

NIXON ALLY FOUND GUILTY ON COAST

C. Arnholt Smith Convicted on Two Counts Involving Illegal Campaign Gifts

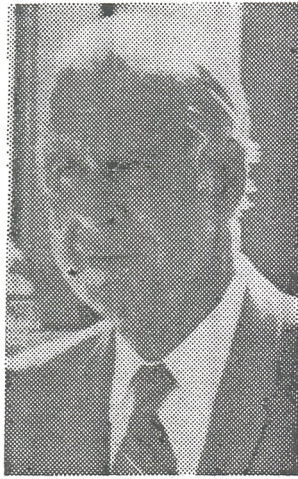
By EVERETT R. HOLLES
Special to The New York Times

SAN DIEGO, March 20—
C. Arnholt Smith, for 30 years
a close friend and patron of
former President Richard M.
Nixon, was convicted today on
two of four counts of using
business subordinates to con-
ceal the source of illegal cor-
porate contributions to Repub-
lican campaign committees.

The jury of six men and six
women deliberated for 10 hours
in reaching its verdict against
Mr. Smith, whose billion-dollar
banking and industrial business
collapsed in 1973 after he and
several associates allegedly
looted millions of dollars of its
assets.

The 76-year-old defendant,
who has said he was one of
a small group of California Re-
publican leaders who started
Mr. Nixon on his way to the
Presidency in 1946, will be sen-
tenced April 21 by Federal
Judge Robert Schnacke. De-
fense attorneys served notice
of a motion for a new trial.

Mr. Smith faces a maximum
of \$5,000 fines on each of the



United Press International
C. Arnholt Smith

two counts accusing him of
disguising 1970 and 1972 politi-
cal donations amounting to
\$4,000.

The jury was unable to reach
agreement on the only count of
the Government's charges carry-

ing a prison sentence. The count
accused him of making political
contributions in the name of
another person and would have
made him liable to a maximum
of one year's imprisonment.

The political contributions in-
volved in the two counts on
which Mr. Smith was found
guilty of funneling contribu-
tions through associates who
served him as "straw men" in-
cluded a \$3,000 donation in the
name of Richard P. Woltman
and one for \$1,000 by Norman
Foster, both former officers of
the financier's United States
National Bank, which failed in
October, 1973.

The contributions from Mr.
Woltman and Mr. Foster, whom
the Government said were re-
imbursed at Mr. Smith's orders
with funds of Sovereign State
Capital, Inc., an investment
management firm controlled by
the Smith family, went to the
unsuccessful 1970 campaign of
George Murphy, who sought a
second term as Senator from
California.

Testimony of Subordinates

Three Smith subordinates tes-
tified during the seven-day trial
that they were "directed" by
Mr. Smith to make the politi-
cal contributions out of their
personal funds with his assur-
ance that they would be re-
imbursed.

The jury told Judge Schnacke
that it was unable to agree on
an additional count charging
Mr. Smith with making an il-
legal corporate contribution to
Mr. Nixon's 1972 re-election
campaign in the name of Frank
Thornton, advertising executive
and for many years Mr. Smith's
political paymaster.

Nor could the jury agree on
any of three counts against
Sovereign State Capital, alleg-
ing illegal use of corporate
funds for political purposes.

5 Counts Dismissed

After polling the jurors on
their disagreement, the judge
dismissed the remaining two
counts against Mr. Smith, in-
cluding the one covering the
1972 Nixon contribution, as
well as all three counts against
Sovereign State.

The alleged illegal corporate
contribution to Mr. Nixon's
campaign was made after the
Committee for the Re-Election
of the President had returned
to Mr. Smith 67 personal checks
totaling \$200,000 because of
the Government's then-pending
criminal investigation of his fi-
nancial dealings.

Later in 1972, however, the
committee accepted a \$3,000
personal donation from the fi-
nancier.

United States Attorney War-
ren Reese said after the ver-
dict that the Government would
concentrate on building its case
for the forthcoming trial of Mr.
Smith and an associate, Philip
A. Toft, on charges of multi-
million-dollar frauds growing
out of the collapse of the
Smith-controlled United States
National Bank.