

Smith Wins Round With Government

SAN DIEGO, Oct. 2 (UPI)—Financier C. Arnholt Smith won two rounds against the government yesterday. A federal judge ordered suspension of grand jury proceedings against him and quashed attempts to collect immediately on a \$22.8 million tax lien.

U. S. District Judge Leland Nielson ordered the U. S. attorney's office to halt grand jury proceedings until after settlement of a civil suit against Smith by the Securities and Exchange Commission.

The government has moved against Smith on a multitude of fronts.

Aside from the SEC complaint and the Justice Department action, the Internal Revenue Service in August levied a \$22.8 million jeopardy assessment against Smith for allegedly unpaid taxes from 1969—believed to be the biggest claim against a single taxpayer for one year in the history of the United States.

The IRS attached all Smith's assets. An agreement was then worked out—the details of which have been kept secret by the court—allowing Smith operating control of his business, without renouncing the IRS claim to the \$22.8 million, while the issue is fought out in court.

Last week the IRS said it was backing out of the agreement on the grounds that Smith had violated it by taking items of value from a bank safe deposit box with an IRS seal.

Smith said the items he took were papers not covered by the agreement.

The judge ruled yesterday that Smith had not violated the agreement and that the IRS had no right to nullify it. But he also ordered an inventory of the deposit box contents to verify Smith's statement.