement Hearing, which will be held before The Honorable David C. Godbey, on **March 23, 2009, at 3:00 p.m.**, at the United States District Court for the Northern District of Texas, 1100 Commerce St., Room 1358, Dallas, Texas 75242, to:

- a.) determine whether the Named Shareholder Plaintiff and Counsel for the Named Shareholder Plaintiff have adequately represented the interests of Home Solutions and its shareholders;
- b.) determine whether the Settlement should be approved by the Court as fair, reasonable, adequate, and in the best interests of Home Solutions and its shareholders;
- c.) determine whether final judgment should be entered dismissing the Derivative Action with prejudice, and releasing, barring, and enjoining prosecution of any and all Claims released in the Stipulation;
- d.) consider any application by the Named Shareholder Plaintiff and/or Counsel for the Named Shareholder Plaintiff for an award of attorneys' fees, costs, and/or expenses;
- e.) hear and determine any objections to the Settlement and/or to any award of attorneys' fees, costs, and/or expenses to the Named Shareholder Plaintiff and/or Counsel for the Named Shareholder Plaintiff; and
- f.) rule on such other matters as the Court may deem appropriate.

### **RIGHT TO APPEAR AT SETTLEMENT HEARING**

Any Current Shareholder who objects to the Stipulation, the Settlement, the Order and Final Judgment to be entered herein, and/or any application for attorneys' fees, costs, and/or expenses by the Plaintiff's Counsel, or who otherwise wishes to be heard, may appear in person or through his, her, or its attorney at the Settlement Hearing and present any evidence or argument that may be proper and relevant; provided however, that no person other than the Plaintiff, the Defendants, the Company, and their respective counsel in the Derivative Action shall be heard, and no papers, briefs, pleadings or other documents submitted by any Current Shareholder shall be received and considered by the Court (except as the Court, in its discretion, shall hereafter otherwise direct, upon application of such Current Shareholder and for good cause shown) unless, on or before **February 26, 2009**, the Current Shareholder files with the Clerk of the Court, United States District Court, Northern District Of Texas (Dallas Division) 1100 Commerce Street – Room 1452, Dallas, TX 75242 and, on or before such filing, serves, by hand delivery or overnight mail on the counsel of record listed below, the following: (i) a written notice of intention to appear; (ii) proof of current and continuous ownership of Home Solutions common stock; (iii) a detailed statement of the Current Shareholder's objections to any matter before the Court; and (iv) the grounds therefor or the reasons why the Current Shareholder desires to appear and to be heard, as well as all documents and writings which the Current Shareholder desires the Court to consider.

QUESTIONS? VISIT [WWW.HOMESOLUTIONSOFAMERICASETTLEMENT.COM](http://WWW.HOMESOLUTIONSOFAMERICASETTLEMENT.COM)  
OR CALL TOLL-FREE 1 (800) 961-3413

Such filings must be served upon the following counsel:

<b>DERIVATIVE PLAINTIFF'S COUNSEL</b>	<b>COUNSEL FOR DEFENDANTS</b>
FEDERMAN & SHERWOOD William B. Federman 10205 N. Pennsylvania Oklahoma City, OK 73120	FULBRIGHT & JAWORSKI Gerard G. Pecht 1301 McKinney St Suite 5100 Houston, TX 77010-3095

### **SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES**

If you purchased Home Solutions common stock during the Class Period for the beneficial interest of a person or organization other than yourself or if any person or organization other than yourself owns Home Solutions common stock that you are aware of, the Court has directed that, **WITHIN SEVEN (7) DAYS OF YOUR RECEIPT OF THIS NOTICE**, you either: (a) provide to the Claims Administrator the name and last known address of each person or organization, or (b) request additional copies of this Notice and the Proof of Claim form, which will be provided to you free of charge, and within seven (7) days mail the Notice and Proof of Claim form directly to the beneficial owners of the securities referred to herein. If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Gross Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

Home Solutions Securities Class Action  
c/o The Garden City Group, Inc.  
P.O. Box 9319  
Dublin, OH 43017-4219  
Toll-Free: 1 (800) 961-3413

Dated: December 3, 2008

By Order of the Court  
CLERK OF THE COURT