

Financier Charged With Stock Fraud

**San Diego Millionaire,
A Friend of Nixon,
Is Accused by the SEC**

United Press

San Diego

Millionaire financier C. Arnholt Smith and two associates and six of his firms were charged by the Securities and Exchange Commission yesterday with securities fraud reaching into the millions of dollars.

Smith, 74, has been a good friend of President Nixon since Mr. Nixon was a Congressman and has been a major contributor to his political campaigns.

Smith was accused in a 31-page civil complaint filed in U.S. District Court here of violations of numerous securities laws, primarily that assets of publicly owned firms were spun off to benefit firms held privately by Smith and others.

The SEC asked that Smith's Westgate-California Corp. Empire be placed in receivership, his records be opened to government inspection, and that Smith be barred from acting as an officer of the corporation.

Named as defendants along with Smith were the Westgate-California Corp. and its president Philip A. Toft; First California Co.; Sovereign States Capital Corp.; British Columbia Investment Co.; Elsinore Royalty Inc.; United States Holding Co., and M. J. Coen of First California Co.

By coincidence, it was disclosed yesterday that Mr. Nixon's election campaign organization returned to Smith last year a \$300,000 contribution. The revelation came in a deposition connected with one of the sev-

eral Watergate trials, The New York Times reported.

The deposition was given May 23 by Eveline M. Hyde, who worked for Maurice H. Stans, finance chairman of the Committee for the Re-Election of the President. According to her lawyer, Leon T. Knauer, she said the contribution was re-

See Back Page

From Page 1

turned because of "a problem in California."

CHARGES

The SEC complaint alleged that the defendants aided and abetted each other in interstate commerce and the mails in "employing devices, schemes and artifices to defraud, making untrue statements of material facts and omitting to state material facts . . . as a fraud and deceit . . . in connection with the purchase and sale of certain securities."

Other counts alleged that material was omitted from proxy statements, bonds were held for repurchase at guaranteed profits and that Smith used deception in setting up bank loans.



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**C. ARNHOLT SMITH
His records sought**

A Westgate spokesman said the complaint would be reviewed before any comment is issued.

The filing followed SEC suspension of trading in the shares of Westgate-California Corp. and Air California through June 9.

The suspension was ordered on May 11 when auditors withdrew certification of the 1971 Westgate annual report and the 1971 and 1972 Air California reports.

TEAM

Smith also a major shareholder of U.S. National Bank (USNB) here served as chairman of Air California which was 81 per cent owned by Westgate. Other enterprises in the empire included tuna fishing and canning, hotel operation, taxicab firm operation, the San Diego Padres baseball team and real estate enterprises.

It was announced earlier this week that the Padres baseball team had been sold to a group in Washington, D.C.

An SEC spokesman said the complaint accused Smith and others of having "engaged in fraudulent schemes to appropriate the assets of Westgate and the U.S. National Bank for their own use and benefit."

FALSE

The defendants created "ostensible profits" for Westgate and published false statements on them "to camouflage these unlawful activities," the spokesman said. The profits were "manufactured" through sale of certain Westgate assets to nominee purchasers, he said.

The SEC said Smith was on all sides of the transaction.

"He directed the sale of Westgate assets in conjunction with Toft; he obtained corporations and other nominees to stand in as purchasers in conjunction with Coen; he authorized loans from USNB; and he passed the proceeds of these loans to the purported purchasers."

The conclusion was that "Westgate assets were sold at prices arbitrarily set by the defendants" resulting in manipulation of Westgate earnings.

Smith, a White House visitor in Washington and San Clemente, reportedly raised \$1 million for Mr. Nixon's re-election effort in 1968, including a personal contribution estimated at \$250,000.