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17 UNITED STATES DISTRICT COURT
18 DISTRICT OF ARIZONA

19 THE NAGEL FAMILY TRUST, ON)
20 BEHALF OF ITSELF and ALL OTHERS)
21 SIMILARLY SITUATED,)

22 Plaintiffs,)

23 vs.)

24 SYNTAX-BRILLIAN CORPORATION)
25 A.K.A. OLEVIA INTERNATIONAL)
26 GROUP, INC., VINCENT F. SOLLITTO,)
27 JR., JAMES CHING HUA LI, MAN KIT)
(THOMAS) CHOW and WAYNE)
PRATT,)

Defendants.)

CASE NO.

CLASS ACTION COMPLAINT FOR
VIOLATION OF THE FEDERAL
SECURITIES LAWS

JURY TRIAL DEMANDED

Plaintiff, The Nagel Family Trust (“Plaintiff”), individually and on behalf of all others similarly situated, by Plaintiff’s undersigned attorneys, alleges upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through plaintiff’s attorneys, which included,

1 among other things, a review of the public documents and announcements made by Defendants,
2 Securities and Exchange Commission (“SEC”) filings, and press releases regarding Syntax-
3 Brillian Corporation (“BRLC” or the “Company”) as follows:

4 **NATURE OF THE ACTION**

5 1. This is a class action on behalf of all persons who acquired the common stock,
6 sold put, or bought call options of BRLC during the period May 3, 2007, through and including
7 September 12, 2007 (the “Class Period”), to recover damages caused by Defendants’ violation
8 of the federal securities laws (the “Class”). During the Class Period, Defendants issued to the
9 investing public false and misleading financial statements and press releases concerning the
10 Company’s publicly reported revenues, earnings, business operations and prospects, and true
11 state of internal controls over financial reporting.

12 2. On September 12, 2007, after the market closed for trading, BRLC announced
13 that calendar year revenues would be several hundreds of millions of dollars below previously
14 issued guidance, that the Company suffered failures in its accounting systems requiring it to
15 revise certain expense items, and that it identified a material weakness in controls related to the
16 Company’s inventory process, revenue process, reserves and allowances process, income tax
17 provision process and financial statement close procedures. The Company further disclosed that
18 it was experiencing trouble securing sufficient supplies of panels, it did not have adequate
19 financing to meet demand, and was experiencing difficulty in collecting its receivables in a
20 prompt manner.

21 3. These disclosures, which contradicted much of the information Defendants
22 issued to the market during the Class Period concerning the Company’s reported revenues and
23 results, caused the Company’s stock to drop the next day from \$6.13 to \$4.01, or 35% on
24 volume of 36 million shares (nearly 14 times the average daily volume).

25 4. As detailed below, BRLC insiders, however, fared far better than public
26 stockholders. Indeed, while in possession of material, non-public information, defendants sold
27 nearly \$170 million worth of stock at inflated prices.

1 **JURISDICTION AND VENUE**

2 5. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a)
3 of the Securities Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. §78j(b) and 78t(a) and
4 the rules and regulations promulgated thereunder by the SEC, including Rule 10b-5, 17 C.F.R.
5 §240.10b-5.

6 6. This Court has jurisdiction over the subject matter of this action pursuant to
7 Section 27 of the Exchange Act, 15 U.S.C. §78aa and 28 U.S.C. §1331.

8 7. Venue is proper in this Judicial District pursuant to Section 27 of the Exchange
9 Act as the Company maintains its headquarters in this District and many of the acts and
10 practices complained of herein occurred in substantial part in this District.

11 8. In connection with the acts, transactions and conduct alleged herein, Defendants,
12 directly and indirectly, used the means and instrumentalities of interstate commerce, including
13 the United States mails, interstate telephone communications and the facilities of the national
14 securities exchanges.

15 **THE PARTIES**

16 9. Plaintiff sold puts of BRLC common stock during the Class Period as per the
17 annexed certificate and suffered economic damages that were caused by defendants’ false
18 statements to the market following the disclosure of curative information.

19 10. Defendant Syntax-Brilliant Corporation is incorporated in Delaware and
20 maintains its executive offices at 1600 North Desert Drive, Tempe, Arizona.

21 11. Syntax-Brilliant Corporation is one of the world’s leading manufacturers and
22 marketers of high-definition televisions utilizing liquid crystal display technology, digital
23 cameras, and microdisplay entertainment products under the brand names Olevia, Brilliant, and
24 Vivitar. The Company resulted from the merger of Syntax Groups Company and Brilliant
25 Corporation in November 2005. A year later it acquired the Vivitar Corporation and on
26 November 14, 2007, the Company announced that it was changing its name to Olevia
27 International Group, Inc., to better reflect the primary product offerings of the Company.

1 12. BRLC was under an obligation, and had a duty, to promptly disseminate truthful
2 and accurate information with respect to BRLC and to promptly correct any public statements
3 issued by or on behalf of the Company which had become false or misleading.

4 13. BRLC knew or recklessly disregarded that the misleading statements and
5 omissions complained of herein would adversely affect the integrity of the market for the
6 Company's stock and would cause the price of the Company's common stock to become
7 artificially inflated. Defendants acted knowingly or in such a reckless manner as to constitute a
8 fraud and deceit upon Plaintiff and the other members of the Class.

9 14. Defendant Vincent Sollitto, Jr., was appointed Executive Chairman of the Board
10 of Directors effective October 2007. He was nominated Chairman of the Board in December
11 2005 and elected to the company's Board in June 2003. Mr. Sollitto was also Chief Executive
12 Officer from June 2003 through September 2007.

13 15. Defendant James Ching Hua Li, was appointed Chief Executive Officer effective
14 October 2007 and has been a director since the merger of Syntax Groups Company and Brillian
15 Corporation in November 2005. He co-founded Syntax Groups Company in 2003 and, upon the
16 merger in 2005, assumed the positions of President and Chief Operating Officer.

17 16. Defendant Man Kit (Thomas) Chow, is the Company's Executive Vice-President
18 and Chief Procurement Officer. He has been Chief Procurement Officer and a director of the
19 Company since November 2005. Mr. Chow served as Syntax's Chief Financial Officer from
20 May 1, 2004 until the merger with Brillian in November 2005. On May 24, 2007, he sold
21 1,399,999 shares of BRLC stock at \$5.75 per share for a total of \$ 8,049,994.25 in cash.

22 17. Defendant Wayne Pratt was the Company's Vice President, Chief Financial
23 Officer, Secretary and Treasurer at all relevant times. He resigned his positions with the
24 Company effective on September 30, 2007.

25 18. Messrs. Sollitto, Chow, Li, and Pratt are sometimes referred to as the "Individual
26 Defendants."

27

1 28. According to Defendant Sollitto, the bridge loan was to provide working capital
2 to fund general corporate programs and better enable the Company to meet growing demand for
3 its product in the markets globally.

4 29. On the news, BRLC stock rose from \$7.47 to \$8.16 per share on the next day of
5 trading.

6 30. Defendant's statement with regard to the bridge financing was false and
7 misleading when made, as it failed to disclose that the Company lacked sufficient financing to
8 meet demand for its products globally.

9 31. On May 10, 2007, after the market close, the Company issued two press releases.
10 The first announced financial results for the third fiscal quarter ended March 31, 2007.
11 Defendant Sollitto stated, "I am extremely pleased with the results this quarter. The success of
12 our advertising campaigns has resulted in increased demand for our Olevia HDTVs and,
13 therefore, our revenue outlook for the full calendar year has now been increased to a range of
14 \$975 million to \$1.1 billion."

15 32. This statement was false and misleading when made because it failed to disclose
16 that the Company did not have the necessary working capital in place or had secured sufficient
17 supplies of panels necessary to meet the projected demand for its product.

18 33. The second press release issued after the market closed on May 10, 2007,
19 announced that the Company, "plans to offer approximately \$150 million and certain of its
20 stockholders plan to offer approximately \$22 million of shares of Syntax-Brilliant common stock
21 in an underwritten public offering."

22 34. Also on May 10, 2007, defendants Sollitto and Pratt held a conference call with
23 investors to discuss results for the third fiscal quarter. On the call, defendant Pratt reiterated
24 that, "for the calendar year, ending December 31, 2007, we anticipate consolidated revenue to
25 be in the range of \$950 million to \$1.1 billion with consolidated gross margins in the range of
26 16 to 18%."

27

1 35. Additionally, defendant Pratt stated that, “as of May 9, approximately \$69
2 million of invoices from South China House of Technology (“SCHOT”) are past due and our
3 total outstanding receivable balance from SCHOT was down to \$133.2 million. The delay in
4 collections from SCHOT is driven by seasonal delays from SCHOT’s China retailers. In the
5 past two weeks the rate of payments has increased significantly.”

6 36. This statement was false and misleading when made as it failed to disclose the
7 difficulty the Company was having in getting its China receivables paid, which was the largest
8 segment of its revenues.

9 37. Defendant Pratt further stated that, “accounts receivable and due from factor
10 excluding the Asian receivables totaled \$98.7 million or 45.7 days at March 31, 2007, compared
11 with 73.9 days at March 31, 2006, and 56.8 days at December 31, 2006.”

12 38. This statement was false and misleading when made as it failed to disclose that
13 the Company was having trouble collecting on its non-Asian receivables, which were a growing
14 segment of its business.

15 39. Defendant Sollitto stated that, “while April was a difficult month for our channel
16 partners, with widespread allocation constraints, the bridge loan from CIT and the steady inflow
17 of our payments from our China and domestic sales had allowed us to update our outlook for the
18 June quarter. I believe we will be able to satisfy upside demand across most of the global
19 channel beginning in July.”

20 40. In response to an analyst questioning the assumptions that lead to the full year
21 revenue guidance of \$975 million to \$1.1 billion, defendant Sollitto responded, “the outlook that
22 we have, I think we are being very conservative here and we should, is based on our current
23 forecast from our current channel partners. We do believe that there is significant upside which
24 is obviously why we are looking to finance at a faster rate, in just receivables growth.”

25 41. The analyst, John Vinh of C.E. Unterberg, Towbin, inquired further, “I see, you
26 think you can take – this is achievable through organic growth currently?” To which defendant
27 Sollitto replied, “yes.”

1 42. Ted Jackson, an analyst from Cantor Fitzgerald asked defendant Sollitto, “but
2 would your contracts relative to your panel suppliers cover the – your – I mean essentially your
3 guidance that you have given for the year?” “<A>Yeah.” “<Q> You would not have to go out
4 in the spot market?” “<A> No we don’t and in fact we have been approached by the panel
5 manufacturers to offer increases in our contracts.”

6 43. In response to a question from Brian Alger, an analyst with Stratos Capital, who
7 asked about maintaining gross margins should panel prices rise, defendant Sollitto responded
8 that, “these are contracts that James Li actually measures and monitors on a monthly basis.”

9 44. In a follow-up, Mr. Alger asked, “right, so is this combination of things and just
10 so I understand the dynamic here, the contract you have with your panel suppliers aren’t
11 necessarily at a fixed price but for a certain amount of volume over the year, and then if just as a
12 follow up to the previous question if panel prices were to G-d forbid to go up is there a true up
13 on the contract where you might actually have to kick back additional money ...?” <A> No, I
14 mean we never see this a lot since they never happen. Never say never. We haven’t ever seen a
15 case of where our prices went up on the contract side. What happens is that we have a
16 commitment to certain pricing and that pricing has measurements against the industry pricing.
17 And each quarter is reviewed to ensure that we are paying below that industry pricing. When
18 they talk about panel prices going up, remember what they are really doing is they are
19 increasing panel prices on the spot market which represents about 5% of the total supply in an
20 effort to try to hold prices, for the – on panels in general.”

21 45. These statements were false and misleading when made, as they failed to
22 disclose that the Company did not have sufficient financing in place nor had it secured sufficient
23 panels from its suppliers to produce enough product to meet the market demand.

24 46. Defendants also announced on the conference call their intention to do a \$150
25 million underwritten public offering.

26 47. The closing price of the stock the next day was \$7 per share.

27

1 48. On May 11, 2007, the Company filed a Form 10-Q with the SEC for the period
2 ended March 31, 2007. The report contains Certifications by defendants Sollitto and Pratt
3 pursuant to the Sarbanes-Oxley Act of 2002 attesting that the report “does not contain any
4 untrue statement of a material fact or omit to state a material fact necessary to make the
5 statements made, in light of the circumstances under which such statements were made, not
6 misleading with respect to the period covered by this report;” and that, “the information
7 contained in the Report fairly presents, in all material respects, the financial condition and
8 results of operations of the Company.”

9 49. The financial statements made in the quarterly report filed with the SEC were
10 false and misleading when made because the Company in fact, as it later admitted, lacked
11 adequate internal controls and was therefore unable to ascertain its true financial condition and
12 incorrectly accounted for its warranty and income tax expenses in the third quarter ended March
13 31, 2007.

14 50. On May 14, 2007, the Company announced that it had filed a prospectus
15 supplement to its “proposed underwritten public offering of 25,608,695 shares of its common
16 stock, consisting of 23,000,000 shares to be issued by the company and 2,608,695 shares to be
17 sold by certain of its stockholders. In connection with the offering, Syntax-Brilliant and the
18 selling stockholders also plan to grant the underwriters an option to purchase up to an aggregate
19 of 3,841,305 additional shares of common stock. Merrill Lynch & Co. will be the sole book-
20 running manager for the offering. UBS Investment Bank will be co-lead manager. Robert W.
21 Baird & Co., Canaccord Adams, and Brean Murray, Carret & Co. will serve as co-managers.
22 Net proceeds to Syntax-Brilliant are intended to be used to finance the working capital needs
23 associated with continued expansion of its business, to repay \$20.0 million of outstanding
24 indebtedness, and for other general corporate purposes.”

25 51. This statement was false and misleading when made as it failed to disclose that
26 the company would not be able to meet its financing needs with this offering.

27

1 52. On May 24, 2007, the Company filed a prospectus supplement with the SEC on
2 behalf of itself and certain selling shareholders offering over 25.6 million BRLC shares. The
3 prospectus supplement noted that in conjunction with the offering, the Company would receive
4 \$143,343,130 and the selling stockholders would receive \$16,258,195.

5 53. The prospectus noted that the Company “incorporate(s) by reference into this
6 prospectus supplement the ... Form 10-Q/A for the quarter ended March 31, 2006 filed with the
7 SEC on October 20, 2006, Form 10-Q/A for the quarter ended September 30, 2006 filed with
8 the SEC on February 16, 2007, Form 10-Q for the quarter ended December 31, 2006 filed with
9 the SEC on February 14, 2007.”

10 54. Each of the quarterly reports incorporated by reference in the prospectus contain
11 Certifications by defendants Sollitto and Pratt pursuant to the Sarbanes-Oxley Act of 2002
12 attesting that the report “does not contain any untrue statement of a material fact or omit to state
13 a material fact necessary to make the statements made, in light of the circumstances under
14 which such statements were made, not misleading with respect to the period covered by this
15 report;” and that, “the information contained in the Report fairly presents, in all material
16 respects, the financial condition and results of operations of the Company.”

17 55. The information contained in the prospectus concerning financial information for
18 the first three quarters of fiscal year 2007, was false and misleading when made because the
19 Company lacked adequate internal controls and was therefore unable to ascertain its true
20 financial condition and incorrectly accounted for its warranty and income tax expenses.

21 56. On June 14, 2007, Bloomberg News reported that Brean Murray, one of the co-
22 managers of the BRLC offering, issued a research a note that the “firm's research confirmed
23 that Circuit City is not only continuing but also expanding orders for Olevia TVs for the
24 remainder of 2007. Further, though they are unsure of Sony’s pricing strategy for its line of
25 TVs for Wal-Mart, their latest market comparisons reveal that Sony currently prices its TVs at
26 nearly a 100% premium to similarly equipped Olevia TVs.”

27

1 57. On July 16, 2007, before the market open, the Company issued a press release
2 with the title, "Syntax-Brilliant Corporation Provides Quarter-end Outlook and Updates
3 Calendar-Year Revenue Guidance," that quoted defendant Pratt as stating, "during the quarter
4 ended June 30, 2007, we collected \$129.6 million of cash from South China House of
5 Technology, our Asian distributor, and as of June 30, 2007 there were, as expected, no invoices
6 outstanding for more than the stated 120-day terms. Finally, we continue to experience strong
7 demand for our products and have had success penetrating additional retail accounts during the
8 first half of 2007. As a result of this strong demand and the deployment of the proceeds of our
9 public stock offering in May as well as the cash from the accounts receivable collections, we are
10 raising our revenue outlook for the calendar year ending December 31, 2007 from our previous
11 range of \$950 million to \$1.1 billion to a revised range of \$1.1 billion to \$1.3 billion."

12 58. The price of BRLC stock rose on this news from \$5.56 to \$6.61 on 17.6 million
13 share volume, over five times the average trading volume.

14 59. This statement was false and misleading when made as it failed to disclose the
15 difficulty the Company was having in getting its China receivables paid, which was the largest
16 segment of its revenues, and that the Company had not secured sufficient supplies of panels to
17 meet the demand for its products.

18 60. On August 23, 2007, before the market open, BRLC issued two press releases.
19 One press release announced that on September 11, 2007, the Company would announce its
20 results for the fourth quarter and fiscal year 2007 ended June 30, 2007.

21 61. The second press release, titled, "Syntax-Brilliant Announces \$20 Million
22 Strategic Investment, Three-way Alliance with TECO and Kolin," stated in pertinent part:

23 Syntax-Brilliant Corporation (Nasdaq:BRLC) announced today
24 that it has raised approximately \$20 million in a strategic
25 financing with Taiwan-based TECO Electric & Machinery Co.,
 Ltd.

26 The investment comprises 3,083,945 shares of common stock
27 priced at \$6.4852 per share. There were no warrants issued in
 connection with this strategic financing.

1 In addition to the financing transaction, Syntax-Brilliant, Taiwan
2 Kolin Company Limited, and TECO have entered into a three-
3 way alliance wherein Kolin will oversee the supply-chain
4 management and product development platform of various TECO
5 branded products for distribution in Taiwan as well as other
6 regions of the world that all three companies agree to enter.
7 TECO will also provide supply-chain financing of up to \$100
8 million for the purchase of key components in support of
9 Olevia(TM) branded LCD TVs.

7 The investment and the associated off-balance-sheet supply-chain
8 financial support provide capital to continue Syntax-Brilliant's
9 growth, including expanding its manufacturing base and
10 supporting the company's efforts to continue elevating awareness
11 of the Olevia(TM) brand among consumers worldwide.

10 62. This statement was false and misleading when made as it failed to disclose that
11 the "alliance" was necessary since the Company had failed to secure sufficient working capital
12 financing and supplies of panels to meet the demand for its products.

13 63. On September 11, 2007, before the market open, the Company announced that it
14 was delaying the release of its financial results until the following day.

15 64. That day, Bloomberg News quoted an analyst with Canaccord Adams, one of the
16 co-managers of the BRLC offering, as saying, "we were taken aback by the surprise and haven't
17 been able to get in touch with management." The price of BRLC stock dropped from \$6.80 to
18 \$6.29.

19 **THE TRUTH IS REVEALED**

20 65. On September 12, after the market close, the Company issued two press releases.
21 One press release announced that defendant Pratt, the Company's Chief Financial Officer, "will
22 resign effective September 30, 2007." An 8-K filing with the SEC revealed that the Company
23 had known of this information since September 6, 2007.

24 66. The other press release, announcing results for the fourth quarter and full fiscal
25 year 2007, revealed that the Company would not make calendar year revenues of \$1.1 to \$1.3
26 billion and that its control assessment pursuant to Section 404 of the Sarbanes-Oxley Act had
27 found "that our methodology to estimate warranty accruals did not adequately reflect

1 information that had recently become available,” resulting in “in the reversal of approximately
2 \$7.4 million of warranty expense which had been recorded in cost of sales through the third
3 quarter of fiscal 2007.”

4 67. Additionally, the Company reported that “we also determined that the tax impact
5 of dividends and accretion of discount on redeemable, convertible preferred stock, which are
6 reported as interest expense under GAAP, cannot be treated as deductible in our income tax
7 provision which resulted in approximately \$5.9 million of income tax that should have been
8 recorded through the third quarter of 2007 being recorded in the fourth quarter.”

9 68. The Company also reported that, “accounts receivable at June 30, 2007 was
10 \$138.1 million of accounts receivable from South China House of Technology.... Accounts
11 receivable and due from factor, excluding the Asian receivables, totaled \$72.0 million which
12 represents approximately 60.5 DSOs at June 30, 2007 compared with ... 46.7 DSOs at March
13 31, 2007.”

14 69. On a conference call to discuss this press release, defendant Pratt also revealed
15 that the Company would, “take a cautious approach to sales in Asia.” Defendant Sollitto stated
16 that, “the Olevia brand continues to enjoy demand beyond our plan and as a result, we are
17 working hard to allocate product to our best channel partners and evaluate growth financing
18 alternatives. [A]s we sit here today, we find our growth limited by our current level of working
19 capital. We anticipate continuing to take share in North America with growth over three times
20 the national average, as we entered some of the premier national big box retailers. We will
21 however scale back our growth for now in China and focus our limited working capital on
22 North American sales.”

23 70. On the call Merrill Lynch analyst Steven Fox asked, “But how realistic is the
24 sales level given what you talked about in terms of financing constraints? Are you anticipating
25 that some of those constraints are gone in the December quarter, or that you’re going to be able
26 to have – I’m just not following ...”

27

1 71. Defendant Pratt replied, “the real issue is how quickly can we get the financing
2 in place or what are our financing capabilities in our supply chain to get the panels, and that is
3 what is restricting us right now. So it’s not an issue of can we finance it after the sale happens.
4 This is predicated upon with our current financing and our supply chain partners’ current
5 financing, how much product can we actually get here.”

6 72. Another analyst asked, “I was wondering if you could give us a little bit more
7 visibility into the end demand outlook in the U.S., especially at these big-box retailers. Are you
8 seeing any impacts from the credit crunch from those or are you guys still supply constrained
9 even to the U.S. retailers?”

10 73. Defendant Sollitto replied, “we are still seeing a situation where our big-box
11 retail customers have asked us to sign up to orders that are on the order of three times higher
12 than we are willing to commit. Those continue to come in. we do continue to discuss with
13 those big-box retailers the methods by which we could increase their sourcing. But for right
14 now the demand for Olevia is still significantly higher than we are able to provide.”

15 74. He later added, “as I mentioned earlier, we have standing orders from at least
16 half a dozen national retailers for substantially more product than we have currently in our
17 pipeline. We have been approached by several of the panel manufacturers and asked if we
18 would like additional allocation. Of course, we’d love to have additional allocation if we are
19 able to finance that.”

20 75. Defendant Sollitto, acknowledging the difficulty in timely collecting the Chinese
21 account receivables, indicated that the Company would try to begin direct sales in China,
22 “because of the fact that we believe that it’s prudent for us at this instant in time to limit the
23 amount, the absolute value of the accounts receivable that will be on 120 day terms. ...the
24 revenue will be directly ours and then we will be able to finance that directly through Chinese
25 banks.”

26 76. On September 13, 2007, the Company filed a form 10-K with the SEC for the
27 fiscal year ended June 30, 2007, in which the Company reported that, “we had a backlog of

1 orders of \$42.4 million at fiscal year end June 30, 2007 as compared to no material backlog of
2 orders at fiscal year end June 30, 2006.”

3 77. The form 10-K also revealed that the Company, contrary to prior attestations,
4 was significantly deficient and suffering material weaknesses in its internal controls over its
5 financial reporting. The form 10-K stated in relevant part, at Item 9a:

6 Our management concluded that our internal control over
7 financial reporting was ineffective as of June 30, 2007 because of
8 the following material weaknesses:

9 Inventory Process — Controls over physical inventory receiving,
10 counting and movement as well as inventory cut-off, and
11 valuation were inadequate.

12 Revenue Process — Controls over the revenue recognition cut-off
13 were inadequate. Our revenue cut-off procedures at June 30, 2007
14 improperly reversed product in transit that should have been
15 recorded as sales in the appropriate accounting period.

16 Income Tax Provision Process — Controls over the review and
17 preparation of our income tax provision were inadequate. Our
18 provision improperly understated our income taxes payable
19 balance by a material amount.

20 Financial Statement Close Procedures — Our independent
21 registered public accounting firm identified a number of
22 adjustments which were in addition to those relating to the
23 material weaknesses identified above. This has caused us to
24 conclude that controls related to our analysis, evaluation, and
25 review of the Company’s 2007 financial information which gave
26 rise to the adjustments has resulted in a material weakness. The
27 specific control deficiencies consisted of:

- The review and analysis of the subjective areas of reserves and allowances has insufficient controls over certain subjective estimates in evaluating the propriety of the related ending balances. The review control did not call for a critical evaluation of the inputs that should be used in the estimation process to evaluate the propriety of the period ending balances which weakness resulted in material reductions to the related allowance for doubtful accounts and warranty reserve in the Company’s 2007 financial statements.
- An inappropriate level of review of certain significant financial statement accounts and financial statement disclosures in non-

1 subjective areas to verify the propriety of the recorded and
2 reported amounts; insufficient analysis, documentation, review,
3 and oversight of the financial statements of foreign subsidiary
financial information during consolidation; and

- 4 • Insufficient staffing of the accounting and financial reporting
5 function.

6 In aggregate, these control deficiencies result in a more than
7 remote likelihood that a material misstatement to our annual or
8 interim consolidated financial statements could occur and not be
9 prevented or detected in a timely manner. The foregoing material
10 weakness resulted in adjustments to certain accounts in the
11 Company's 2007 financial statements, including fixed assets,
12 other current and long-term assets, accounts payable, accrued
13 liabilities and other operating expenses.

14 Because of the material weaknesses described above,
15 management's assessment is a conclusion that, as of June 30,
16 2007, our internal control over financial reporting was not
17 effective based on the COSO criteria. The effectiveness of
18 internal control over financial reporting as of June 30, 2007 has
19 been audited by Ernst & Young LLP, an independent registered
20 public accounting firm.

21 78. Ernst & Young's attestation report stated in relevant part:

22 **Report of Independent Registered Public Accounting Firm**

23 The Board of Directors and Stockholders of Syntax-Brilliant
24 Corporation

25 We have audited Syntax-Brilliant Corporation's internal control
26 over financial reporting as of June 30, 2007, based on criteria
27 established in Internal Control — Integrated Framework issued by
the Committee of Sponsoring Organizations of the Treadway
Commission (the COSO criteria). Syntax-Brilliant Corporation's
management is responsible for maintaining effective internal
control over financial reporting, and for its assessment of the
effectiveness of internal control over financial reporting included
in the accompanying Management's Annual Report on Internal
Control over Financial Reporting. Our responsibility is to express
an opinion on the company's internal control over financial
reporting based on our audit.

We conducted our audit in accordance with the standards of the
Public Company Accounting Oversight Board (United States).

1 Those standards require that we plan and perform the audit to
2 obtain reasonable assurance about whether effective internal
3 control over financial reporting was maintained in all material
4 respects. Our audit included obtaining an understanding of
5 internal control over financial reporting, assessing the risk that a
6 material weakness exists, testing and evaluating the design and
operating effectiveness of internal control based on the assessed
risk, and performing such other procedures as we considered
necessary in the circumstances. We believe that our audit provides
a reasonable basis for our opinion.

7 A company's internal control over financial reporting is a process
8 designed to provide reasonable assurance regarding the reliability
9 of financial reporting and the preparation of financial statements
10 for external purposes in accordance with generally accepted
11 accounting principles. A company's internal control over financial
12 reporting includes those policies and procedures that (1) pertain to
13 the maintenance of records that, in reasonable detail, accurately
14 and fairly reflect the transactions and dispositions of the assets of
15 the company; (2) provide reasonable assurance that transactions
16 are recorded as necessary to permit preparation of financial
17 statements in accordance with generally accepted accounting
18 principles, and that receipts and expenditures of the company are
19 being made only in accordance with authorizations of
20 management and directors of the company; and (3) provide
21 reasonable assurance regarding prevention or timely detection of
22 unauthorized acquisition, use, or disposition of the company's
23 assets that could have a material effect on the financial statements.

24 Because of its inherent limitations, internal control over financial
25 reporting may not prevent or detect misstatements. Also,
26 projections of any evaluation of effectiveness to future periods are
27 subject to the risk that controls may become inadequate because
of changes in conditions, or that the degree of compliance with
the policies or procedures may deteriorate.

As indicated in the accompanying Management's Annual Report
on Internal Control Over Financial Reporting, management's
assessment of and conclusion on the effectiveness of internal
control over financial reporting did not include the internal
controls of Vivitar, Inc., which is included in the 2007
consolidated financial statements of Syntax-Brilliant Corporation
and constituted \$39.3 million and \$20.7 million of total assets and
net assets, respectively, as of June 30, 2007 and \$41.4 million and
\$3.7 million of revenues and net loss, respectively for the year
ended June 30, 2007. Our audit of internal control over financial
reporting of Syntax-Brilliant Corporation also did not include an
evaluation of the internal control over financial reporting of

1 Vivitar.

2 A material weakness is a deficiency, or combination of
3 deficiencies, in internal control over financial reporting, such that
4 there is a reasonable possibility that a material misstatement of the
5 company's annual or interim financial statements will not be
6 prevented or detected on a timely basis. The following material
7 weaknesses have been identified and included in management's
8 assessment. Management has identified a material weakness in
9 controls related to the company's inventory process, revenue
10 process, reserves and allowances process, income tax provision
11 process and financial statement close procedures. These material
12 weaknesses were considered in determining the nature, timing,
13 and extent of audit tests applied in our audit of the 2007 financial
14 statements, and this report does not affect our report dated
15 September 7, 2007 on those financial statements.

16 In our opinion, because of the effect of the material weaknesses
17 described above on the achievement of the objectives of the
18 control criteria, Syntax-Brilliant Corporation has not maintained
19 effective internal control over financial reporting as of June 30,
20 2007, based on the COSO criteria.

21 /s/ Ernst & Young LLP
22 Phoenix, Arizona
23 September 12, 2007

24 79. In an article on the SmartMoney website, analyst John Vinh was quoted as
25 saying, "if you're the CFO of a good company and you have good prospects ahead of you and
26 you're expanding your distribution channels, why would you want to leave?"

27 80. Canaccord Adams analyst Jed Dorsheimer, in a report titled, "Accounting issues,
CFO departure and credit fears too much to stomach," wrote that, "the timing of the missed
guidance, accounting issues and the CFO departure will try even the most optimistic investors.
Further, the short thesis — questioning the company's margins, lack of arms-length dealings
with partners/suppliers and general accounting practices — appears to have somewhat come to
fruition this quarter."

81. On these disclosures of inadequate financing, insufficient supplies of panels, and
inadequate financial controls, the stock dropped \$2.12 from \$6.13 to \$4.01 (35%) on 36,337,811

1 million shares volume (nearly 14 times the average daily volume). Plaintiff has suffered
2 significant damages as result of Defendants' violations described herein.

3 **SCIENTER**

4 82. As alleged herein, Defendants acted with scienter in that Defendants, by and
5 through their employee(s), knew or recklessly disregarded that the public documents and
6 statements issued or disseminated in the name of BRLC were materially false and misleading;
7 knew or recklessly disregarded that such statements or documents would be issued or
8 disseminated to the investing public; and knowingly and substantially participated or acquiesced
9 in the issuance or dissemination of such statements or documents as primary violations of the
10 federal securities laws.

11 83. By their concealment of the now revealed material facts, defendants were able to
12 sell nearly \$170 million of stock in a public offering in May, 2007.

13 **PRESUMPTION OF RELIANCE:**

14 **FRAUD ON THE MARKET DOCTRINE**

15 84. Plaintiff will rely, in part, upon the presumption of reliance established by the
16 fraud-on-the-market doctrine in that:

17 a. Defendants made false and misleading statements of material fact, and
18 failed to disclose material facts, during the Class Period;

19 b. the misstatements and omissions were material;

20 c. the securities of the Company traded in efficient and open markets
21 (excluding the effects of fraud), the Company was followed by analysts;

22 d. the Company's securities met the requirements for listing, and was listed
23 and actively traded on the NASDAQ; and

24 e. the misstatements and omissions alleged would tend to induce a
25 reasonable investor to misjudge the value of the Company's securities.

26
27

1 in acts, transactions, practices, and courses of business which operated as a fraud and deceit
2 upon Plaintiff and the other members of the Class, and made various deceptive and untrue
3 statements of material facts and omitted to state material in order to make the statements made,
4 in light of the circumstances under which they were made, not misleading to Plaintiff and the
5 other members of the Class. The purpose and effect of said scheme, plan, and unlawful course
6 of conduct was, among other things, to induce Plaintiff and the other members of the Class to
7 purchase BRLC common stock during the Class Period at artificially inflated prices.

8 91. During the Class Period, the Defendants, pursuant to said scheme, plan, and
9 unlawful course of conduct, knowingly and recklessly issued, caused to be issued, participated
10 in the issuance of, the preparation and issuance of deceptive and materially false and misleading
11 statements to the investing public as particularized above.

12 92. As a result of the dissemination of the false and misleading statements set forth
13 above, the market price of BRLC common stock was artificially inflated during the Class
14 Period.

15 93. Plaintiff and the other members of the Class relied, to their detriment, on the
16 integrity of the market price of the stock in purchasing BRLC common stock. Had Plaintiff and
17 the other members of the Class known the truth, they would not have purchased said shares or
18 would not have purchased them at the inflated prices that were paid.

19 94. Plaintiff and the other members of the Class have suffered substantial damages
20 as a result of the wrongs herein alleged in an amount to be proved at trial.

21 95. By reason of the foregoing, Defendants directly violated Section 10(b) of the
22 Exchange Act and Rule 10b-5 promulgated thereunder in that it: (a) employed devices,
23 schemes, and artifices to defraud; (b) made untrue statements of material facts or omitted to
24 state material facts in order to make the statements made, in light of the circumstances under
25 which they were made, not misleading; or (c) engaged in acts, practices, and a course of
26 business which operated as a fraud and deceit upon Plaintiff and the other members of the Class
27 in connection with their purchases of BRLC common stock during the Class Period.

