



# NEWS RELEASE

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PR-5-92 (1-17-92)

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FEDERAL JUDGE ORDERS JAIL TERMS, FORFEITURES BY INDIVIDUALS  
CONVICTED OF DEFRAUDING THE FAILED EMPIRE SAVINGS & LOAN, MESQUITE, TEXAS

A federal judge in Midland, Texas, has ordered the former chairman of Empire Savings & Loan Association, Mesquite, Texas, and three other individuals to serve lengthy prison terms for their role in the 1984 demise of the institution. Three of the four also were ordered to forfeit a total of \$102 million, which will be credited to the FDIC as receiver for Empire Savings after assets of the three individuals are seized and sold under the forfeiture provisions of the Racketeer Influenced and Corrupt Organizations Act.

U.S. District Court Judge Lucius D. Bunton, III, on Wednesday handed down the following sentences:

- o Spencer H. Blain, Jr., former chairman and chief executive officer of Empire Savings, was sentenced to 20 years in prison and ordered to forfeit \$22 million;
- o David L. Faulkner, a real estate developer who the FDIC said led the conspiracy to defraud Empire Savings, was ordered to serve 20 years in prison and to forfeit \$40 million. He also was ordered to pay a criminal fine of \$215,000.
- o James L. Toler, a real estate developer and associate of Faulkner's, received a 20-year sentence and a \$40 million forfeiture order. He also was ordered to pay a criminal fine of \$220,000.
- o Arthur Formann, a real estate appraiser, received a 10-year prison sentence.

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Blain, Faulkner and the other co-conspirators were convicted in November of arranging for hundreds of fraudulent loans at Empire Savings totaling in excess of \$300 million. Most of these loans were based on inflated appraisals and numerous "land flips," which are property sales among the co-conspirators for the purpose of artificially inflating land values.

Empire Savings had \$316 million in assets when it was closed March 14, 1984, by the former Federal Home Loan Bank Board. The FDIC became receiver for Empire Savings as a result of a 1989 savings and loan law that abolished the Bank Board and the Federal Savings and Loan Insurance Corporation.

The Empire Savings scheme that the four individuals were convicted of in November also included loan participations that caused losses at four other failed thrifts for which the FDIC is receiver. They are: Bell Savings Association, Belton, Texas; Lancaster First Federal Savings & Loan Association, Lancaster, Texas; First State Bank & Loan Association, Mt. Home, Arkansas; and First Savings & Loan Association, Burkburnett, Texas.

The FDIC considers the Empire Savings case to be among the most egregious examples of financial institution fraud in recent years. FDIC Chairman William Taylor wrote a letter to Judge Bunton on January 10 describing the seriousness of the crimes involved and urging substantial prison terms and restitution orders for the defendants. Chairman Taylor asked the Judge to "send a message to the banking and thrift community and other prospective white collar criminals that the penalty for such conduct will reflect the gravity of their crimes."

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