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COAST TRIAL OPENS ON GIFTS TO NIXON

Arnholt Smith Charged on
Illegal Contributions

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SAN DIEGO, March 10—C. Arnholt Smith, the once powerful financier, who says he is the victim of "vindictive bureaucrats" because of his long-time close friendship with Richard M. Nixon, went on trial today in Federal District Court on charges of making illegal Republican campaign contributions.

The trial, involving \$10,000 in allegedly "camouflaged" donations from a Smith corporation to Mr. Nixon and to former Senator George Murphy of California, is a prelude to the impending trial of the 75-year-old entrepreneur on charges of multimillion-dollar frauds that led to the collapse in October, 1973, of his billion-dollar United States National Bank and Westgate-California conglomerate of 42 companies.

The bank trial, in which Mr. Smith and an associate, Philip A. Toft, former Westgate president, are accused of mishandling \$170-million of bank funds and appropriating \$27.5-million to their own use, is scheduled to begin later this month in Federal Court.

Judge Brought In

Selection of a jury in the campaign contributions case began this afternoon before Federal Judge Robert Schnacke, who had been brought here from San Francisco to preside over the two campaign contribution charges.

Mr. Smith's attorneys argued that the contributions, which came from one of his many companies, Sovereign State Capital, Inc., an investment management firm, had been made without his knowledge by an official of the firm who died nine months ago.

Completion of the jury is expected tomorrow morning for what Judge Schnacke indicated may be a five or six day trial.

In addition to the criminal charges of disguising corporate campaign contributions and the more involved bank fraud charges, Mr. Smith faces an Internal Revenue Service demand for \$22.8-million in income taxes.

Also pending against him, as principal defendant, are more than \$1.6-billion in civil claims by government agencies and by many stockholders of United States National Bank and Westgate-California Corporation.

Being Broken Up

Westgate-California, whose activities included fishing fleets and canneries, ranches, real estate developments, insurance companies, taxicab fleets, hotels and two airlines, is being broken up under chapter IX of the Bankruptcy Act.

In the last 60 days the Federal Deposit Insurance Corporation, as receiver for "bad accounts" of U.S. National Bank has named Mr. Smith as the principal defendant in two civil suits seeking to recover \$159-million of the bank's former assets.

In the trial opening today, Mr. Smith is accused of "commanding and inducing" Sovereign State Capital to contribute \$3,000 to Mr. Nixon's 1972 reelection campaign and \$7,000 to the unsuccessful 1970 campaign of Mr. Murphy for a second Senate term. He was defeated by Senator John V. Tunney, a Democrat.

According to the Government's charges, Mr. Smith arranged for Sovereign State to make the \$3,000 contribution to the Nixon campaign on Nov. 2, 1972, in the name of Frank A. Thornton, head of an advertising firm controlled by Mr. Smith. The money was in the form of a check drawn on the Bank of Montreal, payable to Mr. Thornton and labeled as an "advance."

Sovereign State allegedly issued three checks on the United States National Bank, two for \$3,000 each and one for \$1,000, for the Murphy campaign. The three checks were also made payable to Mr. Thornton on Oct. 29, 1970.