

Probe Into Firm Of Nixon's Friend

Washington

The San Diego conglomerate controlled by C. Arnholt Smith, long-time friend and financial backer of President Nixon, is under investigation by the federal government for possible violation of securities laws, it was learned yesterday.

The Securities and Exchange Commission is looking into certain transactions over the last three years by Westgate - California Corp. 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of 1970, but rescinded the deals in 1971.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.

AUDITORS

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.

The SEC probe of West-

gate, which Smith controls with 52 per cent of its voting stock, has sparked the interest of officials at the Civil Aeronautics Board, where Smith will testify today. What sparked the probe could not be learned.

A CAB spokesman said he could neither confirm nor deny a report the CAB has sought information of Westgate from the SEC's investigatory files.

Smith will be a witness at a CAB hearing on an application by Golden West Airlines, Newport Beach, to acquire financially troubled Los Angeles Airways, a helicopter service.

Lawyers for the CAB and for three competing airlines want to question Smith about his and Westgate's alleged divestiture of control of Golden West, ordered by the board in 1969.

Smith has become embroiled 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.

It is known, 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.

FOOTNOTES

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.

Instead, the auditing firm said, it had to rely in many cases "upon representations, advice, or other confirmation made by or on behalf of interested persons or affiliated interests or the opinion of legal counsel."

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