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Coast Financier's 'Straw Man' Named

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SAN DIEGO, Oct. 28—A California land baron who served as a campaign adviser to President Nixon has been identified by Government prosecutors as a "straw man" who helped C. Arnholt Smith conceal corporate and income-tax frauds amounting to millions of dollars.

The role allegedly played by Hollis Blevins Roberts, whose commercial farming operations extend over more than 100,000 acres of the rich San Joaquin Valley, in a cover-up of "massive frauds" figures prominently in a Federal grand jury's 6-week-old criminal investigation of Mr. Smith, a 74-year-old San Diego financier.

Directed by Deputy United States Attorney Warren Reese, the grand-jury investigation is based to a large extent on 93,000 pages of documentary evidence assembled by the Securities and Exchange Commission for a civil suit against Mr. Smith and two associates, as well as other evidence uncovered over the last three years by agents of the Federal Bureau of Investigation and the Internal Revenue Service.

#### Suit Was Settled

The S.E.C. civil suit was settled by an out-of-court agreement approved by Federal District Judge Leland C. Nielsen last Wednesday in which Mr. Smith was forced to resign as chairman and a director of the Westgate-California Corporation and surrender active control of the company, the \$190-million keystone of his conglomerate business empire. The settlement cleared the way for resumption of testimony before the Federal grand

jury, which had been suspended by court order pending disposition of the S.E.C. action.

Richard Jaeger, an S.E.C. attorney, said Mr. Roberts, who is 61, was involved in a series of intricate and often obscure deals with Mr. Smith and would have been "a critical witness" if the S.E.C. charges had gone to trial.

#### Court Heard References

Recurring references to Mr. Roberts in pre-trial proceedings in the S.E.C. suit led Judge Nielsen to comment at one point that he was "surprised" that Mr. Roberts had not been named as a defendant along with Mr. Smith, Philip A. Toft, the president, who also re-

signed, and Michael J. Coen, a Kansas City entrepreneur and partner of Mr. Smith in many deals. Mr. Coen is a former Westgate director.

Agents of the S.E.C., I.R.S. and F.B.I. are understood to have questioned Mr. Roberts, who is head of Roberts Farms, Inc., of McFarland, about his direct dealings with Mr. Smith and about loans obtained from the Smith-controlled U.S. National Bank, declared insolvent recently by the Controller of the Currency. The bank's collapse was attributed largely to unsecured loans, authorized solely by Mr. Smith, either for his own interests or those

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of close business associates. Crocker Bank took over U.S. National.

Included in a listing of "doubtful" loans was \$67.1-million to "the Hollis-Roberts group," authorized by Mr. Smith.

Federal investigators have established that the loans were on assets formerly owned by Westgate-California, leading them to suspect that Mr. Roberts may have served only as a "nominee" with most of the loan proceedings going to Mr. Smith or Smith-related interests.

#### Inquiries Are Pursued

The Justice Department and I.R.S. also are pursuing inquiries into possible involvement of Mr. Roberts in a large-scale evasion of Federal income taxes charged to Mr. Smith.

A \$22.8-million jeopardy assessment filed against Mr. Smith by the I.R.S. for 1969 income taxes and penalties has tied up a large part of his multi-million-dollar fortune.

It was Mr. Smith, friend and generous political patron of Richard M. Nixon for more than 25 years, who in September, 1968, recommended to Mr. Nixon that he appoint Mr. Roberts to a seven-man national campaign group called the Nixon-Agnew Agricultural Advisory Committee.

Mr. Roberts continued to serve as a presidential adviser during part of Mr. Nixon's first term.

Later, according to the S.E.C., he became one of several "strawmen" used in cover-ups of Smith-engineered deals that involved, among other properties, an airline and large tracts of California land.

An S.E.C. pre-trial document filed with Judge Nielsen said Mr. Roberts in 1970, at Mr. Smith's bidding, assumed a \$12.6-million debt on 8,820 acres of California ranch land to disguise Mr. Smith's real ownership of property and enable Westgate to claim a \$5.3-million "manufactured" profit.

A similar transaction was said to have occurred a short time later when Mr. Smith was faced with state and Federal conflict-of-interest accusations and "again had need for a strawman." On the second occasion he allegedly provided Mr. Roberts with \$727,280 to take over and "pose as the owner" of a near-bankrupt commuter airline, Golden West, into which he was pouring money.

Asked why he had paid so

much for an airline that was losing \$5-million or more a year, Mr. Roberts was quoted as having said: "Mr. Smith thought it would be a good idea."

Six feet four and weighing 300 pounds, Hollis Roberts resembles Mr. Smith in both build and background. Both were high-school dropouts who fought their way into the realm of million-dollar deals.

#### Dust Bowl Refugee

Mr. Smith started as a grocery clerk and was on his way to his \$1-million, buying Depression-crippled businesses when Hollis Roberts arrived in the San Joaquin Valley in the early nineteen-thirties, a refugee from the Texas Dust Bowl with \$2.40 in his pocket.

After working as a road gang foreman, he acquired a few acres of fruit land and by 1965 had 9,000 acres, so heavily mortgaged that its net worth was only \$40,000.

Mr. Smith, after meeting the Texan, dealt him in on a 5,580-acre syndicate. By 1970 due in no small measure to Mr. Smith's help, Mr. Roberts had 130,000 acres in direct holdings, syndicate shares and operating contracts. The figure is now somewhat smaller.

Mr. Roberts's emergence as a Smith "strawman" according to evidence in the hands of the Justice Department, occurred in 1970 when 3,280 acres of Westgate-owned ranch land made its way, first through two limited partnerships set up by Mr. Smith, then into the nominal control of Mr. Coen and finally to Mr. Roberts.

#### Trust Was Set Up

The Justice Department was informed by the S.E.C. that Mr. Smith remained in actual control of the land, however, and arranged for "the entire purchase price, both directly and through the Sovereign States Capital Company, investment trust set up by Mr. Smith some years ago, for his grandson.

Later in 1970, Mr. Smith was said to have set up three more Westgate subsidiaries to acquire 8,820 acres of Kern County ranch land, using a U. S. National Bank loan of \$9.1-million toward the \$12.6-million purchase price.

The California Commissioner of Corporations balked at this second deal, as did Westgate's independent firm of auditors.

State investigators said the Smith-controlled bank had by then lent more than \$12-million on property worth no more than \$8-million.

Representing Mr. Roberts to

be a complete outsider, Mr. Smith arranged for assumption by Mr. Roberts of the \$12.6-million land debt from the U. S. National Bank.

#### Profit Was Reported

The auditors then permitted Westgate to book a \$5.3-million profit for 1970. Without that approval, according to the SEC, the conglomerate would have shown a year's loss of \$3.4-million.

In March and April, 1972, Mr. Smith, was summoned to Washington to testify before a Civil Aeronautics Board hearing about allegations that he still controlled Golden West, in violation of a 1969 order by the CAB that he divest himself of the line.

A C.A.B. staff report of Aug. 14, 1972, said that despite the purported sale, to a loan company after the C.A.B.'s 1969 order, Golden West "remained under Mr. Smith's financial domination and control, and the sale was intended to obscure that fact."

The report continued that, because of Golden West's growing financial troubles, "circumstances in late 1970 produced a need for a new strawman," and as a result in April, 1971, it was announced that Mr. Roberts had bought 92 per cent control of the line. Investigators of the California Public

Utilities Commission quickly branded the deal a fraud and protested to the C.A.B., claiming Mr. Roberts was given \$727,280 by Mr. Smith to lend his name as the airline's ostensible owner.

#### Smith Arranged Loan

According to the state commission, Mr. Smith and not Mr. Roberts was the real owner because of \$3.6-million he had arranged for the airline to borrow from the U.S. National Bank and \$11.9-million owed to Golden West Air Terminals of Long Beach, Calif., an enterprise operated by Mr. Smith's older brother, J. A. Smith.

The C.A.B. staff report concluded that Mr. Smith "financially dominated Mr. Roberts, and the ownership change did nothing to disturb the relationships, which had made it possible for Mr. Smith to retain control of Golden West."

The outcome of the 1972 C.A.B. Washington hearings were inconclusive. Last February, while awaiting the C.A.B.'s ruling, Golden West quietly abandoned its efforts to buy Los Angeles Airways, a helicopter taxi service whose acquisition had been the main issue before the C.A.B. Left unanswered was whether Mr. Smith or Mr. Roberts owned Golden West.