

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

CASE NO.

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

**IMAGING DIAGNOSTIC SYSTEMS, INC.,
LINDA GRABLE, and
ALLAN SCHWARTZ,**

Defendants.

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission alleges as follows:

I. INTRODUCTION

1. Imaging Diagnostic Systems, Inc., its CEO Linda Grable, and its CFO Allan Schwartz, issued eight misleading public filings from October 2008 to December 2009 stating the company intended to file an application with the Food and Drug Administration (“FDA”) by various deadlines to obtain permission to market and sell its medical device called the CTLM®. At the same time Grable and Schwartz had information showing Imaging would be unable to meet its publicly stated deadlines. Imaging failed to meet the deadlines stated in all eight public filings. Imaging did not file an application with the FDA until November 22, 2010, more than six months after the last April 2010 deadline it had disclosed in its filings.

2. Additionally, beginning with the quarter ended March 31, 2010, Imaging was experiencing severe financial problems and failed to remit payroll taxes for its employees to the Internal Revenue Service (“IRS”). Both Grable and Schwartz knew that Imaging had failed to remit payroll taxes. From the quarter ended March 31, 2010 through the quarter ended March

31, 2011, Imaging failed to disclose in public filings that it had not remitted payroll taxes. Finally, in its Form 10-Q filed on May 18, 2011, Imaging disclosed the company owed payroll taxes. But even then, it still failed to disclose the risks associated with its failure to remit payroll taxes. For example, it failed to disclose that the IRS could file a notice of federal tax lien, impose penalties and interest, and even seize the company's assets. It was not until November 29, 2011 in its Amended 10-K that it disclosed the risks associated with its decision.

3. Grable and Schwartz also failed to file beneficial ownership reports despite the fact that they received stock and options in 2009, 2010, and 2011.

4. By reason of the foregoing, Imaging, Grable, and Schwartz violated Section 17(a)(2) of the Securities Act of 1933 ("Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Exchange Act Rule 10b-5; Imaging violated Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Exchange Act Rules 12b-20, 13a-1, and 13a-13; Grable and Schwartz violated Section 16(a) of the Exchange Act and Exchange Act Rules 13a-14, 13b2-1, and 16a-3; Imaging and Grable violated Section 14(a) of the Exchange Act and Exchange Act Rule 14a-9; and Schwartz and Grable aided and abetted Imaging's violations of Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Exchange Act Rules 10b-5, 12b-20, 13a-1, and 13a-13. As a result, the Commission respectfully requests declaratory relief, a permanent injunction, and civil penalties as to all the Defendants. Finally, the Commission respectfully requests officer-and-director and penny stock bars against Grable and Schwartz.

II. DEFENDANTS

5. **Imaging** is a Florida corporation with its principal place of business located in Fort Lauderdale, Florida. Imaging's securities are registered under Section 12(g) of the

Exchange Act and its common stock is dually quoted on the OTC Bulletin Board and OTC Link under the symbol "IMDS."

6. **Linda Grable** is a resident of Fort Lauderdale, Florida. During the relevant period, and to this day, she has served as the Chief Executive Officer and Chairman of the Board of Imaging. She also serves on the Audit, Compensation, and Corporate Governance Committees of the company's board.

7. **Allan Schwartz** is a resident of Boca Raton, Florida. During the relevant period, and to this day, he has served as the Executive Vice President, Chief Financial Officer, and Director of Imaging. He also serves on the Audit, Compensation, and Corporate Governance Committees of the company's board.

III. JURISDICTION AND VENUE

8. The Court has jurisdiction over this action pursuant to Sections 20(b), 20(d), and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d), and 77v(a); and Sections 21(d), 21(e), and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d), 78u(e), and 78aa.

9. This Court has personal jurisdiction over the Defendants and venue is proper in the Southern District of Florida because, among other reasons, Imaging's principal place of business is in the Southern District of Florida. In addition, the Defendants' acts and transactions constituting violations of the Securities Act and Exchange Act occurred in the Southern District of Florida. Additionally, Grable resides in Fort Lauderdale, Florida, and Schwartz resides in Boca Raton, Florida.

10. The Defendants, directly and indirectly, made use of the means and instrumentalities of interstate commerce, and the mails, in connection with the acts, practices, and courses of business set forth in this Complaint.

**IV. THE DEFENDANTS' FRAUDULENT
MISSTATEMENTS AND OMISSIONS**

a. Misleading Disclosures Related to the FDA Application

11. For any medical device to be marketed in the U.S. legally, it must first obtain approval from the FDA. The FDA uses the Premarket Approval ("PMA") application to evaluate the safety and effectiveness of Class III medical devices. Class III devices are those that support or sustain human life, are of substantial importance in preventing the impairment of human health, or which present a potential, unreasonable risk of illness or injury. PMA approval is based on a determination by the FDA that the device is safe and effective for its intended use.

12. From October 2008 to December 2009, Imaging repeatedly disclosed in public filings that it expected to file a PMA application with the FDA by specific deadlines identified in each of the following public filings. Each time, Grable and Schwartz had information showing Imaging could not meet the stated deadline. The following chart contains Imaging's misleading disclosures:

Filing	Filing Date	Misleading disclosure
Form S-1	October 28, 2008	"As of September 2008, 10 clinical sites are participating in the clinical trials and we are on schedule to complete the data collection and submit the PMA application in its entirety to the FDA in December 2008."
Form 10-Q	November 12, 2008	"As of November 2008, 10 clinical sites are participating in the clinical trials and we believe we are on schedule to complete the data collection and submit the PMA application in its entirety in December 2008."
Schedule 14A	November 13, 2008	"Our number one priority is the submission of our PMA application to the FDA which we expect to occur in December 2008."
Form S-1	December 30, 2008	"We had planned on submitting our PMA application to the FDA in December 2008; however, due to unforeseen delays in data collection, our expected filing date has been pushed out into the first quarter of 2009."
Form 10-Q	February 9, 2009	"As of February 2009, 10 clinical sites are participating in the clinical trials and we believe we are on schedule to complete the data collection and submit the PMA application in its entirety during the quarter ending June 30, 2009."
Form 10-Q	May 11, 2009	"As of May 2009, 10 clinical sites have participated in the clinical trials and we believe we have sufficient clinical data to support our PMA application. While we anticipate that the remaining PMA process consisting of the reading phase, the statistical tabulation phase and submission of the application to the FDA should be completed in 2009, these milestones cannot be met unless we obtain sufficient financing through the sale of equity or debt securities."
Form 10-K	October 13, 2009	"After we file our PMA application, we expect commissions, trade show expenses, advertising and promotion and travel and subsistence costs to increase as we continue to implement our global commercialization program." "We had anticipated that revenues would have been a significant source of cash by the date of this report, but commercialization has been slower than expected largely due to the delay in obtaining the PMA from the FDA, which we believe has depressed our stock price."
Form S-1	December 9, 2009	"We had originally planned on submitting our PMA application to the FDA in December 2008; however, while we anticipate that the remaining PMA process consisting of the reading phase, the statistical tabulation phase and submission of the application to the FDA should be completed by April 2010, these milestones cannot be met unless we obtain sufficient financing through the sale of equity or debt securities."

13. Schwartz along with the comptroller of the company prepared all of the public filings. After a draft was prepared, both Schwartz and Grable reviewed the filings prior to

signing the filings. Prior to the beginning of 2012, Schwartz and Grable were the only executive officers of Imaging, and they were also the only inside directors.

14. Grable and Schwartz signed all of the above filings except the Schedule 14A, which included a letter only Grable signed. The Forms 10-K and 10-Q also included certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) that both Grable and Schwartz signed. Each certification at issue included a representation that the filing “does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made . . . not misleading”

15. At the time Imaging was publicly stating dates by which it expected to file its PMA application with the FDA, Grable and Schwartz had information showing Imaging would be unable to meet these deadlines. Indeed, as ultimately reflected on an Amended Form S-1 filed on April 26, 2011 and a Form 10-Q filed on February 17, 2012, both signed by Grable and Schwartz, Imaging stated that “[i]n September 2008, we were advised that we did not have sufficient cancer cases to finish the clinical study required for the PMA statistical analysis to be processed by our independent bio-statistician.” Imaging needed the additional cancer cases to complete and file its PMA application, which Grable and Schwartz knew. Nevertheless, as set forth above, Imaging stated it expected to file, or was “on schedule to complete,” its PMA application in December 2008, the first quarter of 2009, June 30, 2009, and April 2010.

16. Additionally, in November 2008, Imaging stopped its clinical trials because it could no longer afford to pay its clinical sites. Without the data from the clinical sites, Imaging could not complete its PMA application. At the time, Grable knew Imaging had stopped paying for its clinical sites and stopped conducting its clinical trials. Schwartz, as CFO, was responsible for paying for the clinical sites and knew Imaging was delinquent in the payments. Schwartz

also knew Imaging needed at least \$150,000 to pay a radiologist to read and statistically tabulate the clinical data, and that Imaging did not have those funds. Nevertheless, Imaging continued to list the unrealistic and impossible deadlines in its public filings.

17. On May 7, 2009, Imaging's senior vice-president, who worked on the FDA approval process, sent an email to Grable and Schwartz stating "[n]o specific date should be placed on the PMA submission" because "at this point without funds or any in the works there is no telling how or when we will be able to submit."

18. Despite this explicit warning, Grable and Schwartz continued to forecast publicly that Imaging expected its PMA application to be submitted to the FDA by specific dates. In fact, Imaging's next filings were as misleading as the previous five. The filing dated May 11, 2009 claimed Imaging had "sufficient clinical data to support [its] PMA application" and the application should be completed in 2009. Once again, Grable and Schwartz knew Imaging would be unable to meet the deadline because of the warning of the senior vice-president, and they both knew that they had inadequate funding to complete the filing.

19. In its Form 10-K dated October 13, 2009, Imaging told investors "[w]e had anticipated that revenues would have been a significant source of cash by the date of this report, but commercialization has been slower than expected largely due to the delay in obtaining the PMA from the FDA, which we believe has depressed our stock price." Imaging cited the delay in obtaining the PMA from the FDA as the reason for its slow commercialization process, but failed to disclose to investors it could not complete the PMA application.

20. By December 2009, Imaging stated the application "should be completed by April 2010." Again, Grable and Schwartz knew Imaging would be unable to meet this deadline.

b. Failure to Pay Payroll Taxes

21. Beginning in or about January 2010, Imaging was having severe financial difficulties. As a result, Imaging stopped remitting payroll taxes to the IRS for its employees. Both Grable and Schwartz knew Imaging had ceased remitting payroll taxes to the IRS.

22. Grable and Schwartz's decision to stop remitting payroll taxes to the IRS constituted a known trend, demand, commitment, event, or uncertainty that Imaging should have disclosed in the Management's Discussion and Analysis ("MD&A") of its periodic filings for the quarter ending March 31, 2010, September 30, 2010, and December 31, 2010, and for the fiscal year ending June 30, 2010. These filings included no mention of Imaging's failure to remit payroll taxes to the IRS.

23. It was not until Imaging's 10-Q filed on May 18, 2011 that it publicly disclosed its failure to remit payroll taxes to the IRS when it stated, "[a]s of March 31, 2011, we owe \$157,770 in accrued wages and \$719,225 in accrued payroll taxes. The \$719,225 represents unfunded payroll taxes, interest and penalties for the last five quarters commencing with the quarter ending March 31, 2010." Grable and Schwartz both signed this filing. At that point, the IRS could have levied Imaging's assets, which could have caused the business to cease operating. However, Imaging still failed to include any discussion in the MD&A section of its periodic reports discussing or explaining these risks to investors of the known trend, demand, commitment, event, or uncertainty.

24. In both the Form 10-Q filed on May 18, 2011 and the Form 10-K filed on September 22, 2011, although there was a disclosure regarding the accrual, the MD&A section was silent regarding Imaging's failure to remit payroll taxes.

25. In the accrual Imaging first disclosed in the Form 10-Q filed on May 18, 2011, the accrual was understated, as Imaging failed to properly accrue for all known IRS penalties. On September 22, 2011, Imaging revised its accrual and included all IRS penalties. The new disclosure stated, "As of June 30, 2011, we owe \$145,832 in accrued wages and \$1,141,968 in accrued payroll taxes. The \$1,141,968 in accrued payroll taxes represents unfunded payroll taxes, interest and penalties for the last six quarters commencing with the quarter ending March 31, 2010." This disclosure included an additional 15% penalty that had not been previously disclosed to investors.

26. On November 23, 2011, the IRS filed a notice of federal tax lien in the amount of \$799,906 with the State of Florida.

27. It was not until November 29, 2011 that Imaging finally disclosed the risks associated with its failure to pay payroll taxes in its public filings when it stated,

A claim could be made by the IRS for immediate payment of our accrued payroll taxes, interest and penalties, which total \$1,141,967 as of June 30, 2011, and continue to grow; however, we hope to work with the IRS to formulate and implement a viable payment plan. We have hired special counsel to handle this matter and hope to have a reasonable time to resolve it without jeopardizing operations. We intend to fully satisfy our tax obligations and are seeking long-term financing in this regard. . . .

If we ultimately are unable to pay the outstanding tax, penalties and interest on a timetable satisfactory to the IRS, then we may have to cease operations.

28. None of Imaging's previous disclosures explained the potentially disastrous consequences of its failure to remit payroll taxes to the IRS.

29. Schwartz along with the comptroller of the company prepared all of the public filings. After a draft was prepared, both Schwartz and Grable reviewed the filings for errors

prior to them becoming public. Prior to the beginning of 2012, Schwartz and Grable were the only executive officers of Imaging, and they were also the only inside directors.

30. Grable and Schwartz signed the periodic filings for the quarter ending March 31, 2010, September 30, 2010, December 31, 2010, and March 31, 2011 and for the fiscal year ending June 30, 2010 and June 30, 2011. The filings also included certifications pursuant to Section 302 of Sarbanes-Oxley, which Grable and Schwartz signed.

c. Failure to File Beneficial Ownership Reports

31. Grable became CEO and Chairman of the Board of Imaging in April 2008. However, from April 2008 until July 31, 2012 she failed to file any beneficial ownership reports despite the fact that she received both stock and options in 2009, 2010, and 2011. The following chart shows the amount of stock and number of options she was awarded in 2009, 2010, and 2011:

	Stock	Options
2009	800	60,333
2010	5,000	190,625
2011	5,750	109,375

32. Similarly, Schwartz as CFO, failed to file any beneficial ownership reports in 2009, 2010, and 2011 even though he received both stock and options. The following chart shows the amount of stock and number of options he was awarded in 2009, 2010, and 2011:

	Stock	Options
2009	800	31,677
2010	5,000	190,625

2011	5,750	109,375
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V. CLAIMS FOR RELIEF

COUNT I

**VIOLATIONS OF SECTIONS
17(a)(2) OF THE SECURITIES ACT**
(As to all Defendants)

33. The Commission repeats and realleges Paragraphs 1 through 20 of this complaint.

34. On October 28, 2008, December 30, 2008, and December 9, 2009, the Defendants directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading. By reason of the activities described above, the Defendants directly and indirectly violated, and, unless enjoined, are reasonably likely to continue to violate, Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

COUNT II

**FRAUD IN VIOLATION OF SECTION 10(b) OF THE
EXCHANGE ACT AND RULE 10b-5(b) THEREUNDER**
(As to all Defendants)

35. The Commission repeats and realleges Paragraphs 1 through 30 of this complaint.

36. From October 2008 through November 2011, the Defendants directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of the securities, as described in this complaint, knowingly, willfully or recklessly made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which

they were made, not misleading. By reason of the activities described above, the Defendants directly or indirectly violated, and, unless enjoined, are reasonably likely to continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Exchange Act Rule 10b-5(b), 17 C.F.R. § 240.10b-5(b), thereunder.

COUNT III

**AIDING AND ABETTING VIOLATIONS OF SECTION 10(b)
OF THE EXCHANGE ACT AND RULE 10b-5(b) THEREUNDER**
(As to Grable and Schwartz)

37. The Commission repeats and realleges Paragraphs 1 through 30 of this Complaint as if fully set forth herein.

38. Defendant Imaging directly and indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails in connection with the purchase or sale of securities, knowingly, willfully or recklessly made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. Defendants Grable and Schwartz, directly and indirectly, had a general awareness that they were part of an overall activity that was improper or illegal and knowingly, or acting extremely recklessly, provided substantial assistance to violations by Imaging of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(b) thereunder, 17 C.F.R. § 240.10b-5(b). By reason of the activities described above, Defendants Grable and Schwartz directly and indirectly violated and unless enjoined are reasonably likely to continue to violate Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(b) thereunder, 17 C.F.R. § 240.10b-5(b).

COUNT IV

**VIOLATIONS OF SECTION 13(a) AND
RULES 12b-20, 13a-1, AND 13a-13 OF THE EXCHANGE ACT
(As to Imaging)**

39. The Commission repeats and realleges Paragraphs 1 through 30 of this Complaint as if fully set forth herein.

40. Section 13(a) of the Exchange Act requires every issuer of securities registered pursuant to Section 12 of the Exchange Act to file with the Commission, in accordance with such rules and regulations as the Commission has prescribed, information and documents required by the Commission to keep reasonably current the information and documents required to be included in or filed with annual reports as the Commission has prescribed. Exchange Act Rule 13a-1 requires such issuers to file annual reports on Form 10-K. Exchange Act Rule 13a-13 requires such issuers to file quarterly reports on Form 10-Q. Imaging failed to include in both the annual reports and quarterly reports such further material information, as was necessary to make the required statements, in light of the circumstances under which they were made, not misleading in violation of Exchange Act Rule 12b-20, 17 C.F.R. § 240.12b-20. By reason of the activities described above, Imaging violated, and unless enjoined, is reasonably likely to continue to violate, Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-1, and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-13, thereunder.

COUNT V

**AIDING AND ABETTING VIOLATIONS OF SECTION 13(a)
AND RULES 12b-20, 13a-1, AND 13a-13 OF THE EXCHANGE ACT**
(As to Grable and Schwartz)

41. The Commission repeats and realleges Paragraphs 1 through 30 of this Complaint as if fully set forth herein.

42. Section 13(a) of the Exchange Act requires every issuer of securities registered pursuant to Section 12 of the Exchange Act to file with the Commission, in accordance with such rules and regulations as the Commission has prescribed, information and documents required by the Commission to keep reasonably current the information and documents required to be included in or filed with annual reports as the Commission has prescribed. Exchange Act Rule 13a-1 requires such issuers to file annual reports on Form 10-K. Exchange Act Rule 13a-13 requires such issuers to file quarterly reports on Form 10-Q. Imaging failed to include in both the annual reports and quarterly reports such further material information, as was necessary to make the required statements, in light of the circumstances under which they were made, not misleading in violation of Exchange Act Rule 12b-20, 17 C.F.R. § 240.12b-20. Defendants Grable and Schwartz, directly and indirectly, had a general awareness that they were part of an overall activity that was improper or illegal and knowingly, or acting extremely recklessly, provided substantial assistance to violations by Imaging of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-1, and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-13, promulgated thereunder. By reason of the activities described above, Defendants Grable and Schwartz aided and abetted Imaging's violations of, and unless enjoined are reasonably likely to continue to aid and abet violations of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-1, and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-1,

240.13a-13, thereunder.

COUNT VI

**VIOLATIONS OF SECTIONS 13(b)(2)(A)
AND 13(b)(2)(B) OF THE EXCHANGE ACT**
(As to Imaging)

43. The Commission repeats and realleges Paragraphs 1 through 10 and 21 through 30 of this Complaint as if fully set forth herein.

44. Based on the conduct alleged herein, Imaging violated Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C. § 78m(b)(2)(A), by keeping books and records with fraudulent entries and/or omissions when it failed to properly account for all the IRS penalties related to its failure to pay payroll taxes. Imaging violated Section 13(b)(2)(B) of the Exchange Act, 15 U.S.C. § 78m(b)(2)(B), by failing to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles when it failed to properly account for all the IRS penalties related to its failure to pay payroll taxes. By reason of the activities described above, Imaging violated, and unless enjoined, is reasonably likely to continue to violate, Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(2)(B).

COUNT VII

**AIDING AND ABETTING VIOLATIONS
OF SECTIONS 13(b)(2)(A) AND 13(b)(2)(B)**
(As to Grable and Schwartz)

45. The Commission repeats and realleges Paragraphs 1 through 10 and 21 through 30 of this Complaint as if fully set forth herein.

46. Imaging violated Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C. §

78m(b)(2)(A), by keeping books and records with fraudulent entries and/or omissions. Imaging also violated Section 13(b)(2)(B) of the Exchange Act, 15 U.S.C. § 78m(b)(2)(B), by failing to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles. Defendants Grable and Schwartz, directly and indirectly, had a general awareness that they were part of an overall activity that was improper or illegal and knowingly, or acting extremely recklessly, provided substantial assistance to violations by Imaging of Sections 13(b)(2)(A), 15 U.S.C. § 78m(b)(2)(A) and 13(b)(2)(B), 15 U.S.C. § 78m(b)(2)(B), of the Exchange Act. By reason of the activities described above, Defendants Grable and Schwartz aided and abetted Imaging's violations of, and unless enjoined are reasonably likely to continue to aid and abet violations of Sections 13(b)(2)(A), 15 U.S.C. § 78m(b)(2)(A), and 13(b)(2)(B), 15 U.S.C. § 78m(b)(2)(B), of the Exchange Act.

COUNT VIII

**VIOLATION OF
RULE 13a-14 OF THE EXCHANGE ACT
(As to Grable and Schwartz)**

47. The Commission repeats and realleges Paragraphs 1 through 30 of this Complaint as if fully set forth herein.

48. From at least October 28, 2008 until at least November 14, 2011, Grable and Schwartz certified Imaging's reports filed on Forms 10-Q and Form 10-K pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Exchange Act Rule 13a-14, stating that: they both had reviewed each report; based upon their knowledge, the reports did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements

made, in light of the circumstances under which such statements were made, not misleading; and based upon their knowledge, the financial statements and information contained in each report fairly present in all material respects the financial condition, results of operations and cash flows of the issuer.

49. Grable and Schwartz knew or were reckless in not knowing that the reports they certified contained untrue statements of material fact and omitted to state material facts necessary to make the statements made therein, in light of the circumstances under which the statements were made, not misleading. By reason of the activities described above, Grable and Schwartz violated, and unless enjoined, are reasonably likely to continue to violate, Exchange Act Rule 13a-14, 17 C.F.R. § 240.13a-14, promulgated under Section 302 of the Sarbanes-Oxley Act of 2002.

COUNT IX

**VIOLATION OF
RULE 13b2-1 OF THE EXCHANGE ACT
(As to Grable and Schwartz)**

50. The Commission repeats and realleges Paragraphs 1 through 10 and 21 through 30 of this Complaint as if fully set forth herein.

51. Rule 13b2-1 of the Exchange Act, 17 C.F.R. § 240.13b2-1, prohibits any person from directly or indirectly falsifying or causing the falsification of any such accounting books, records, or accounts. By reason of the activities described above, Grable and Schwartz violated and, unless enjoined, are reasonably likely to continue to violate, Rule 13b2-1 of the Exchange Act, 17 C.F.R. § 240.13b2-1.

COUNT X

**VIOLATIONS OF SECTION 14(a) AND
RULE 14a-9 OF THE EXCHANGE ACT**
(As to Imaging and Grable)

52. The Commission repeats and realleges Paragraphs 1 through 20 of this Complaint as if fully set forth herein.

53. On November 13, 2008, Imaging and Grable, by the use of the means and instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange or otherwise: solicited or permitted the use of its name to solicit proxies, consents, authorizations or notices of meetings in respect of Imaging's securities which contained statements which were false and misleading with respect to material facts or omitted to state material facts necessary in order to make the statements therein not false or misleading or necessary to correct any statement in any earlier communication with respect to the solicitation of a proxy for the same meeting or subject matter which became false or misleading. By reason of the activities described above, Imaging and Grable violated and, unless enjoined, are reasonably likely to continue to violate, Section 14(a) of the Exchange Act, 15 U.S.C. § 78n(a), and Rule 14a-9, 17 C.F.R. § 240.14a-9, thereunder.

COUNT XI

**VIOLATIONS OF SECTION 16(a) AND
RULE 16a-3 OF THE EXCHANGE ACT**
(As to Grable and Schwartz)

54. The Commission repeats and realleges Paragraphs 1 through 10 and 31 through 32 of this Complaint as if fully set forth herein.

55. Pursuant to Exchange Act Section 16(a) and Rule 16a-3, Schwartz and Grable, as officers and directors of Imaging, failed to file Form 4s reporting any changes in ownership of

Imaging stock before the second business day following the day on which the subject transactions had been executed in 2009, 2010, and 2011. By reason of the activities described above, Grable and Schwartz violated and, unless enjoined, are reasonably likely to continue to violate, Section 16(a) of the Exchange Act, 15 U.S.C. § 78p(a), and Rule 16a-3, 17 C.F.R. § 240.16a-3, thereunder.

VI. RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests the Court:

Declaratory Relief

Declare, determine and find that the Defendants have committed the violations of the federal securities laws alleged in this complaint.

Permanent Injunction

Issue a Permanent Injunction restraining and enjoining Imaging, its officers, agents, servants, employees, attorneys, representatives, and all persons in active concert or participation with them, and each of them, from violating Section 17(a)(2) of the Securities Act, and Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 14(a), and Rules 10b-5, 12b-20, 13a-1, 13a-13, and 14a-9, of the Exchange Act; enjoin Grable and her officers, agents, servants, employees, attorneys and all persons in active concert or participation with them and each of them, from violating Section 17(a)(2) of the Securities Act, and Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), 14(a), and 16(a) and Rules 10b-5, 12b-20, 13a-1, 13a-13, 13a-14, 13b2-1, 14a-9, and 16a-3 of the Exchange Act; and enjoin Schwartz and his officers, agents, servants, employees, attorneys and all persons in active concert or participation with them and each of them, from violating Section 17(a)(2) of the Securities Act, and Sections 10(b), 13(a),

13(b)(2)(A), 13(b)(2)(B), and 16(a) and Rules 10b-5, 12b-20, 13a-1, 13a-13, 13a-14, 13b2-1, and 16a-3 of the Exchange Act.

Penalties

Issue an Order directing each of the Defendants to pay a civil money penalty pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

Officer and Director Bar

Issue an Order barring Defendants Grable and Schwartz from serving as an officer or director of any public company pursuant to Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2).

Penny Stock Bar

Issue an order barring Grable and Schwartz from participating in any offering of penny stock, pursuant to Section 20(g) of the Securities Act, 15 U.S.C. § 77t(g), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

Further Relief

Grant such other and further relief as may be necessary and appropriate.

Retention of Jurisdiction

Further, the Commission respectfully requests the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application of motion by the Commission for additional relief within the jurisdiction of this Court.

September 18, 2013

Respectfully submitted,

By: 

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