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KEVIN V. RYAN (CSBN 118321)
United States Attorney

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DISTRICT COURT
SAN FRANCISCO, CALIFORNIA

**SEALED
BY COURT ORDER**

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

UNITED STATES OF AMERICA
Plaintiff,
v.
OLIVER HILSEN RATH and
DAVID SCOTT KLARMAN,
Defendants.

CR

No. **0213**
VIOLATIONS: 15 U.S.C. § 78ff -
Securities Fraud; 18 U.S.C. §§ 1343 and
1346 - Wire Fraud; 18 U.S.C. § 2 -
Aiding and Abetting
SAN FRANCISCO VENUE

WH

INDICTMENT

The Grand Jury charges:

BACKGROUND

A. The Company

1. U.S. Wireless Corporation ("the Company" or "USWC") was a provider of location-based information and services, headquartered in San Ramon, California. From October 22, 1996, through May 29, 2001; USWC was traded on the NASDAQ stock exchange. USWC filed a Chapter 11 bankruptcy petition on August 29, 2001, and sold substantially all of its assets to Trafficmaster USA, Inc. on December 10, 2001.

B. The Defendants

2. Defendant OLIVER HILSEN RATH served as President, Chief Executive

1 Officer (CEO), and Director of USWC beginning in July 1996. In March 2000,
2 HILSEN RATH stepped down as President and was appointed Chairman of the Board of
3 Directors. He maintained the CEO, Chairman, and Director titles until his termination on
4 May 26, 2001, as a result of an internal fraud investigation by USWC.

5 3. Defendant DAVID KLARMAN served as General Counsel and Secretary of
6 USWC from September 1996 and Vice President from December 1997, until his
7 resignation on March 6, 2001, also as a result of USWC's investigation.

8 C. The Scheme to Defraud

9 4. Between in or about March 1996 and March 2001, defendants HILSEN RATH,
10 KLARMAN, and others devised and implemented a scheme to defraud USWC and its
11 shareholders, to deprive them of their intangible right to honest services, and to obtain
12 large amounts of money and property by means of false and fraudulent pretenses,
13 representations, and promises. Specifically, HILSEN RATH and KLARMAN caused
14 USWC to issue cash payments, stock options, and stock shares to certain offshore shell
15 corporations, which they controlled and owned.

16 5. The shell corporations include Telecom Associates Limited, Aida Holdings
17 Limited (formerly Borazon Limited), KS Legal Consultants Limited (formerly Biskara
18 Limited), Silicon Valley Investment Partners ("SVIP"), Craiglands Limited (formerly IDS
19 Telecom Investment Group), and MSD Investment Advisors, Inc. (formerly Eldoret
20 Limited). All of the listed shell corporations were incorporated by Matheson Trust Co.
21 (Jersey) Limited, in the British Virgin Islands and managed by Matheson Trust in the
22 Channel Islands (United Kingdom).

23 6. HILSEN RATH was the beneficial owner of Telecom Associates and
24 Aida/Borazon. KLARMAN was the beneficial owner of or otherwise controlled KS
25 Legal/Biskara, SVIP, Craiglands/IDS, and MSD Investment Advisors/Eldoret.

26 7. HILSEN RATH and KLARMAN caused the shell corporations to receive
27 USWC's cash payments by wire transfer, in exchange for no consideration. The wire
28 transfers were authorized without approval or knowledge by USWC's Board of Directors

1 or any other corporate body or officer empowered to authorize the wire transfers.

2 8. In or about and between August 1997 and January 2000, HILSEN RATH caused
3 USWC to make monthly \$12,000 payments, totaling \$348,000, to his offshore shell
4 corporation, Telecom Associates, for no consideration.

5 9. The only agreement involving Telecom Associates is an unsigned Consulting
6 Agreement, dated June 1, 1997, that purports to be between Telecom Associates and
7 HILSEN RATH. The Agreement provides that HILSEN RATH will perform services for
8 Telecom Associates such as introducing potential customers, "facilitating relationships,"
9 and "providing investment and business consulting and advisory services." The
10 Agreement also states: "It is specifically understood that Consultant [HILSEN RATH] is
11 not required to expend any specific number of hours in connection with such services."
12 The Agreement further provides that Telecom Associates will pay HILSEN RATH "fees
13 as shall be negotiated from time to time by the parties." There is no provision for USWC
14 to pay Telecom Associates monthly \$12,000 fees, nor did Telecom Associates perform
15 any services in exchange for these fees.

16 10. In or about and between September 1998 and January 2000, HILSEN RATH
17 and KLARMAN caused USWC to make monthly \$5,000 payments, totaling \$85,000, to
18 KLARMAN's offshore shell corporation, KS Legal/Biskara, for no consideration.

19 11. An August 1, 1998, Consulting Agreement between KS Legal and USWC,
20 signed by KLARMAN, provides that KS Legal will perform such services as preparing
21 legal documents and "facilitating relationships." It also provides: "It is specifically
22 understood that Consultant is not required to expend any specific number of hours in
23 connection with such services." The Agreement further provides that USWC shall pay
24 KS Legal "a monthly retainer fee of \$5000 . . . for all legal services performed." KS
25 Legal never performed any services in exchange for these monthly payments.

26 12. HILSEN RATH and KLARMAN caused the shell corporations to receive the
27 stock options and shares, also without Board of Directors approval or knowledge, and
28 without adequate consideration. Some of the shell corporations received the stock

1 options without having an option agreement.

2 13. HILSEN RATH and KLARMAN then caused the shell corporations to sell the
3 stock they had received through the unauthorized transfers of shares and stock options,
4 and to transfer the proceeds to themselves, family members, and third parties.

5 14. It was part of the scheme to defraud that HILSEN RATH and KLARMAN
6 made and caused to be made material false statements to the Securities and Exchange
7 Commission ("SEC") in order to cover up and conceal from the SEC, other officers and
8 directors of USWC, and shareholders of USWC, their misappropriation of USWC shares
9 and monies.

10

11 COUNT ONE: 15 U.S.C. § 78ff (False SEC Filing for Year Ended March 31, 1998)

12 15. Paragraphs 1 through 14 are realleged as if fully set forth in this Count.

13 16. On or about July 14, 1998, within the Northern District of California and
14 elsewhere, the defendants,

15 OLIVER HILSEN RATH and
16 DAVID KLARMAN,
17 did knowingly and willfully make, and cause to be made, statements in a document
18 required to be filed under the Securities and Exchange Act of 1934, specifically, in a
19 Form 10-KSB filed with the SEC for the period ended March 31, 1998, which statements
20 were false and misleading with respect to material facts.

21 17. Specifically, the Form 10-KSB (a) falsely stated the amount of
22 HILSEN RATH's beneficial ownership of USWC stock by omitting his beneficial
23 ownership through Aida/Borazon; (b) failed to include Telecom Associates' Consulting
24 Agreement as a "Related Party Transaction;" and (c) omitted the fact that USWC issued
25 stock options to Biskara/KS Legal, which performed no services for the Company,
26 thereby rendering misleading the statement that USWC issued stock options "to various
27 consultants performing services for the Company."

28 All in violation of Title 15, United States Code, Section 78ff and Title 18, United
States Code, Section 2.

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COUNT TWO: 15 U.S.C. § 78ff (False SEC Filing for Year Ended March 31, 1999)

18. Paragraphs 1 through 14 are realleged as if fully set forth in this Count.

19. On or about June 29, 1999, within the Northern District of California and elsewhere, the defendants,

OLIVER HILSEN RATH and
DAVID KLARMAN,

did knowingly and willfully make, and cause to be made, statements in a document required to be filed under the Securities and Exchange Act of 1934, specifically, in a Form 10-KSB filed with the SEC for the period ended March 31, 1999, which statements were false and misleading with respect to material facts.

20. Specifically, the Form 10-KSB (a) falsely stated the amount of HILSEN RATH's beneficial ownership of USWC stock by omitting the fact of his beneficial ownership of USWC shares through his ownership and control of Aida/Borazon; and (b) omitted the facts of Telecom Associates' and KS Legal's Consulting Agreements as "Related Party Transactions."

All in violation of Title 15, United States Code, Section 78ff and Title 18, United States Code, Section 2.

COUNT THREE: 15 U.S.C. § 78ff (False SEC Filing for Year Ended March 31, 2000)

21. Paragraphs 1 through 14 are realleged as if fully set forth in this Count.

22. On or about June 29, 2000, within the Northern District of California and elsewhere, the defendants,

OLIVER HILSEN RATH and
DAVID KLARMAN,

did knowingly and willfully make, and cause to be made, statements in a document required to be filed under the Securities and Exchange Act of 1934, specifically, in a Form 10-KSB filed with the SEC for the period ended March 31, 2000, which statements were false and misleading with respect to material facts.

23. Specifically, the Form 10-KSB (a) falsely stated the amount of KLARMAN's

1 beneficial ownership of USWC stock by omitting the fact of his beneficial ownership of
2 USWC shares through his control and ownership of Biskara/KS Legal, Craiglands/IDS,
3 SVIP, and MSD/Eldoret; (b) falsely and misleadingly stated that USWC "awarded
4 149,425 shares to a private placement agent" in connection with a preferred stock
5 issuance, when in fact the shares were issued to Craiglands/IDS for no consideration; and
6 (c) omitted the facts of Telecom Associates' and KS Legal's Consulting Agreements as
7 "Related Party Transactions."

8 All in violation of Title 15, United States Code, Section 78ff and Title 18, United
9 States Code, Section 2.

10
11 COUNTS FOUR through TWENTY: 18 U.S.C. §§ 1343, 1346, and 2 (Wire Fraud;
12 Aiding, Abetting, and Willfully Causing)

13 24. Paragraphs 1 through 14 are realleged as if fully set forth in this Count.

14 25. On or about the following dates, within the Northern District of California and
15 elsewhere, for the purpose of executing a scheme and artifice to defraud, to obtain money
16 and property, and to deprive USWC of the intangible right to honest services, defendant

17 OLIVER HILSEN RATH

18 did knowingly cause the following wire communications in interstate and foreign
19 commerce:

<u>Count</u>	<u>Date</u>	<u>Point of Origin</u>	<u>Point of Receipt</u>	<u>Communication</u>
4	8/3/98	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank
5	9/1/98	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank
6	10/1/98	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank

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7	11/2/98	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank
8	11/30/98	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank
9	12/30/98	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank
10	1/29/99	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank
11	3/2/99	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank
12	4/7/99	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank
13	5/11/99	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank
14	6/7/99	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank
15	7/12/99	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank
16	8/3/99	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank
17	9/9/99	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank

18	10/12/99	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank
19	11/2/99	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank
20	12/7/99	Menlo Park, CA	New York, NY	\$12,000 wire from Merrill Lynch to the Chase Manhattan Bank

All in violation of Title 18, United States Code, Sections 1343, 1346 and 2.

COUNTS TWENTY-ONE through THIRTY-SIX: 18 U.S.C. §§ 1343, 1346, and 2 (Wire Fraud; Aiding, Abetting, and Willfully Causing)

26. Paragraphs 1 through 14 are realleged as if fully set forth in this Count.

27. On or about the following dates, within the Northern District of California and elsewhere, for the purpose of executing a scheme and artifice to defraud, to obtain money and property, and to deprive USWC of the intangible right to honest services, the defendants,

OLIVER HILSEN RATH and
DAVID KLARMAN,
did knowingly cause the following wire communications in interstate and foreign commerce:

<u>Count</u>	<u>Date</u>	<u>Point of Origin</u>	<u>Point of Receipt</u>	<u>Communication</u>
21	9/1/98	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank
22	10/1/98	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank.

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23	11/2/98	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank.
24	12/2/98	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank.
25	12/30/98	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank.
26	1/29/99	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank.
27	3/2/99	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank.
28	4/7/99	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank.
29	5/11/99	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank.
30	6/7/99	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank.
31	7/7/99	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank.
32	8/3/99	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank.
33	9/9/99	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank.
34	10/12/99	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank.
35	11/2/99	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank.
36	12/7/99	Menlo Park, CA	New York, NY	\$5,000 wire from Merrill Lynch to Citibank.

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All in violation of Title 18, United States Code, Sections 1343, 1346 and 2.

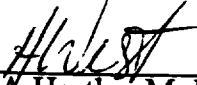
DATED:

A TRUE BILL

FOREPERSON

KEVIN V. RYAN
United States Attorney


CHARLES B. BURCH
Chief, Criminal Division

(Approved as to form: )
AUSA Hartley M. K. West