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California

Financier

Indicted

Washington

A federal grand jury indicted California financier C. Arnholt Smith yesterday on a charge of conspiring to misuse \$170 million in funds from a defunct bank he formerly controlled.

The Justice Department announced a 25-count indictment returned in U.S. District Court in San Diego, which also charges Smith with making false statements to federal bank examiners and falsifying bank records.

Smith, 75, is former president and board chairman of the United States National Bank of San Diego and is former president and board chairman of the Westgate-California Corp. Westgate-California has been in bankruptcy proceedings since March 1.

Smith is a long-time friend of President Nixon and has contributed to his political campaigns.

United States National Bank failed last October and the Federal Deposit Insurance Corp. is liquidating about \$400 million in bank loans, the Justice Department said.

The grand jury also indicted Philip A. Toft, one of Smith's associates, on a charge of conspiracy, misapplying bank funds and

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making false statements to the government.

Toft is former executive vice president and later president of Westgate-California.

The indictment charges Smith and Toft with conspiring since January 1969 to use the borrowing power of Westgate-California and its subsidiaries to get fraudulent loans from United States National Bank for the benefit of themselves and other companies.

SFChronicle



UPI Telephoto

C. ARNHOLT SMITH Friend of President

The indictment says Smith and Toft falsely stated the purposes of the loans and methods of repayment while concealing the fact that the loans would be used for purposes other than the benefit of the listed borrowers.

In addition, the indictment charges they prepared false financial statements to support the loans.

The indictment listed 97 loans totaling about \$170 million that were allegedly made to various businesses with Smith's approval as part of a conspiracy.

Special bank accounts that did not appear on the books

of the listed borrowers served as channels for movement of the borrowed money, the indictment charges.

Westgate-California was described as a conglomerate involved in food processing and the operation of taxicabs, hotels and other businesses.

One count charges that Smith and Toft made a false statement to bank examiners that certain loans were for investment in the Watergate building complex in Washington when they knew the funds were not for that purpose.

Smith is charged in two counts with making false entries in the United States National Bank's books. The indictment alleges he obtained a \$3.5 million loan from the Chemical Bank of New York Trust Co. for a corporation he controlled.

This corporation owned

the San Diego Padres baseball team. The indictment says Smith made an entry in his bank's records showing the Padres had \$1,250,000 on deposit when there was no such deposit.

Smith is also charged

with three other counts of making false statements to federal bank examiners.

The Justice Department said the maximum penalty on conviction for each count of misapplication of bank funds, false statements to federal bank examiners and false entries in bank records is five years in prison and a \$5000 fine, and for conspiracy, five years in prison and a \$10,000 fine.

United Press