

FRIEND OF NIXON WINS COURT POINT

A New I.R.S. Agreement
With Smith Is Sought

By EVERETT R. HOLLES

Special to The New York Times

SAN DIEGO, Sept. 25—C.

Arnholt Smith won a preliminary skirmish today with the Internal Revenue Service over the service's move to press criminal proceedings against the 74-year-old financier, a long-time friend of President Nixon.

The I.R.S., which is seeking from Mr. Smith \$22.8-million in personal income taxes for 1966, had sought to cancel a secret agreement made with him on Aug. 10, pending trial of the tax suit.

That agreement, although still sealed under court order, is understood to have lifted the Government's liens on Mr. Smith's personal bank accounts and certain other assets to permit him to continue business activities. A lien against the United States National Bank, in which Mr. Smith holds controlling interest, was also lifted.

Attorneys for the I.R.S., contending that Mr. Smith had violated the agreement on Aug. 14 by withdrawing personal assets from a sealed vault of the bank, moved to bring the financier and one of his attorneys before a Federal grand jury for possible criminal action.

Judge Leland C. Nielsen, at a hearing today in Federal District Court on the I.R.S. cancellation of the Aug. 10 agreement and a court suit brought by Mr. Smith against the I.R.S. and

its director, Donald Alexander, accepted evidence presented on Mr. Smith's behalf that none of the items removed from the bank vault were personal assets.

Instead, according to the testimony given by Mr. Smith's attorneys and business associates, the documents that were removed related only to current business transactions between the bank and the publicly held Westgate-California Corporation, which Mr. Smith also controls.

Attorneys for the financier contended that, with the lifting of the tax lien against the bank under the Aug. 10 agreement, Mr. Smith was acting in a completely legal manner.

Following the testimony, an I.R.S. attorney, Richard Roberts, agreed to seek advice from his superiors in Washington on reinstatement of the Aug. 10 agreement and, if they were amenable, to work out with Mr. Smith's lawyers a new pretrial schedule of liens.

Counsel for Mr. Smith and the I.R.S. were directed to report back to Judge Nielsen on Monday on their efforts to set up a new agreement, which presumably would cancel out the I.R.S. move to press criminal charges against Mr. Smith.