

NYTimes JUN 13 1975  
**Arnholt Smith Gets  
 Suspended Sentence**

**Former Bank Head  
 Promises to Repay  
 —Toft Is Fined**



Associated Press  
**C. Arnholt Smith**

SAN DIEGO, June 12 (AP)—  
 C. Arnholt Smith, who built  
 one of California's largest fi-  
 nancial empires, pleaded no  
 contest today to charges of  
 criminal conspiracy and the  
 misapplication of funds while  
 he headed the now-defunct  
 United States National Bank.

The 76-year-old Mr. Smith  
 was given a two-year suspend-  
 ed sentence and was put on  
 probation for five years. In  
 addition, he was fined \$30,000.

United States District Court  
 Judge Robert Schnacke of San  
 Francisco dismissed 21 other  
 counts against Mr. Smith, a  
 long-time friend and financial  
 supporter of former President  
 Richard M. Nixon.

On Oct. 21, 1973, the United  
 States Controller of the Curren-  
 cy, James E. Smith, declaring  
 U. S. National insolvent, ac-  
 cepted a bid of \$89.5-million  
 from the Crocker Bank for the  
 assets unrelated to the Smith  
 group.

In a personal appeal to Judge  
 Schnacke, the white-haired Mr.  
 Smith took the stand to say  
 his health was too poor to  
 permit imprisonment. He said  
 haltingly that he intended to

"repay" those listed in his fi-  
 nancial dealings.

In a 25-count indictment re-  
 turned almost a year ago Mr.  
 Smith was accused of misap-  
 plying \$27.5-million in a series  
 of bank entries that totaled  
 \$170-million.

The surprise plea on four  
 counts was identical to admit-  
 ting guilt, Mr. Schnacke said.  
 He said he would not accept  
 a no-contest plea "from a de-  
 fendant who protests his in-  
 nocence." He ordered Mr.

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Smith to report any new busi-  
 ness ventures in which he has  
 more than 10 per cent interest.

Mr. Smith's plea was made  
 also to knowingly making false  
 statements to Government offi-  
 cers and making false entries  
 in the books of a national bank.

A codefendant, Philip A. Toft,  
 pleaded no contest to three  
 counts of conspiracy, making  
 false statements to Government  
 officers and misapplication of  
 funds of a national bank. He  
 was fined \$25,000 and given  
 a one-year suspended sentence.

Mr. Toft was president of the  
 Westgate-California Corpora-  
 tion when Smith was chairman  
 of that conglomerate. The two  
 were indicted by a Federal

grand jury on 25 counts last  
 July 2.

Mr. Smith and Mr. Toft were  
 accused of conspiring since  
 January, 1969, to use the bor-  
 rowing power of Westgate and  
 its subsidiaries to get fraudu-  
 lent loans from the bank for  
 their benefit and for the benefit  
 of other companies. He and Mr.  
 Toft were scheduled to go to  
 trial next Tuesday.

Mr. Smith was convicted last  
 April on two counts of making  
 illegal campaign contributions  
 and was fined \$10,000 by Judge  
 Schnacke. In addition, he faces  
 a series of multimillion-dollar  
 civil lawsuits in connection  
 with his business affairs. The  
 Internal Revenue Service holds  
 a \$22.8-million personal lien  
 against Smith for back taxes.