

# Magazine's Political Accusations

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Life magazine charged yesterday that the Nixon administration "tampered with justice" in blocking legal action against C. Arnholt Smith, a multimillionaire political supporter from San Diego, and several associates, including the former Democratic mayor of the city.

In an article in its latest issue Life charged that the administration:

- "Squelched" an investigation into an allegedly illegal contribution to Mr. Nixon's 1968 presidential campaign.

- "Shut off" a probe into the possibility that the contribution was part of a larger scheme to illegally channel "many thousands" of dollars to political candidates, principally Mr. Nixon, in 1968.

- Refused to allow an Internal Revenue Service agent — a key witness — to testify in a case against San

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Diego's former mayor, resulting in the acquittal of all but one of the defendants.

- Postponed a tax evasion indictment against another prominent San Diegan, a Smith associate, until just before the statute of limitations ran out, when an indictment was obtained after the personal intervention of FBI Director J. Edgar Hoover.

Asked for comment, White House press secretary Ronald Ziegler said, "We're not going to have any comment on a story of this sort."

According to Life, Smith is a high school dropout and grocery store clerk, who, at 73, controlled the \$746 million dollar U.S. National Bank and Westgate California Corp., a conglomerate with 215 million in real estate, hotels, insurance, airlines, fishing boats and other interests. He also has controlling interest in the San Diego Padres baseball team.

In 1970, Life said, a federal grand jury was convened in San Diego to sift evidence that Barnes-Champ advertising agency had been used as a conduit for illegal political contributions by companies in the area. Frank A. Thornton, identified as a "top lieutenant" of Smith and chairman of the 1968 Nixon campaign in San Diego, was vice president of Barnes-Champ.

Specifically, the magazine reported, the grand jury was told that a \$2068 payment made to the agency by San Diego's Yellow Cab Co. for a "wage and hour survey" was actually a campaign contribution.

A subpoena was issued for Thornton, Life said, but it was never served. Instead, Harry Steward, U.S. attorney for the Southern District of California — who was recommended for that job by Smith — is said to have told investigators that he would question Thornton himself.

Steward first told the investigators, according to Life, that the payment was proper and the study had not yet been made, then said Thornton told him the payment was improper and would be returned. Thanks to Steward's intervention, the case was never pursued, Life said.

The Yellow Cab case led to wider investigation, according to the story, into other payments allegedly made to Barnes - Champ to hide political contributions. Many of the payments allegedly came from companies controlled by Smith, which then, it was reported, wrote them off as business expenses.

Quoting from a report by IRS special agent David Stutz, Life said, "Smith would have these bills paid, knowing them to be false, and the money (would be) used in political campaigns."

Once again, Life said, Steward stopped the investigation and ordered Stutz to stay away from Barnes-Champ. An appeal by Stutz to the IRS regional office in Los Angeles brought no results, the magazine said.

At that point Charles Pratt, president of Yellow Cab, told federal agents details of the payment, explaining that it was made because Pratt could not afford a \$2000 personal contribution to the Nixon campaign, according to Life. Thornton, who said he was getting information on the grand jury investigation from Steward — a violation of federal law — told Pratt that Steward would do his best to prevent Pratt from being indicted, Life said.

At that point, the article continued, the FBI began an investigation of Steward's activities. A report was filed with the Justice Department Criminal Division, which concluded that Steward had been "indiscreet," but that no action was warranted. In February, 1971, Deputy At-

torney General Richard Kleindienst, since nominated to be attorney general, announced that he had evaluated the matter, and "there has been no wrongdoing."

According to Life, Steward, Smith and Thronton all denied the charges.

The Yellow Cab investigation led, on Oct. 8, 1970, to the indictment of Frank Cur-

ran, then mayor of San Diego, on charges of accepting bribes to help secure a "hefty" fare increase for the cab company. At the trial Pratt testified he had given Curran four checks totaling \$3500 after the mayor's promise to help get the increase. Curran said he never saw the checks and didn't know they came from Pratt.

IRS agent Stutz was scheduled to be the government's key witness, according to Life, but in the middle of the trial the then IRS Commissioner, Randolph Thrower, ordered Stutz not to testify unless both Pratt and the cab company gave their permission to reveal confidential information. Pratt gave his approval, but the company did not, and Stutz did not testify.

On Jan. 6, 1971, Curran was acquitted and, according to Life, received a congratulatory telephone call from President Nixon.

In another case, Life said, IRS agents were investigating a tax evasion case against John Alessio, a Smith associate who owns a legal bookmaking operation in Mexico and has interests in horse and dog tracks, real estate and other investments. The IRS, Life said, had evidence that Alessio had used income from the bookmaking operations, without declaring it as income, to improve various properties in the United States.

The case ultimately made its way through the district, regional and national levels of the IRS, was examined by the Justice Department's Tax Division and went back to U.S. Attorney Steward.

At that point, Life said, Smith went to Washington to talk to Mr. Nixon about Alessio. Smith denied he ever talked to the President, Life said, but Pratt of Yellow Cab said he met Smith on the plane to Washington and was told he was going to the White House to discuss the Alessio case. After Smith's trip the case against Alessio came to a halt, Life said.

In April, 1970, shortly before the statute of limitations would have prevented the government from continuing the case, FBI agents urged Hoover to get it moving again.

Eight days before the statute of limitations expired, Alessio, his son and three brothers were indicted for evading \$929,000 in taxes. In another action, the government sued for \$6.5 million in unpaid taxes and interest.

At Alessio's trial last year a guilty plea was entered.

Alessio was sentenced to three years in prison.