

October 17, 2007

Nasdaq Stock Market
One Liberty Plaza
165 Broadway New York, New York. 10006
212-401-8700

Attn: Robert McCooley- New Listings
Robert Griefeld- President/CEO Nasdaq
Edward Knight-General Counsel

Gentlemen,

This letter calls for your immediate action to require full reporting compliance from a company currently trading on the NASDAQ whose serious reporting deficiencies are "slipping under the radar".

It is the opinion of Citron Research that Home Solutions of America falls deficient for minimum standards to maintain its NASDAQ listing for a number of reasons. Some of these reasons are:

- Lack of minimum standards for independence of its board of directors
- Lack of an independent audit committee.
- Lack of controls in the audit process
- Lack of disclosure of related party transactions which render current financial reports unreliable

All of the above are substantiated from the company's own 10-K.

Despite these inadequate protections of the public interest, events currently unfolding at Home Solutions of America require immediate attention from regulatory agencies.

On August 9, Home Solutions of America distributed a press release stating that they needed to delay filing their 10-Q for another week, citing the need to gain approval from their Line of Credit lender of revised terms pursuant to an outstanding note for \$23 million with a related party.

On August 15, the company filed their 10-Q, reflecting that revision, which favorably changed their balance sheet due to the change in the note status. The company cancelled a \$23.5 million note while at the same time only cancelled \$14 million of the receivable related to note. Yet, the LOC lender had not approved the change to this agreement, so therefore it could not have been effective. So, not only was this an **inaccurate** snapshot of the company's financial condition on June 30, but more importantly, it reflected financials that could not and still cannot be relied upon.

Now, two months later, the company still has not announced the lender's approval of this transaction, or its impact on the terms of its Line of Credit. Yet the company has never

amended their Q2 financials to reverse the favorable transaction. How can they prepare a current Q3 filing when Q2 is materially false? Income statements are contingent on prior accurate balance sheets, but the company has yet to update their Q2.

The company has already disclosed to the investing public that there are open inquiries from both the SEC and Nasdaq regarding public disclosures, as stated in their last 10-Q. Yet, during this time of scrutiny from both the Nasdaq and the SEC, Home Solutions continues to compound their disclosure issues.

The status of the company's Line of Credit is no inconsequential business detail. The company's balance sheet clearly shows the Line of Credit to be the company's main source of liquidity. Its status is the single most material transaction by which the market can assess the company's viability.

It is our opinion that NASDAQ needs to require Home Solutions to restate its Q2 filings immediately. A reliable Q3 filing is impossible prior to this restatement. Both statements need to reflect fully and accurately the status of Home Solutions' line of credit as of the filing date, as well as all transactions that are contingent upon the reported status of that line of credit.

Disclosure: I hold a short position in HSOA's stock. Regardless, I would never make any statement to the NASDAQ that is not verifiable from public sources.

Please feel free to contact me with any questions.

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