

Major Bank In San Diego

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The U.S. National Bank of San Diego, formerly headed by C. Arnholt Smith, West Coast financier and baseball owner, was declared insolvent and placed in receivership yesterday by U.S. Comptroller of the Currency James E. Smith.

The bank is believed to be the largest in U.S. history to be placed in receivership.

In a dramatic move, 440 examiners, 200 from the comptroller's office and 240 from the Federal Deposit Insurance Corp., which was named receiver, swooped down on the bank's headquarters in San Diego and its 65 branches in five Southern California counties at 3 p.m. PDT, the regular closing time, and took control of the bank.

An hour later sealed bids were received from three of the nation's largest banks to buy U.S. National Bank, which ranks in the top 100 in the nation with total assets of about \$1 billion. The bids were opened later in the offices of the Federal Reserve Bank in San Francisco, and Crocker National Bank of San Francisco, with assets of about \$9 billion, was named the successful bidder.

Crocker bought "certain assets" of U.S. National and "assumed all liabilities" from the FDIC for an amount not immediately made public. The move was approved at 6 p.m. by a U.S. District Court judge in San Diego.

The bank and all its branches will open under the Crocker aegis today. No loss will be suffered by any depositor, the comptroller's office said.

See RECEIVER, A28, Col. 2

RECEIVER, From A1

First Deputy Comptroller of the Currency Justin T. Watson said last night that about \$750 million of the bank's assets are loaned out, much of it to companies in which Smith has a financial interest.

The bank was declared insolvent, Watson said, because "a substantial block of loans appears to be uncollectible or frozen at this time—roughly several hundred million dollars." He said those loans generally are the ones made to Smith-affiliated companies.

Smith, who still is majority stockholder, stepped down as chairman of the board and president of the bank in May, after entering into a cease-and-desist agreement with the comptroller of the currency's office, which regulates banking in the United States.

The comptroller has seen "problems surfacing" in the bank in June, 1972, Watson

said, and there seemed to be a substantial deterioration in assets, and we've been following it on a day-to-day basis since." Yesterday, he said, it was decided to take action.

Smith bought the bank in 1933, and his empire gradually grew to embrace the Westgate-California Corp., a conglomerate including tuna packing, real estate and insurance, and the San Diego Padres baseball team, which Smith agreed to sell to a group from Washington, D.C., for \$12 million this year, only to be faced with lawsuits in San Diego and an offer of financial aid by Marjorie Everett, a wealthy race-track investor.

Smith gave \$250,000 to President Nixon's campaign in 1968, but his 1972 contribution was returned—apparently because of Smith's increasing troubles with government agencies from his dealings between his

Westgate conglomerate and the bank.

He has been hit with a tax lien for 1969 of \$22.8 million, a record for a single year; and he is to go on trial Tuesday in a case brought by the Securities and Exchange Commission involving fraud and cross-dealings. Trading in Westgate stock was suspended during the summer, and the SEC next week reportedly will be seeking receivership for the conglomerate.

In addition, all Smith's personal assets are tied up by the tax lien, and a number of Westgate shareholders are suing him for \$300 million in damages.

As of June 30, U.S. National Bank was the ninth largest in California and the 83rd largest in the United States.

Reports circulating in the banking community last night indicated that \$50 million in loans might have to be written off.