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**U.S. COURT SUSPENDS
SMITH'S JAIL TERM**

SAN DIEGO, Aug. 16 (UPI)—California's Fourth District Court of Appeal has annulled an indefinite jail term imposed on San Diego financier C. Arnold Smith for contempt of court, court records showed today.

Superior Judge Paul E. Overton imposed the term June 14 when Mr. Smith, a longtime friend and campaign contributor to former President Nixon, refused to answer questions in a criminal trial.

Mr. Smith was called as a witness in the trial of Robert Daggett, 49, who was accused of trying to extort money from Mr. Smith.

Mr. Smith refused to testify on grounds of possible self-incrimination since a Federal grand jury was investigating his financial dealings. The judge disagreed.

"Each of the seven questions, in the setting in which they were asked, may be answered without violation of the attorney-client privilege and without his giving evidence against himself," the judge said.

Mr. Smith did not serve any jail time on the contempt citation. In annulling it, the appeals court said it was not possible to hold "that any prospective answer to the questions propounded could not possibly incriminate or form a link in the chain of evidence against Smith."

Mr. Smith, head of the U.S. National Bank before it failed and former head of the crumbling Westgate-California Corporation conglomerate, was indicated by the Federal grand jury July 2.