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SEC Reported Probing Firm of Nixon Friend

Los Angeles Times

The San Diego conglomerate controlled by C. Arnholt Smith, President Nixon's old friend and financial backer, is under investigation by the federal government for possible violation of securities laws, the Los Angeles Times has learned.

The Securities and Exchange Commission is looking into certain transactions over the last three years by the Westgate-California Corporation to determine whether proper disclosures were made to investors.

The SEC is also probing why Westgate entered into two transactions totaling \$52.6

million on the last day of 1970, but rescinded the deals in 1971.

It is unusual for a firm to take such major action on the last day of its fiscal year and later reverse itself. But Westgate said the deals—one of which would have made a \$4.5 million profit for a friend of Smith's—were not "in the best interests" of the company.

Westgate has interests in banking, mining, and fishing, as well as taxi, bus and airline services. It attracted attention in the financial community because it has switched independent auditors for four consecutive years.

Smith has become em-

broiled in a growing controversy over alleged Justice Department favoritism toward GOP financial backers in San Diego. Life magazine has charged—and the Justice Department has denied—that the Nixon administration sought to neutralize criminal investigations involving friends of Smith.

The SEC probe into Smith's business interests started at the staff level some weeks ago, it was learned. More recently it has been formally authorized by a closed-door vote of the SEC commissioners.

In San Diego, Norman Foster, assistant to Smith, said he was not aware of any SEC investigation. Attempts to reach other Westgate officials were unsuccessful.

As is their custom, SEC officials declined to comment on the details of their probe, or even to acknowledge its existence.

It is known, however, that disputes over what should be disclosed to the public about certain of Westgate's financial dealings, including transactions involving relatives and friends of Smith, were at least partly behind the company's decisions to fire its outside public accounting firms.

Asked at a press conference in January why Westgate had fired Haskins and Sells, its 1970 auditing firm, and then fired Touche, Ross and Co., which audited the 1971 figures, Smith said, "We were unhappy with the type of footnotes they put together."

The 1971 report, with accompanying footnotes, is not yet available.

Footnotes to the 1970 report, which wasn't distributed until late last year, contained numerous financial disclosures that had not been made previously.

Accompanying the report was an unusually long "opinion letter" from Haskins and Sells, which noted that the accounting firm had been unable to verify for itself numerous aspects of the company's activities and financial condition.

Smith Denies Control Of California Airline

United Press International

C. Arnholt Smith, a long-time friend and financial backer of President Nixon, yesterday denied charges of several airlines that he continues to control a California commuter airline despite a government order to sell it.

Smith, chairman of the U.S. National Bank and president of the multimillion-dollar Westgate California Corporation, told the Civil Aeronautics Board, "It is my position that all steps that could reasonably have been taken to accomplish the divestiture have been taken and neither I nor any entity controlled by me controls Golden West Airlines."

In the Golden West case, the CAB issued an order in 1969 rejecting Smith's proposed acquisition of Los Angeles Airways, which is a helicopter company connecting airports in the Los Angeles area, and the acquisition of Aero Commuter, a California air taxi company already controlled by Smith.

The order had the effect of forcing Smith's corporation to

dispose of the air taxi company, which is now called Golden West Airlines.

However, Air West, Pacific Southwest Airlines and Western Air Lines argued that Smith actually still controlled Golden West via an intricate financial arrangement with Smith's other companies.

In testimony before the CAB, however, Smith said that the "United States National Bank continues to be a major lender to Golden West."

He also said that because the airline has not reached a point "where we have absolute assurance of the collectibility of our loan, we continue to monitor the operation . . ."

Smith was mentioned in an article in Life magazine last week, which claimed the administration tampered with justice in San Diego by stopping an investigation of possible illegal political contributions to Mr. Nixon's 1968 election campaign. According to the article, the funds were allegedly funneled through some of Smith's many corporations.