

Nixon's "Lucky City": C. Arnholt Smith and the San Diego Connection

"Arnie was one of our first supporters."—Pat Nixon



SAN DIEGO TRIBUNE

Smith congratulating Nixon at the 1960 GOP convention

On August 3, the IRS filed a \$22.8 million dollar income tax lien on Smith's 1969 income—reportedly the largest claim ever levied for a single tax year.

At first the focus falls soft on the eye, just as Cabrillo might have spotted it when he first sailed into the sparkling bay: a thick chlorophyll haze between the wilds of Baja, the burnished desert and an enamel rim of blue Pacific waters—a place of year-round sunshine and balmy ocean breezes, of hills and distant mountains clad in purple. Today the promise Cabrillo saw is still there, a siren whisper over sunny, suburban neighborhoods with low-slung dwellings, walled-in patios and campers in the driveways. The poor have been pushed out of sight and locals are pleased to tell outsiders that theirs is considered America's "most livable city"; that their skies are clear, the water pure, the crime rate low. San Diego's tourist brochures sigh dreamily of "Camelot-by-the-Sea."

But back of the deck the picture stacks up sharper—a stucco wilderness, a bristle of warships and the same nervous semaphores that flash elsewhere through the System. A huge military establishment has brought the jobs and the money, a *nouveau riche* elite, firebombs, radicals, Chicanos, black mutinies on the carriers in port. Besides tourism, San Diego is booming with aircraft, missile and electronics industries; with clusters of small scientific companies and research institutes. It has grown into the second largest city in California, headquarters of the Eleventh Naval District, home port for some hundred ships of the Pacific Fleet.

At the height of the Vietnam War, San Diego came into its own as a virtual extension of the combat zone, leaving a rich compost with the brisk, crisp smell of new money. Today the city is rife with boosters and Babbitts, flag-waving and a dizzy, sunstruck optimism. Richard Nixon had his heart set on having the 1972 GOP convention here. He had looked over the list of possible sites and shaken his head. Attorney General John Mitchell was summoned.

"Let's get San Diego into the picture," Nixon ordered.

Richard Nixon's fondness for San Diego reaches back to the early beginnings of his political career. Ever since his first campaign for the Senate in 1950 it has voted for him overwhelmingly each time he ran for office. Its local establishment boasts some of his oldest friends and backers who have personally raised and donated the millions which helped him climb to his succession of political offices. In 1966 San Diego sprouted the country's first Nixon-for-President committee, two years before he declared himself a candidate. And after the 1968 election he made his first stop in the city, staying at the home of Ogden Armour, a major stockholder in San Diego's Yellow Cab Company.

As Nixon relaxed at the Armour residence, a frequent visitor was a 70-year-old, tanned and silvery-haired local tycoon who had risen from high school dropout, box boy and bank clerk to become Southern California's living legend of success. Like Nixon, he was a "self-made" man and they had known each other a long time. The visitor was the perennial chairman of the San Diego County Republican Finance Committee; he was also a member of the exclusive Lincoln Club of Orange County, a millionaire rightwing Republican coven, whose other members included Herbert Kalmbach, Nixon's personal lawyer, GOP arm-twister and fundraiser. In 1968 Nixon's visitor was reported to have brought in more than \$1 million for the candidate's election campaign; four years later he set about Lowell Bergman and Maxwell Robach are free-lance writers on the West Coast.

by Lowell Bergman
and Maxwell Robach

Letter from the Chairman

We have just completed the most successful year in our bank's history. We reached many levels above our 1972 projections and are optimistic that our satisfactory growth rate will continue in 1973. I am particularly satisfied that in many respects, our 1972 progress exceeded levels generally experienced within the banking industry.

Here are some of the highlights of 1972:

- Our resources reached the billion-dollar mark.
- We rose from 110th to 87th among banks in the United States.
- Our resources, deposits, and loans grew to first place among San Diego based banks.
- We expanded our network of banking offices to 65 with the addition of four offices, including an international office in Nassau, Bahamas Islands.
- We resumed cash dividend payments in addition to the stock dividends paid in each of the past twelve years.
- We increased our resources 42 percent, deposits 41 percent, and loans 35 percent.
- Our capital accounts grew nearly 50%, primarily through the sale of additional shares of common stock and secondarily through private placement of notes, along with gains in surplus and undistributed profits.
- We strengthened our management through the appointments of James F. Mulvaney as President and Richard P. Wollman as Chairman of the Executive Committee and First Vice Chairman of the Board.

Although fourth-quarter earnings were subject to unusual nonrecurring items, acquisition costs and investment adjustments, we anticipate further satisfactory growth in earnings during 1973 in our drive toward the billion-dollar mark in deposits.

Our accomplishments in 1972 were the result of the combined efforts of our directors, officers and employees who form a well-coordinated team. I give them my congratulations on a job very well done.

C. Arnholt Smith
Chairman of the Board

1972 United States National Bank annual report to stockholders.

"The SEC indictment of Smith in June cited USNB for misappropriating funds, making false statements to the investing public, and generally exploiting Westgate and USNB for the benefit of the chairman and his friends. The SEC has also asked for a preliminary injunction prohibiting Smith from holding office in any public company."

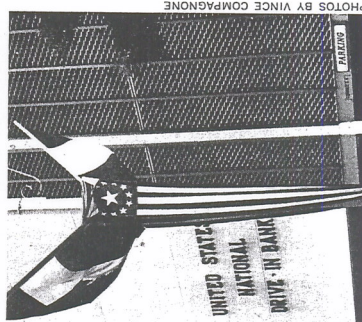
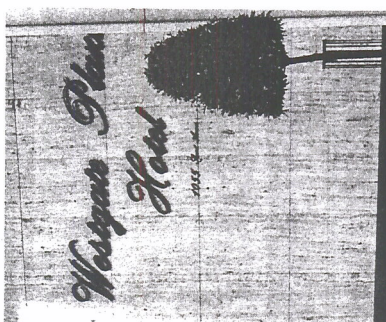
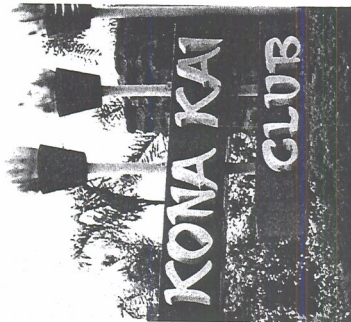
to raise more than \$3 million for the Nixon campaign chest. At the 1968 Republican convention in Miami his hands were the first of some 5,000 Nixon voters to shake during the reception for party delegates; a few months later he was at Nixon's Waldorf Astoria Towers suite in New York, watching the election results; and not long after Nixon went to the White House, rumors surfaced briefly in San Diego that he would be the next Secretary of the Navy. He had the face of a sunbitten terrier. His smile cracked like a persimmon, slightly awry. "Arnie Smith," Pat Nixon once confided gratefully, "was one of our first supporters."

[THE BEIGE KINGDOM]

The favorite color of C. (Conrad) Arnholt Smith is beige. His suits are beige, he drives a beige car, even his wife's hair is beige. Beige is also the color of his major holding, the U.S. National Bank, with more than \$1 billion in assets and some 65 branches. Beige suits Smith; it is a soothing tone and for years it provided a neutral coat to the spongy underside of his empire as it spread to soak up much of San Diego's police department and mayor's office; the City Council, Planning Commission, and County Supervisors; judges, DA's, U.S. Attorneys, congressmen and a corner of Richard Nixon's presidential seal. Simultaneously, Smith filled out Westgate-California, his other major holding, with electronics, insurance and fund management companies; with a commuter airline, advertising agency, Yellow Cabs and the San Diego Padres; with real estate, agribusiness, the world's third largest packer of canned tuna and the "plushiest hotel anywhere." Westgate-California comprises a \$215 million conglomerate; aimless and shapeless like much of Southern California, its interests run restless and eclectic from fishing and truck fleets to olives and dog racing.

C. Arnholt Smith's personal worth could go as high as \$50 million. He began his career in a grocery store, moved up to clerk at the Bank of Italy (now Bank of America), and in the early Thirties made it to vice president at the U.S. National Bank, a small hometown institution run by a conservative banker, James R. Russell. Within a few short years Russell had been shouldered out—with an assist from C. Arnholt's brother, "Black Jack" Smith, who had gotten into banking and oil in Los Angeles. "Smith promised to see that my property rights were fully protected," Russell protested ruefully in a deposition years later while suing to get his bank back; but he died of a stroke before the case got to court, and as Arnie Smith developed his political contacts he parlayed a holding in National Iron Works (now National Steel and Shipbuilding), into a gold mine of government contracts during the Second World War. National Steel and Shipbuilding has been sold since, as Smith's enterprises sank into deeper furrows, producing quicker, harder yields.

C. Arnholt Smith has done well by San Diego. And San Diego likes to think it has done well by C. Arnholt Smith. He contributed much of the money that helped rebuild the downtown area in the early Sixties, for which the city reciprocated with a ringing accolade, naming him "Mr. San Diego of the Century." In this, as in any other honors involving Smith or his lieutenants, the fanfare was sounded by San Diego's war hawk and press baron, James Copley, an



PHOTOS BY VINCE COMPAGNONE

old friend of Nixon's and owner of the city's only two dailies, the *San Diego Union* and *Evening Tribune*. Copley's fears of revolutionaries, especially black ones, fits the San Diego mood. Three years ago his presses steamed at San Diego's Black Panther Party and "Marxist" professor Herbert Marcuse; they cooled down only after three Panthers were murdered and Marcuse was "retired."

Smith himself has not been above dashing off an editorial for Copley, and until recently neither of San Diego's dailies would print a word to criticize him or his associates. When in the beginning of 1970 a local underground paper ran a series of exposés on Smith and his means to power, it quickly became the target of firebombs, vigilante terrorism, police infiltration, arrests and harassment. "I wish there was a way to bomb them clear to the other side of the Coronadoes," Smith fumed to stockholders about the radical "street people" running the exposés.

But in recent months even Copley's papers had to print the facts. Watergate was bursting. Smith's personal donation of \$50,000 in checks to the Nixon campaign was returned in March 1972, as three different government investigations (prompted by an article in *Life* magazine) began turning over the rocks on his well-appointed grounds. With government investigators moving in from all sides, Smith resigned as president of Westgate-California, though remaining chairman of the Board of Directors. Likewise he stepped down as head of U.S. National Bank. On May 31 of this year an SEC suit charged Smith with misappropriation of funds from both Westgate and the bank. On August 3 the IRS filed a \$22.8 million dollar income tax lien on Smith's 1969 income—reportedly the largest claim ever levied against an individual for a single tax year. Meanwhile the FBI was peering into his conduits of campaign funds and political payoffs. His onetime protégé and business partner of more than 40 years had just gotten out of jail. Two other of his associates were named along with him in the SEC suit. Still others were being indicted or sued in different courts. And as the plumb line sank deeper into Smith's affairs it touched upon the hidden layers of his power base—an accretion of "front men" and shady business deals, interrelated with union bosses, gangsters, politics and the Nixon connection.

[THE SELF-DEALING TYCOON]

As his empire grew, Smith's favorite story about himself was meant to show that he was not in it for the money; there were years, he claimed, when as chairman and president of his two corporations he would refrain even from taking a salary. But broaching the wrap of his business operations in the spring of 1969, the *Wall Street Journal* discovered that Smith had other ways of rewarding himself and friends—primarily as a "self-dealing tycoon" who used "publicly-owned firms to aid private ventures." The yield from this arrangement more than made up for his paycheck; the chairman took his pickings from inside—at the expense of the shareholders.

For close to a decade the key to Smith's wealth and that of his allies has been the intimate relationship between the U.S. National Bank, Westgate-California and the various front corporations controlled by Smith and associates. For instance, Smith would lend Westgate assets to his privately

owned front corporations free of interest. These front companies would then use these assets as collateral for loans they would receive from the U.S. National Bank. Meanwhile, other Smith front operations were buying Westgate assets at fantastically low prices, and selling other properties to Westgate for handsome profits. In order to hide these operations from Westgate stockholders, Smith manufactured over 17 million dollars in false Westgate profits through dummy sales of Westgate properties at inflated prices, which were financed by the U.S. National Bank. While this "self-dealing" enabled Smith and his front men to reap a bonanza of "large and sometimes quick profits," the *Wall Street Journal* pointed out that "the earnings performance of Mr. Smith's publicly owned firms has been less than spectacular."

The SEC indictment of Smith in June cited USNB for misappropriating funds, making false statements to the investing public, and generally exploiting Westgate and USNB for the benefit of the chairman and his friends. Since 1970 stockholders have been fighting back with a growing number of suits, while the SEC has asked for the appointment of a receiver for Westgate-California, as well as a preliminary injunction prohibiting Smith from holding office in any public company.

Disentangling Smith's affairs has not been easy. One SEC investigator, still tracking down transactions involving Nixon campaign funds from the 1968 election, found many files inexplicably "missing" from the bank's records. But this did not surprise employees; by their accounts, Smith and top executives were in the habit of using USNB as a personal piggy bank, reaching into the cash drawers and leaving personal IOU's for the funds taken. And even now, when indictments are beginning to flutter down, the outcome of the investigations is far from certain. Smith has escaped the legal reaper before. A year ago the IRS turned over the results of its audit on Smith to the IRS Intelligence Division for possible "criminal indictment." But the success of prosecuting this complaint depends on whether or not Elliott Richardson, the new Attorney General, will dismiss San Diego's U.S. Attorney Harry Steward in the fall, as has been rumored. Steward was appointed by Nixon four years ago at the recommendation of Smith, and the IRS might remember what happened to the three agents it sent to San Diego in the late '50s: two of them ended up working for Smith, with one of the agents specifically assigned to staying on top of further IRS investigations.

[THE RISE OF BIG JOHN]

Smith's resignation as president of Westgate-California followed by two years the departure of another member of the board—that of "Big John" Alessio, reputed boss of San Diego's underworld and owner of horse and dog tracks on both sides of the border. Alessio resigned his Westgate seat to begin serving a 3-year sentence first at Terminal Island Federal Penitentiary, then at Lompoc, California, and finally at McNeil Island in Washington State. His failure to report \$1.2 million to the IRS was one of the bigger tax evasion cases on record. But Alessio had a few consolations; the honors and awards that decorate his office overwhelm the visitor. Alessio was "Mr. San Diego of 1964," as well as "Mr. Coronado." He has

WANTED

for TREASON



NIXON

DESCRIPTION

FULL NAME: Richard Milhous Nixon. DATE OF BIRTH: January 9, 1913 at Yorba Linda, California. FORMER OCCUPATIONS: Used car salesman, law clerk, second rate congressman, and mediocre Vice President. PRESENT OCCUPATION: Professional liar and double crosser (part time employment as United States President). WEIGHT: 170 pounds. EYES: brown. HAIR: black. HEIGHT: 5'11". RACE: White. NATIONALITY: Claims American citizenship but actions prove this unlikely. LAST KNOWN ADDRESS: 1600 Pennsylvania Avenue, Washington, D. C. (Rumored to have a California hideout.)

CRIMINAL RECORD

RICHARD NIXON (alias Cry-Baby Nixon, alias Tricky Dicky) is an expert in disguises and has successfully passed himself off as an anti-communist in the past. He may again try using this disguise if pressed for votes in 1972. Saying one thing, then doing the opposite is Nixon's MOA. While he campaigned in 1968 on a platform of curtailing socialism he has in fact done more to establish a socialistic dictatorship than either of the last two Democrat administrations. His economic policies have continued to enrich Big Industrialists while rising prices and higher taxes have all but reduced the average worker to a state of financial slavery. This criminal has even made vicious attacks on small children (forced busing to achieve "racial balance") and has caused the destruction of local school systems. WARNING: Nixon suffers from an EMPEROR COMPLEX and becomes extremely dangerous when criticized.

CAUTION

Trickery and deceit are Nixon's trade-marks. At the present time Nixon and his chief henchman HENRY (CZAR) KISSINGER are engaged in forming an alliance with another gang of criminals, the Red Chinese. The RED CHINA GANG have slaughtered an estimated fifty million of their own people since coming to power. This Godless horde of barbarians killed thousands of Americans in the Korean War (shooting captured soldiers and starving and torturing prisoners of war). The RED CHINA GANG have been supplying the NORTH VIETNAMESE BANDITS with weapons and bullets to kill American soldiers in another no-win war in Vietnam. The very fact that Nixon is dealing with these ARCH ENEMIES OF FREEDOM is enough to convict him of treason. DO NOT LET THIS CRIMINAL STEAL YOUR FREEDOM. DEMAND HIS ARREST BY PROPER AUTHORITIES AND HIS TRIAL FOR THE CRIME OF HIGH TREASON.



Secret Army Organization



WANTED

FOR

TREASON

THIS MAN is wanted for treasonous activities against the United States:

1. Betraying the Constitution (which he swore to uphold): He is turning the sovereignty of the U. S. over to the communist controlled United Nations. He is betraying our friends (Cuba, Katanga, Portugal) and befriending our enemies (Russia, Yugoslavia, Poland).
2. He has been WRONG on innumerable issues affecting the security of the U. S. (United Nations, Berlin wall, Missile removal, Cuba, West deals, Test Ban Treaty, etc.).
3. He has been lax in enforcing Communist Registration laws.
4. He has given support and encouragement to the Communist inspired racial riots.
5. He has illegally invaded a sovereign State with federal troops.
6. He has consistently appointed Anti-Christians to Federal office. Upholds the Supreme Court in its Anti-Christian rulings. Aliens and known Communists abound in Federal offices.
7. He has been caught in fantastic LIES to the American people including personal ones like his previous marriage and divorce.

Warren Commission Exhibit 996

"Godfrey testified that he had paid the printer for the posters, picked them up, and was reimbursed by the FBI, and that the FBI understood the nature of his expenditures and saw all of his SAO publications."

C. ARNHOLT SMITH

(From page 35)

put on a catered dinner for 24 relatives and friends in the prison's main visiting room. C. Arnholt Smith flew up loyally once a week; Los Angeles Mayor Sam Yorty stopped by, as did former California governor Pat Brown and San Diego Congressman Bob Wilson, who talked to the supervisors at Lompoc and promised Alessio an early parole. The guards and administrators liked their amiable, generous inmate. John Alessio's word was enough to stand them free dinner and entertainment at the Kona Kai; one earned a big discount on a trailer he bought from Alessio's trucking firm; others tasted the salt spray on the deck of C. Arnholt's yacht as it took them cruising around the bay.

But John Alessio never got his parole. A fellow prisoner got angry at the persistent attentions Alessio paid to his visiting daughter and squealed. The *Los Angeles Times* picked up the story and the Justice Department's Organized Crime and Racketeering Section began an investigation into John Alessio's freewheeling prison life. After nine months three sets of indictments were handed down by a Federal Grand Jury in Los Angeles. Alessio spent his remaining year in prison at less hospitable McNeil Island in Washington.

[THE POLITICS OF CORRUPTION]

The union of the Alessio and Westgate-California corporations in 1964 formalized more than a long standing business engagement. For years the partners had practiced the principles of "lay off" betting in their political choices—until recently Alessio backed Democrats, while Smith covered the Republican side.

Alessio, for instance, developed a most rewarding relationship with Democratic governor Pat Brown.

Smith, meanwhile, kept his eye on up-and-coming young Republicans, such as a young congressman from Whittier he spotted in the late Forties. As Nixon pursued Alger Hiss with all the harpies of his cold-sweat American Dream, the GOP moneybags of Southern California took notice. The Republican manager of Whittier's Bank of America had first opened the door to a political career. And it was a Republican banker in San Diego who became one of Nixon's first, most loyal backers. C. Arnholt Smith knew how to nudge the shoals of self-doubt, insecurity, smalltown prejudice and resentment in the plain, plodding congressman. Often he and Nixon would meet and trade advice at a popular downtown San Diego delicatessen. And less than two decades later Smith's faith was rewarded as his new wife breathlessly recounted their conversation with the 1968 GOP candidate for President: "They were telling us," she recalled at the delegates' conclave in Miami, "that we would be their first guests in the White House."

As Nixon progressed to Senator, Vice President, wealthy Wall Street lawyer and President, Smith solidified his control over San Diego's Republican machine. The city and county fell agreeably in line. Smith's GOP loyalty, though, was never blind—it had a way of dissipating when it clashed with more important matters. In 1958 he backed Democrat Bert Betts for state controller. And after Betts got into office, Smith had a modest explanation for the sudden jump from \$813,000 to \$15.6 million in state deposits held by the USNB: "He appreciated what we had done for him and he reciprocated." Betts' thoughtfulness made USNB California's second largest depository of state funds. Alessio, too, faced by the "tax problem," switched political horses in 1968, contributing \$26,000 to Nixon's campaign and raising many thousands more—an act of faith that earned him an invitation to attend the Inaugural Ball in Washington as a privileged guest.

Smith and his politician friends have pulled through some close legal scrapes together, such as the Yellow

Cab scandal. In 1970 a San Diego County Grand Jury indicted San Diego Mayor Curran and practically all of the City Council for taking bribes in exchange for a big boost in taxi fares. At the same time David Stutz, the IRS special agent, sought prosecution of Smith and the president of Smith-controlled Yellow Cab, as well as of Frank Thornton, Vice-President of the Smith-owned Barnes/Champ advertising agency. Stutz accused Smith and Thornton of making false corporate tax returns, and conspiring to violate the Corrupt Practices Act.

The evidence showed that Barnes/Champ was the tap and Thornton the spigot which sent money and favors lapping around the San Diego Police Department, local public officials and Richard Nixon. Charlie Pratt, the president of Yellow Cab, testified that he had given Curran \$3,500 to get the fare increase. Pratt explained how he would receive the money from Thornton and deposit it in a trust account held by a former San Diego Democratic Party wheel, John Donnelley; in turn, Donnelley would make out the checks for Pratt on request. Barnes/Champ, it was shown, would send bills for fictitious services to a number of other firms owned by Smith—the bills would be paid, the books balanced, the money went into the Nixon campaign kitty.

Because of the problems of the Alessio brothers, Nixon's election had been more than an excursion of sentiment; the seepage from the Justice-IRS investigations into the County and State Attorney General's office could be damped only by a friendly Republican U.S. Attorney. And the man Nixon appointed shortly after his election was Harry Steward, a zealous GOP fundraiser in San Diego who had worked closely during the previous presidential campaign with Smith's political *alter ego*, Frank Thornton. As the new U.S. Attorney, Steward was soon faced with the question of a subpoena for Thornton concerning his part in the illegal fundraising scheme. But after pleading in vain with IRS agent Stutz to leave Barnes/Champ alone, Steward refused to serve it. And when he was subsequently charged with obstructing justice, Deputy Attorney General Richard Kleindienst quickly "evaluated the matter"—to the

satisfaction of Steward, Smith and Thornton. The long arm reached out from Washington again in the trial of Mayor Curran and his City Council members; it took a letter from John Dean invoking "executive privilege" to keep agent Stutz from testifying to the bribery charges. Curran was acquitted, and amidst the jubilation at City Hall came a call from San Clemente. Nixon sympathized with Curran, then president of the National League of Cities. "We in public life," Nixon complained, "take a lot of knocks."

[GANGSTER HOSPITALITY]

By 1964 huge amounts of cash were flowing into Northern San Diego County. A land boom got under way, much of it fed by Syndicate loans from the Teamster Pension Fund. Morris "Moe" Dalitz, longtime head of the Cleveland Syndicate and owner of Las Vegas' Desert Inn, moved into the swank, exclusive Rancho LaCosta, a cluster of hightone, natural-wood condominium-hotels nestled in the hills just off Highway 5 between San Diego and San Clemente.

Among Rancho LaCosta's charter members were John Alessio and publisher James Copley. As Dalitz continued to expand his development with at least \$46 million in Teamster money, Rancho LaCosta became the choice site for hush-hush cabals, a secluded compound where the new-money satraps could pace in private and mull over their concerns. Their foregatherings were discreet, but an unusual cross-section of guests, even for Dalitz's domain, was seen moving over LaCosta's in-house security screens during the weekend of last February 10—the shaded projections of Teamster boss Frank Fitzsimmons, a clutch of Syndicate wheels, John Ehrlichman, Bob Haldeman and John Dean; Fitzsimmons could be seen talking at the bar to a man thought to be a national crime syndicate representative while Ehrlichman, Haldeman and Dean were in a room nearby, thrashing out the Watergate coverup. Afterwards, Fitzsimmons moved out of sight to nearby San Clemente, flying back East with Richard Nixon aboard Air Force One.

The conjunction of mafiosos and Teamster leaders in the neighborhood

of the Western White House followed a path that had been well trod elsewhere in the U.S., particularly along the rim of Sunbelt states from Southern California to Florida. Teamster money has long since moved close on the heels of the Syndicate chiefs; the union's Central and Southwest States Pension Fund goes where the smart money goes—author Hank Messick (*Lansky, John Edgar Hoover*) calls it the “Reconstruction Finance Corporation of Organized Crime.”

Originally the creation of Chicago union racketeer “Red” Paul Dorfman, the Pension Fund reached its present form under the guidance of Jimmy Hoffa and “Red’s” son, Allen. Teamster Pension Fund money has financed the building of casinos in Las Vegas and the Bahamas and thrown up acres of real estate in Southern Florida. In San Diego an estimated \$250 million in Teamster loans has gone to local builder and casino owner Irvin Kahn, the man behind University City and Los Penasquitos, one of the largest real estate developments in the country which will house more than 150,000 people.

Locally, Kahn obtained the services of John A. Donnelley, who was Dalitz’s local legal whiz and administered the pay-offs in the Barnes/Champ scandal. Donnelley had sailed out of Local Democratic Party politics a decade earlier to become Secretary-Treasurer at the Desert Inn in Las Vegas; he returned to the legal affairs of Moe Dalitz and the LaCosta group, as well as of Hughes’ Air West and Kahn’s huge University City development. And in July in this year, Donnelley was appointed to the board of none other than C. Arnholt Smith’s Westgate-California corporation.

[A FRIEND OF THE WORKING MAN]

Smith’s own rapport with the local Syndicate chiefs has been wrapped in discretion; his relations with Teamster leaders have been less disguised. With interests in ground transportation through cab and truck fleets, in real estate and in banking, his friendship with the union bosses has been a matter of ardent cultivation. In *The Fall and Rise of Jimmy Hoffa*, author Walter Sheridan quotes an intermediary in the attempt to get Hoffa

out of jail, boasting about his access to Nixon through C. Arnholt Smith and Treasury Secretary John Connally. Hoffa’s successor, Frank Fitzsimmons, enjoys a similar esteem from San Diego’s number one citizen. Smith’s U.S. National Bank has reportedly handled at least \$10 million of Fitzsimmons’ Central States Pension Fund, although bank officials deny this.

Fitzsimmons’ Teamster Pension Fund business frequently takes him to the San Diego area, where his comminglings are confined to the same circuits as those traveled by the city’s ruling elite. On May 4 of this year he and C. Arnholt Smith shared a \$50-a-plate-dinner platform for Fitzsimmons’ favorite charity, the Children’s Asthma Research Institute. In the plush-padded lap of the Kona Kai, where the function was held, Fitzsimmons spoke and C. Arnholt Smith, the charity’s honorary chairman, listened. Among those in the audience were Dave Beck, the former West Coast racketeer and Teamster president who was recently relieved from having to pay the government \$1.4 million in back taxes, and Irvin Kahn, casino owner and local builder who builds with Teamster Pension Fund money.

The glow of bonhomie that surrounded the \$50 plates at the Kona Kai made a contrast to the angry gathering outside, a demonstration of United Farm Workers members against Teamster union-busting in the San Joaquin Valley. The pickets rattling against Teamster goons and bosses concerned Smith, as it did Fitzsimmons. The largest non-corporate landholder in the San Joaquin Valley was the 130,000-acre Roberts Farms, employing a total of 2,500 workers on its major holdings near Delano and on others ranged throughout the area. Smith’s stake in this spread came via Hollis Roberts, a rotund Dust Bowl native with an unlimited line of credit at the USNB. Near bankruptcy in 1965, Roberts Farms was put back on its feet as part of a variety of Smith land-syndicates valued at a net worth of \$125 million. The surge of UFW power three years ago forced Roberts to sign up with Cesar Chavez, but he recently went back with the Teamsters—whose Pension Fund money has been well-seeded through the USNB accounts.

Through Roberts, Smith’s voice runs quietly beneath the battle clamor in the Valley where the other landholders remember how he and Thornton organized the campaign which won Proposition 7, the issue of State Bonds to pipe water from Northern California to the San Joaquin. The reluctance of California Attorney General Evelle Younger to deal with the strongarm Teamster harassment of the Farm Workers has been no mystery to Smith; almost all of Younger’s 1971 campaign money from San Diego County—close to \$40,000—came from the special tap at Barnes/Champ. With Younger becalmed in Sacramento, one other flank of the San Joaquin Valley was covered when Nixon appointed Hollis Roberts to the Agricultural Advisory Board—upon the recommendation of C. Arnholt Smith.

[THE FRONT MEN]

Hollis Roberts was one of the “front men” in the small platoon that has brought Smith a wealth of corporate and political plums. Another redoubtable member of this squad was the Master of Ceremonies at Fitzsimmons’ charity gala on May 4, who also happened to own the Kona Kai Club where the function was held; a well-known figure to Teamster honchos and a frequent visitor at Rancho LaCosta, a vice president of USNB, a former bookie and delicatessen operator, Lew Lipton was also the lieutenant who handled all of Smith’s financial dealings with the Teamsters; Lipton was Kahn’s contact man and Smith’s plenipotentiary in Syndicate relations.

Lew Lipton has been a “character” on the San Diego scene since well before World War II; convicted in 1938 under the alias of Felix Aguilar, it was Lipton’s name, along with Alessio’s, that Federal crime fighters kept stumbling over each time they ventured a foray on the West Coast. Lipton’s Delicatessen in downtown San Diego boasted a motley crew while it lasted—gamblers, gangsters, cops, judges, lawyers, bookies, goons, bank execs, hotshot entrepreneurs, a fraternal conclave on neutral grounds of those serving the law and those beyond it. C. Arnholt Smith introduced Nixon to the place; the young

congressman would eat open-eyed and watch the shakers and movers.

Smith liked the way Lipton operated. An agreement was reached. Lipton clearly recalls what he knew about banking at the time of his recruitment by Smith: "I never done it, and he put me at a desk and didn't introduce me. He said, 'Stay there' . . . And they made me an assistant vice president, and then in five months, vice president. . . ."

The informality of his appointment carried over in Lipton's style of banking. It was breezy, he took things as they came. His area of expertise, "Business Development," was wide enough to confound definition of his connections in the underworld and with labor racketeers. Lipton was busy outside the bank as well; in 1966 he occupied a strategic position on the 22nd Agricultural Board, which had jurisdiction over the Del Mar Race Track, and he helped swing John Alessio's short-lived lease on the property. The Attorney General's report which finally rejected the bid and took the lease away quoted Lipton as worshipping "Mr. Alessio's Midas Touch."

And then there is M. J. "Mike" Coen of Kansas City. In the avalanche of stockholders' suits and SEC indictments that has descended on Westgate and USNB, C. Arnholt Smith is mentioned most commonly in conjunction with Coen, a big, strapping, back-slapping Midwesterner with long-standing ties to the Dallas oil group of Clint Murchison, Jr. Coen and his First California Corporation have been named in at least two civil suits as well as in the May 31, 1973 SEC action against Smith. But in Kansas City the magic of his name and the wonder of his doings die hard; Coen's troubles, the *Kansas City Star* spoke up bitterly, are "all C. Arnholt Smith's fault."

Coen's favorite activity was raiding corporations, selling stocks, juggling assets, buying, dissolving, merging, cleaning up—with a platoon of accountants and lawyers standing by to make it all look good on paper. But despite the wide range of his activities, Coen has always stayed close to C. Arnholt Smith; since 1962 he has been involved in some two dozen transactions with Westgate-California and the United States National Bank. The rudiments of the operation in-

volved an arrangement of front men selling assets and buying them with loans from the United States National Bank. At one time or another, Coen has alternately owned himself, or through subsidiaries, part or all of Smith's tuna fleets, Yellow Cabs, Aero Commuter (later Golden West Airlines), Barnes/Champ Advertising, Golconda Corporation (silver mining, restaurant equipment, pressure valves), San Luis Rey Estates (a luxury housing development bordering Rancho LaCosta), and a handful of other assets from Smith's private cookie jar. With ownership alternating inside a closed group of "self-dealers," the same companies have at other times been in the hands of "Black Jack" Smith, Alessio, C. Arnholt, Hollis Roberts, relatives and trusted friends. Since almost all of the companies being passed around were stock-issuing public corporations, the operations of this charmed circle served to leach profits which would have normally surfaced in increased shareholders' dividends.

"Self-dealing" represents the final levitation of capitalism from its material base, the ultimate divorce of product from profit. The civil suits and SEC indictment of Smith and associates list over 35 such deals, involving well over 50 different corporations and an estimated \$20 million in "misappropriated" funds. In one of the "paper" deals cited, Coen bought a tuna fleet from Westgate, then turned it back to the same corporation for a cool \$5 million profit. It was a neat scheme, and it netted a fortune for Smith and his business associates. But those days are over now.

[THE CHICKENS COME HOME . . .]

When John Alessio was released from prison last May, he found his ancient business partner beset by the ague of a grizzled pirate. The time had come. It was dog eat dog. In the end the System played no favorites, there were no rules, and the behemoths that had grown fat on the turf of others would be devoured in turn. Nixon was whirling in the sluices of the Watergate. And by August, C. Arnholt Smith was moaning, "The people who have supported the President the last eight years are targeted and singled out by those

damn bureaucratic agencies." Just as Nixon's troubles had been brought on by the inner destructive drive of the System, so the indictments and suits that had been loosened against Smith were the instruments by which new powers were raised to take his place. The System was getting a change of oil, a fresh lubricant that would grind the gears even faster.

The SEC action had caught Smith "short," the stakes to his treasure scattered: the myriad deals with Coen, Roberts, Lipton and other fronts had left him with an unknown amount of cash on "loan" without collateral. The racket of selling assets and buying them with USNB loans could involve far more than the estimated \$20 million, as much as \$100 million. Blinds were being drawn in the house of many rooms. There were rumbles in the ranks and Lew Lipton, the vice president of Business Development, had a punchout in the bank's coffee room with the vice president of Marketing who had said he was leaving the "sinking ship."

For a while the SEC had suspended Smith from trading stock in Westgate and its affiliates. In the spring Smith was scrambling to cover himself. Without success he tried to withdraw \$50 million from an account at Barclay's Bank in London. Through Hollis Roberts he managed to unload 30,000 acres of land for some \$44 million. He arranged to sell the Padres to a Washington, D.C. group for \$12.5 million, although that may be delayed by Smith's legal troubles. He removed himself from the official positions in the bank and Westgate, filling them with handpicked veterans of the old "self-dealing" days. And he engaged Mudge, Rose, Guthrie and Alexander, Nixon's former New York law firm.

C. Arnholt Smith was 74 years old, and fledgling tycoons with newer, crispier money were rattling the gates. The noise reached him, but he was powerless. The city machinery was slipping from his hands. The new contenders were two fast-food entrepreneurs, Bob Peterson and Richard Silberman, reform Democrats, who would blunt Smith's rough edges and ingratiate their power more subtly; they had made their fortune with Jack-in-the-Box drive-ins and now controlled Southern California's First

National Bank, San Diego's second largest. There was a new mayor, a new D.A., and soon a new U.S. Attorney. Smith had no institutionalized wealth like the Rockefellers or the Mellons. He had come up scavenging, and it seemed that he would leave the same way. The IRS saw the straws in the wind and heard the rumors that he was salvaging what he could to live out his life in self-banishment abroad. In an effort to keep hold of him, the agency slapped him with a huge tax lien. A year before, he could have avoided

such humiliation. But now his Washington benefactors, caught in the Watergate spotlight, were beyond helping him.

For years, Smith had controlled his turf. He had been the fastest gun in Southern California, fighting off federal agents and young upstarts alike. But the frontier fights a losing battle against the encroaching larger society, and C. Arnholt Smith is condemned to live out his days in constant defense of his reputation and his gains. Whatever the outcome—and Smith has survived

some tough scrapes before—he leaves his mark on San Diego: the place where Richard Nixon wanted the 1972 convention because it was, he said, “my lucky city.” ■

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SECRET ARMY

(From page 36)

that may help.” Then his address, phone number, and car license were given, plus a physical description. “Now, in case any of you don’t believe in hitting people who wear glasses, to be fair, I guess we will have to tell you he wears contact lenses.”

On January 6, 1972, cross-hair stickers (the symbol of the SAO) were placed on the doors of three San Diego State College professors, including Bohmer. Then, an anonymous caller telephoned Bohmer’s residence to say, “This time we left a sticker, next time we may leave a grenade. This is the SAO.” Bohmer’s friends were called and told to say goodbye to him. That evening, two shots were fired into Bohmer’s home and a woman named Paula Tharp was wounded.

The right-wing terror campaign continued for six more months, marked by death threats, menacing phone calls, and warning messages. Its climax came on June 19, 1972, when an SAO member bombed a local porno movie house, the Guild Theatre. This last event finally aroused the San Diego police to drive the group underground.

Police action brought a halt, at least temporarily, to right-wing terrorism in San Diego. But this is not the end of the tale. For in the months that followed a very bizarre story began to unravel, one which involved the SAO, the FBI, and some mysterious contacts between the terrorists and agents of CREEP. The pieces began to appear as early as mid-1972, but it is only in recent months that they have been pulled together by reporters for another San Diego alternative newspaper, the *Door*.

[SECRET ARMY—USA]

The SAO, it seems, grew out of the demise of the Minutemen. According to a recently discovered document entitled “History of the Secret Army Organization,” it all began one morning in February, 1970, when “... a group of six Minutemen leaders from four states met secretly in Northern Arizona to discuss the crisis that the arrest and imprisonment of two top Minutemen leaders and the assassination of a third had brought on the organization. Although some of these men had met before in their roles as Minutemen group leaders, others were meeting for the first time.” These men agreed that “the Minutemen as a national coordination organization of militant right wing groups had effectively been destroyed by the pro-communist elements inside the Justice Department,” and they further agreed that the need for a coordinating organization was greater than ever “in view of the increased revolutionary activity by communists in the United States.” The new organization was the Secret Army Organization, and it would save America from its leftward drift under Nixon’s regime.

The initial SAO documents speak of the immediate need to set up paramilitary groups to carry on guerrilla warfare, and even open and conventional warfare. A letter from “General Headquarters” dated November 8, 1971, outlines the nature of SAO operations—combat teams, organization, transportation, travel procedures, weapons and equipment, training lessons, intelligence work, security, etc. They say that the country has entered

“Stage II”: a time when most people still think they can still get along with the government, but “a few real patriots are willing to take part in underground activity.” Stage II “will be a time of assassination and counter-assassination, terror and counter terror.” It is a period marked by “the communist infiltration and control of the present United States government.”

SAO thus set out to wage total resistance to communism, a small band determined to risk all in the struggle for America. Nationwide, the group probably numbered less than 200 members, 30 of whom were active in San Diego county. There the group was founded by two men—Jerry Lynn Davis (Southland Coordinator) and Howard Berry Godfrey (San Diego Commander and Intelligence Officer).

In late 1971 and the first half of 1972 the SAO put out bulletins on how to make booby traps, how to use ammonium nitrate in high explosives, and how to gain forced entry into buildings. (Much of this information was taken from Department of the Army Technical Manuals on “Unconventional Warfare Devices and Techniques.”) The San Diego SAO also put out bulletins about local liberals, radicals and anti-war activists, all of whom were lumped together as communists. (These missives went out to a mailing list of 227 names in the area, including a naval commander, a county supervisor, a vice admiral, a Marine Corps brigadier general, a rear admiral, and some San Diego police officers.)

The group was organized into small, semi-autonomous cells. Members were listed by code numbers, and were given mail drops for their contacts.