

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA

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| UNITED STATES OF AMERICA | * | CRIMINAL DOCKET NO. 12- 207 |
| v. | * | SECTION: "E" |
| FRANK J. FRADELLA | * | |
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FACTUAL BASIS

If this case were to proceed to trial, the United States would prove beyond a reasonable doubt, through credible testimony and reliable evidence, the following facts:

Public Corruption in the City of New Orleans

At all times material to the charged criminal conduct, the defendant, Frank J. Fradella ("Fradella"), controlled and/or operated under or through various corporate identities including Home Solutions of America, Inc. ("Home Solutions"), Home Solutions Restoration of Louisiana, Inc. ("HSRL"), Picke Construction Corporation, CKB Investments, LLC and Company "X."

At all times material to the charged criminal conduct, the City of New Orleans was a local government/municipality/political subdivision within the State of Louisiana that received federal assistance in excess of \$10,000 annually. Public Official "A" was an agent of the City of New Orleans from in or near May, 2002 through May, 2012. During this same time period, Frank J. Fradella and his related entities were involved in a series of transactions with the City of New

Orleans in excess of \$5,000 or more.

Beginning in or near January, 2007, and continuing through March, 2011, in the Eastern District of Louisiana, and elsewhere, the defendant, Frank J. Fradella, and others known and unknown to the United States Attorney, did knowingly and willfully combine, conspire and agree with each other to corruptly give, offer, and agree to give things of value to Public Official "A," in connection with a series of City of New Orleans transactions involving anything of value of \$5,000 or more.

On or about the following dates, in furtherance of and also in an effort to conceal the conspiracy and accomplish its purposes, the defendant, Frank J. Fradella, and others, committed the following overt acts, among others, in the Eastern District of Louisiana and elsewhere:

In general, beginning in or near January, 2007, and continuing through in or near March, 2011, Frank Fradella, provided payoffs in various forms to Public Official "A."

From in or near January, 2007, and continuing through in or near May, 2010, Public Official "A," in exchange for the payoffs, used his office to provide favorable treatment and benefits to Fradella and his business interests.

A. Payoffs From Fradella to Public Official "A"

1. \$50,000 Check to Public Official "A"

On or about June 23, 2008, Fradella executed a \$50,000 payoff to Public Official "A." The payoff scheme also involved funneling the funds through a bank account controlled by a board member of his company in an effort to disguise the illegality of the payment. In order to further conceal the true nature of the payoff, Public Official "A" provided corporate ownership documentation to the board member to create the illusion of legitimacy.

2. Free Granite from Fradella to Public Official “A”

Fradella also provided numerous truck loads of free granite to Public Official “A.”

3. Post-City Hall Monies

Fradella also facilitated a consulting agreement and monthly payments in excess of \$10,000 for Public Official “A” after Public Official “A” left office in May, 2010.

B. Official Acts by Public Official “A”

During the time period beginning in or near January, 2007, continuing through May, 2010, Public Official “A” approved City of New Orleans contracts involving Fradella’s business interests. Public Official “A” also used his public office and his official capacity to promote Fradella’s business interests to include promoting his publicly-traded corporation’s financial image.

False Certification of Financial Reports by a Corporate Officer

In 2006, Home Solutions of America, Inc. (“Home Solutions”) was a publicly-owned Delaware corporation with its principal corporate offices in the city of Dallas, in the Northern District of Texas. It was in the business of construction and restoration, including restoration following natural disasters such as hurricanes. From time to time, it acted as a subcontractor, providing goods and services to other companies that were also in the construction and restoration business, and it conducted some of its business operations through wholly-owned subsidiaries, including Home Solutions Restoration of Louisiana, Inc. (“HSRL”).

Shares of Home Solutions stock traded on the NASDAQ Global Market, under the ticker symbol “HSOA,” and those shares were registered with the United States Securities and Exchange Commission (“SEC”) under Section 12 of the Securities Exchange Act of 1934. During 2006, Home Solutions filed with the SEC, pursuant to Section 13(a) and Section 15(d) of the Securities Exchange

Act of 1934, quarterly reports on Form 10-Q for the three-month periods ended March 31, June 30, and September 30, and it filed with the SEC an annual report on Form 10-K for the 12-month period ended December 31 (all of these reports hereafter “SEC reports”).

Those SEC reports disclosed to public investors financial information about the performance of Home Solutions and its subsidiaries, including their revenue and operating income. The financial information disclosed by Home Solutions was available to public investors for their use in determining the value of Home Solutions stock and making decisions about investing in Home Solutions stock.

In 2006, Fradella was the Chief Executive Officer (“CEO”) of Home Solutions and the Chairman of its Board of Directors. As CEO, Fradella was responsible for certifying the truth and accuracy of financial data that Home Solutions disclosed to the public through its SEC reports, including revenue and operating income earned by Home Solutions and its subsidiaries.

In September 2006, Fradella directly and indirectly caused HSRL personnel to prepare and send to a customer seven (7) invoices reflecting charges for goods and services that HSRL ostensibly provided to the customer during the period September 1-15, 2006. Each invoice related to one of seven (7) projects located in New Orleans, Louisiana.

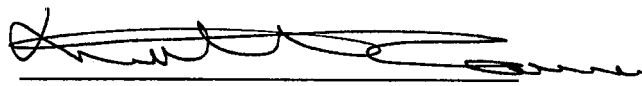
Fradella also directly and indirectly caused Home Solutions to record a material amount of revenue and operating income on its books for the three (3) months ending September 30, 2006, based on the HSRL invoices to the customer. And on or about November 14, 2006, Fradella caused Home Solutions to report that revenue and income to public investors in its quarterly SEC report for the three (3) months ended September 30, 2006.


On or about November 14, 2006, Fradella knew that that revenue and income was false and fictitious. Fradella knew that the customer did not actually owe the dollar amounts reflected in the HSRL invoices, and he had no reason to believe that HSRL could collect those amounts. Nevertheless, on or about November 14, 2006, Fradella, knowing that the information contained in the Form 10-Q for the three (3) months ended September 30, 2006 did not fairly present, in all material respects, the financial condition and results of operations of Home Solutions, knowingly certified falsely that the information in the SEC report did fairly present, in all material respects, the financial condition and results of operations of Home Solutions.

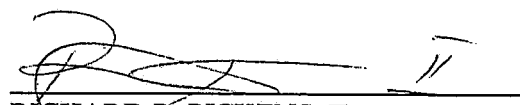
In summary, all of the evidence introduced at trial would establish the elements of the offenses charged in the Superseding Bill of Information and prove the defendant's guilt beyond a reasonable doubt.

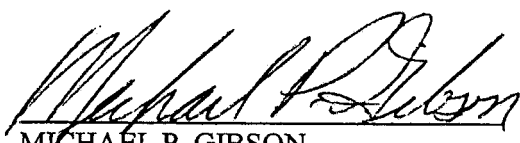
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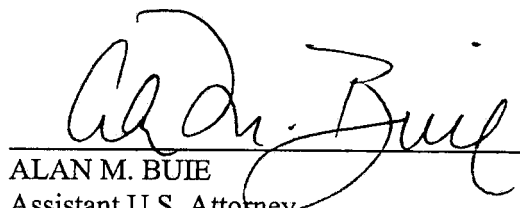

FRANK J. FRADELLA
Defendant


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