

A COAST FINANCIER REBUFFED ON DATA

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Judge Rules Smith Material
From U.S. Inquiry Must Be
Given State Prosecutors

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SAN DIEGO, Aug. 18—A Federal Court ordered today the release of secret grand jury evidence to the State of California for a new criminal investigation of C. Arnholt Smith under California laws.

United States District Judge Leland C. Nielsen ruled that there was "a compelling necessity" to make the Federal grand jury transcripts available to the State District Attorney to help determine whether to reopen the prosecution of the 76-year-old financier and long-time friend of Richard M. Nixon.

Judge Nielsen delayed actual delivery of the grand jury evidence for one week, however, to give Mr. Smith's attorney, Thomas R. Sheridan of Los Angeles, time to file an appeal with the Court of Appeals for the Ninth District in San Francisco.

The court overruled Mr. Sheridan's argument that release of the Federal grand jury proceedings against Mr. Smith to the state's prosecutors would place Mr. Smith in double jeopardy, under the 14th Amendment to the Constitution and under three sections of the California Penal Code.

Secrecy Safeguarded

The court, at the request of the chief assistant United States attorney, Warren Reese, who was in charge of the recent Federal prosecution of Mr. Smith for "massive frauds," attached a provision to its ruling permitting only members of the District Attorney's staff to examine the transcripts, in

order to safeguard their confidentiality.

Deputy District Attorney Steven Davis said it was believed that the secret grand jury proceedings might open the way to the prosecution of Mr. Smith and several associates under California laws covering grand theft, corporate embezzlement, perjury and tax evasion.

He disputed Mr. Sheridan's statement to the court that the state's request was "an ill-disguised fishing expedition," abetted by Mr. Reese, arising from their dissatisfaction with the outcome of the government's prosecution of Mr. Smith and Philip A. Toft in Federal Court here on June 12.

Mr. Smith, whose \$2-billion banking and industrial empire has collapsed in ruins, escaped trial and received a \$30,000 fine from Federal Judge Robert Schnacke after he was allowed to enter a plea of no contest to four counts of a 25-count indictment accusing him of \$170-million in fraudulent transactions that wrecked his United States national bank in October, 1973.

A two-year prison sentence was suspended and he was placed on five years' probation. Mr. Toft, ousted president of Mr. Smith's Westgate-California conglomerate of 62 companies, which is now in receivership, pleaded no contest to three of 20 counts and received a one-year suspended sentence and a \$25,000 fine.

Mr. Smith, once a powerful figure in California Republican politics, was in court for the ruling but refused to discuss the possibility of being brought to trial again. Mr. Toft also was in court.