

IRS Cancels Deal With Nixon Friend

San Diego

The Internal Revenue Service has canceled an agreement with financier C. Arriholt Smith over a \$22.8 million tax lien and threatened him with criminal prosecution for removing some papers from a bank vault.

The development came to light in a court hearing Monday.

U.S. District Court Judge Leland Nielsen has wrapped the case in secrecy.

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The IRS moved against Smith on August 3, employing a "jeopardy assessment for allegedly unpaid taxes.

Smith is a longtime friend and financial backer of President Nixon. He has indicated he thinks the IRS action against him is politically motivated.

On August 10, attorneys for Smith and the IRS reached an agreement. The details have never been

made public, but according to published reports, Smith is allowed to go on operating his business empire while the central dispute over the tax lien is before the court.

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In the hearing Monday, it was revealed the IRS has accused Smith of entering a vault at the U.S. National Bank shortly after the agreement and removing, along with some personal papers, some stock certificates of Westgate-California Corp.

Smith is the controlling stockholder in both the bank and the corporation. The stock certificates were pledged by Westgate-California as security on a \$25 million loan from the bank, it was said.

The IRS said removal of the certificates violated the agreement with Smith, and thus the agreement had been canceled and criminal prosecution is being considered.

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