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CENTRAL DISTRICT OF CALIFORNIA  
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CENTRAL DISTRICT OF CALIFORNIA  
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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

DALE CARONE, JOSEPH W.  
ISAAC, ALLEN R. JOHNSON,  
LINKNET, INC., a Utah Corporation  
and LINKNET de AMERICA  
LATINA, LTD., a Nevada corporation,

Defendants.

CASE NO. CV 03-374 NM (FMOx)

JUDGMENT

On January 27, 2004, the Securities and Exchange Commission ("Plaintiff" or "SEC") filed the instant motion for default judgment. After full consideration of the papers, the relevant authorities, and the entire file herein, the court granted Plaintiff's motion. The issues having been duly reviewed, and a decision having been duly rendered,

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1 IT IS HEREBY ORDERED AND ADJUDGED that:

2 Carone, and his agents, servants, employees, attorneys, and all persons  
3 acting in concert or participation with him, who receive actual notice of this order  
4 by personal service or otherwise, and each of them, are permanently restrained  
5 from, directly or indirectly, in the offer or sale of any security by the use of any  
6 means or instruments of transportation, communication in interstate commerce, or  
7 by the use of the mails: (1) employing any device, scheme, or artifice to defraud;  
8 (2) obtaining money or property by means of any untrue statement of a material  
9 fact or any omission to state a material fact necessary in order to make the  
10 statements made, in the light of the circumstances under which they were made,  
11 not misleading; or (3) engaging in any transaction, practice, or course of business  
12 which operates or would operate as a fraud or deceit upon the purchaser in  
13 violation of § 17(a) of the Securities Act of 1933, 15 U.S.C. § 77q(a).

14 It is further ordered, adjudged, and decreed that Carone, and his agents,  
15 servants, employees, attorneys, and all persons acting in concert or participation  
16 with him, who receive actual notice of this order by personal service or otherwise,  
17 and each of them, are permanently restrained from, directly or indirectly, singly or  
18 in concert, in connection with the purchase or sale of any security, by use of the  
19 means or instrumentality of interstate commerce, of the mails, or of any facility of  
20 any national securities exchange:

- 21 a. employing any device, scheme, or artifice to defraud;
  - 22 b. making any untrue statement of a material fact or omitting to state a  
23 material fact necessary in order to make the statements made, in light  
24 of the circumstances under which they were made, not misleading; or
  - 25 c. engaging in any act, practice or course of business which operates or  
26 would operate as a fraud or deceit upon any person,
- 27 in violation of § 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5,  
28 17 C.F.R. § 240.10b-5.

1 It is further ordered, adjudged, and decreed that Carone, and his agents,  
2 servants, employees, attorneys, and all persons acting in concert or participation  
3 with him, who receive actual notice of this order by personal service or otherwise,  
4 and each of them, be and hereby are temporarily restrained and enjoined from,  
5 directly or indirectly, operating as a broker without having been registered with  
6 the SEC in violation of § 15(a) of the Securities Exchange Act of 1934, 15 U.S.C.  
7 § 78o(a).

8 It is further ordered, adjudged, and decreed that Carone, and his agents,  
9 servants, employees, attorneys, and all persons acting in concert or participation  
10 with him, who receive actual notice of this order by personal service or otherwise,  
11 and each of them, are permanently restrained and enjoined from, directly or  
12 indirectly, violating § 5 of the Securities Act, 15 U.S.C. § 77e, in the absence of  
13 any applicable exemption:

- 14 (1) Unless a registration statement is in effect as to a security, making use  
15 of any means or instruments of transportation or communication in  
16 interstate commerce or of the mails to sell such security through the  
17 use or medium of any prospectus or otherwise;
- 18 (2) Unless a registration statement is in effect as to a security, carrying or  
19 causing to be carried through the mails or in interstate commerce, by  
20 any means or instruments of transportation, any such security for the  
21 purpose of sale or for delivery after sale; or
- 22 (3) Making use of any means or instruments of transportation or  
23 communication in interstate commerce or of the mails to offer to sell  
24 or offer to buy through the use or medium of any prospectus or  
25 otherwise any security, unless a registration statement has been filed  
26 with the SEC as to such security, or while the registration statement is  
27 the subject of a refusal order or stop order or (prior to the effective  
28 date of the registration statement) any public proceeding of

1 examination under § 8 of the Securities Act, 15 U.S.C. § 77h.

2 It is further ordered, adjudged, and decreed that Carone is barred from  
3 participating in an offering of penny stock, including engaging in activities with a  
4 broker, dealer, or issuer for purposes of issuing, trading, or inducing, or attempting  
5 to induce the purchase or sale of any penny stock. A penny stock is any equity  
6 security that has a price of less than five dollars, except as provided in Rule 3a51-  
7 1 under the Exchange Act, 17 C.F.R. 240.3a51-1.

8 It is further ordered, adjudged, and decreed that Carone is liable for  
9 disgorgement of \$1,157,028, representing profits gained as a result of the conduct  
10 alleged in the Complaint, together with prejudgment interest thereon in the amount  
11 of \$233,074, for a total of \$1,390,102. The SEC may enforce the court's judgment  
12 for disgorgement and prejudgment interest by moving for civil contempt (and/or  
13 through other collection procedures authorized by law) at any time after March 23,  
14 2004. In response to any such civil contempt motion by the SEC, Carone may  
15 assert any legally permissible defense. Payments under this paragraph shall be  
16 made to the Clerk of this court, together with a cover letter identifying Carone as a  
17 defendant in this action, setting forth the title and civil action number of this  
18 action and the name of this court, and specifying that payment is made pursuant to  
19 this judgment. Carone shall simultaneously transmit photocopies of each such  
20 payment and letter to the SEC's counsel in this action. Carone relinquishes all  
21 legal and equitable right, title, and interest in such payments, and no part of the  
22 funds shall be returned to Carone. The Clerk shall deposit the funds into an  
23 interest bearing account with the Court Registry Investment System ("CRIS").  
24 These funds, together with any interest and income earned thereon (collectively,  
25 the "Fund"), shall be held by the CRIS until further order of the court. In  
26 accordance with the guidelines set by the Director of the Administrative Office of  
27 the United States Courts, the Clerk is directed, without further order of this court,  
28 to deduct from the income earned on the money in the Fund a fee equal to ten

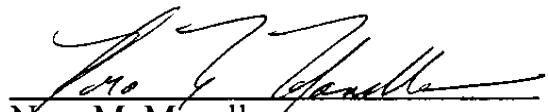
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1 percent of the income earned on the Fund. Such fee shall not exceed that  
2 authorized by the Judicial Conference of the United States. The SEC may propose  
3 a plan to distribute the Fund subject to the court's approval.

4 It is further ordered that Carone shall pay a civil penalty in the amount of  
5 \$110,000 pursuant to § 20(d)(4) of the Securities Act of 1933, 15 U.S.C.  
6 § 77t(d)(2), and § 21(d)(3) of the Securities Exchange Act of 1934, 15 U.S.C.  
7 § 78u(d)(3). Carone shall make this payment no later than March 23, 2004 by  
8 certified check, bank cashier's check, or United States postal money order payable  
9 to the Securities and Exchange Commission. The payment shall be delivered or  
10 mailed to the Office of Financial Management, Securities and Exchange  
11 Commission, Operations Center, 6432 General Green Way, Mail Stop 0-3,  
12 Alexandria, Virginia 22312, and shall be accompanied by a letter identifying  
13 Carone as a defendant in this action; setting forth the title and civil action number  
14 of this action and the name of this court; and specifying that payment is made  
15 pursuant to this judgment.

16 It is further ordered that the consent of Carone be, and the same hereby is,  
17 incorporated herein with the same force and effect as if fully set forth herein. It is  
18 also ordered that this court retain jurisdiction over this action for all other  
19 purposes. There being no just reason for delay, the Clerk of the court is hereby  
20 directed, pursuant to Rule 54(b), Fed. R. Civ. P., to enter this judgment forthwith  
21 and without further notice.

22  
23 DATED: March 9, 2004

  
Nora M. Manella  
United States District Judge

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