

IRS strikes at Westgate

Associated Press

SAN DIEGO — The tottering financial empire of C. Arnholt Smith has been struck a potentially disastrous blow—a \$4.2 million tax assessment against Westgate-California Corp.

The Internal Revenue Service filed a lien yesterday against the giant tuna canning, produce and transportation conglomerate, of which Smith is chairman and controlling stockholder.

An IRS spokesman said the assessment requires immediate payment of back taxes and interest for the years 1963 through 1970, except for 1968. He said the government agency hasn't seized any Westgate property.

The potentials of the latest

government move was indicated by U.S. District Court Judge Leland C. Nielsen at a pretrial hearing for the Securities & Exchange Commission's civil fraud suit against Smith and Westgate.

"If the IRS levies on every asset of Westgate as it did against Smith, they (Westgate) and its subsidiaries are wiped out," Nielsen said.

Smith is accused separately by the IRS of owing \$22.8 million in back taxes and interest on his 1969 income. Liens have been placed on virtually all his property except the San Diego Padres baseball club.

The IRS transferred \$2.6 million of its lien against Smith to his daughter, Carol Smith Shannon, saying she

had received certain funds from Smith.

Last week, the U.S. National Bank, of which Smith was the controlling stockholder, was declared insolvent by the government and purchased by Crocker Bank.

Nielsen reacted angrily to news of the IRS action, which came during negotiations aimed at settling the SEC suit before trial.

"If the IRS is going to operate against Westgate as it did against Smith, individually, it is utterly ridiculous, incomprehensible and defenseless," the judge said.

"If an arm of the government acts as arbitrarily as the IRS did against Smith, this case (the SEC suit) is wiped out."