

STATEMENT ON

FEDERAL ASSISTANCE TO CONTINENTAL ILLINOIS
CORPORATION AND CONTINENTAL ILLINOIS
NATIONAL BANK

PRESENTED TO

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS SUPERVISION,
REGULATION AND INSURANCE
OF THE
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
HOUSE OF REPRESENTATIVES

BY

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ROOM 2128, RAYBURN HOUSE OFFICE BUILDING

Mr. Chairman, members of the Committee, we are pleased to have this opportunity to discuss the assistance package extended to Continental Illinois National Bank and Trust Company. I will explain why we did what we did and then turn to some of the questions and concerns which have been raised about the package.

I. THE BACKGROUND

During the mid-to-late 1970s, Continental embarked on a strategic plan to become one of the world's largest corporate lenders. The plan entailed a rapid growth rate in loans, which could not be sustained by retail funding sources, particularly in view of the severe branch banking limitations imposed under Illinois law. The risk in this strategy was compounded by the bank's decision to rely heavily on particularly short-term, volatile funding. By shortening its liability structure, the bank was able to purchase funds at a somewhat lower cost than longer term funding.

The first sign of real trouble at Continental appeared when Penn Square Bank failed on July 5, 1982. When I was first briefed on the Penn Square situation, I was informed that the ramifications could spread far beyond Oklahoma City. A number of financial institutions, particularly Seattle-First National Bank and Continental, were extensively involved as suppliers of funds to Penn Square and/or as participants in loans. Under the law, if we were to handle Penn Square in the customary way by merging it into another bank, these financial institutions might be bailed out of many of their problems by forcing the FDIC, in its corporate capacity, to repurchase their loan participations. If instead we were to pay off Penn Square's insured depositors and liquidate the bank, Seattle-First and Continental might be required to absorb substantial losses, though the full extent of their troubles could not be forecast.

Our law contains a "cost test," which requires that we determine that the cost of a merger will likely be less than the cost of an insured deposit payoff. The billions of dollars of potential claims arising from loan participations and letters of credit to which the FDIC would have been exposed, if a merger of Penn Square had been arranged, precluded us from satisfying the cost test. Moreover, we were deeply concerned about the longer range consequences to the financial system of possibly bailing out Seattle-First, Continental and numerous other banks, savings and loans and credit unions, which had been important contributors to the Penn Square debacle through their failure to exercise prudent credit judgment.

It is ironic that some people have chosen to label our Continental assistance package as a large bank bailout. If we had wanted to bail out Continental or Seattle-First, we had the potential to do so in a much less visible way at the time of Penn Square. We chose not to do so, at least in part because we believed that the management and shareholders of those institutions should be accountable for the mistakes made. They have in fact paid a substantial price. I should note that the FDIC's board was of one mind on the appropriate course of action.

During the two-year period following Penn Square, the situation at Continental deteriorated. The loans purchased from Penn Square proved to be worse than anticipated and other problem loans surfaced, particularly in the bank's special industries division. The bank's funding grew even more volatile as sellers of funds resisted longer term commitments. Each day the bank had to purchase in the range of \$8 billion, or about 20 percent of its total funding.

The bank responded to Penn Square by tightening controls and making some management changes. However, changes in top management were not made for nearly two years and, when they did occur, the bank did not go outside for replacements. The bank's loan chargeoff policy, at least in hindsight, was not sufficiently aggressive, and its dividend was not reduced. The sale of the bank's profitable credit card operation several months ago was perceived by many as a desperate attempt to raise funds to support the dividend, to the long-range detriment of the bank.

Conditions were ripe for a crisis in confidence. It occurred in May of this year when rumors began circulating that the bank was on the brink of insolvency.

The bank lost approximately \$9 billion in funding and the prospect was for the total to reach the \$15-to-\$20 billion range in short order. Moreover, the funding problem at Continental was beginning to affect financial markets generally. Something needed to be done quickly to stabilize the situation.

II. THE INTERIM PACKAGE

Theoretically, we had four options: close the bank and pay off insured depositors, arrange a hasty merger on an open-or closed-bank basis, grant permanent direct assistance or provide interim direct assistance. We chose the last option.

Continental was not and is not insolvent in the sense of its liabilities exceeding its assets. That is an important test in judging the viability of a bank and the test normally used by the Comptroller in closing a national bank. While the bank had severe confidence and liquidity problems, closing the bank and paying off insured depositors could have had catastrophic

consequences for other banks and the entire economy. Insured accounts totalled only slightly more than \$3 billion. This meant that depositors and other private creditors with over \$30 billion in claims would have had their funds tied up for years in a bankruptcy proceeding awaiting the liquidation of assets and the settlement of litigation. Hundreds of small banks would have been particularly hard hit. Almost 2,300 small banks had nearly \$6 billion at risk in Continental; 66 of them had more than their capital on the line and another 113 had between 50 and 100 percent. More generally, closure of a bank, whose solvency was apparently not impaired, in response to its liquidity and confidence problems would have raised concerns about other, soundly managed banks.

Arranging a merger in a few days' time would likely have been impossible. Even if it had been possible, prospective purchasers would not have had an opportunity to evaluate the bank and, thus, would have required substantial FDIC financial involvement to protect against the uncertainties. In short, it would have been a buyer's market and extremely expensive to the FDIC. At the same time, a merger would have had the same effect as a capital infusion in that all depositors and other general creditors of the bank would have been protected, while shareholders would have been exposed to the risk of loss.

Granting permanent direct assistance was rejected for several reasons. First, not enough was known about the bank and its true needs. Second, sufficient time was needed to resolve all of the legal and accounting complexities and to arrange for new management. Finally, we believed we should exhaust every reasonable avenue for a private sector solution before resorting to permanent direct assistance.

By a process of elimination, we were left with but one course of action: render temporary assistance to stabilize the situation while the bank was examined, meetings were held with prospective investors and the permanent assistance package was crafted. The interim assistance package had three key elements: first, a massive infusion of temporary capital -- \$1.5 billion from the FDIC and \$500 million from leading banks; second, an assurance by the FDIC that the permanent solution to the bank's problems would protect all depositors and other general creditors of the bank against loss; and third, liquidity support from the Federal Reserve and leading banks.

The package was put together in a few short days thanks to superb cooperation among the three banking agencies and the banks. Never before has the system responded so well or so swiftly.

The package worked precisely as intended. It gave us the time we needed to evaluate the bank and fashion a sound, permanent program.

III. THE PERMANENT ASSISTANCE PROGRAM

The permanent program was announced two months later on July 26. It entailed two key elements: top management changes and substantial financial assistance.

On the management side, an internationally recognized management team, John E. Swearingen and William S. Ogden, was installed. The board of directors will be significantly reconstituted as soon as practicable.

The financial assistance program involved the sale of \$4.5 billion in problem loans to the FDIC for a price of \$3.5 billion (the loans have a face value exceeding \$5.1 billion due to over \$600 million in earlier chargeoffs by the bank) and the infusion of \$1 billion in new capital from the FDIC. The interim package was terminated.

In consideration for the capital infusion, the FDIC has the right to acquire 80 percent ownership of the parent company, Continental Illinois Corporation. The remaining 20 percent interest owned by the current shareholders is subject to forfeiture to the FDIC depending on the losses, if any, suffered by the FDIC in connection with the loan purchase arrangement.

The FDIC paid the \$3.5 billion purchase price for the problem loans by agreeing to repay an equal amount in bank borrowings from the Federal Reserve Bank of Chicago, including interest at a market rate. The Federal Reserve loan will be repaid out of collections on the problem loans with a final settlement in five years.

The FDIC has been assigned all claims against present and former officers, directors, employees and agents of the bank and its parent, as well as against bonding companies, accounting firms and the like, arising out of any act or omission that occurred prior to consummation of the permanent aid transaction. These claims will be pursued vigorously and any recoveries will be credited to collections made under the loan purchase arrangement.

The special liquidity arrangements provided under the interim package by the group of leading banks and the Federal Reserve are continued under the permanent program.

As a result of the permanent aid transaction, Continental is now strongly capitalized and comparatively free of problem loans. It is a smaller bank, less dependent on volatile funding sources and positioned to continue providing the full range of services to its customers.

The FDIC will not interfere with or control the bank's day-to-day operations. The agreements give the FDIC certain basic protections as a major investor, such as the right to object to the continued service of any board member, safeguards against dilution of the FDIC's shares and the right to veto any merger or reorganization. However, the FDIC will not control the hiring or compensation of officers, lending or investment policies or other normal business decisions.

As soon as practicable, the FDIC intends to dispose of its stock interest in Continental Illinois. This could be accomplished through a sale to a private investor group, to one or more banking organizations or to the public in an underwritten offering.

At this time, it is not possible to make an accurate forecast of any eventual gains or losses to the FDIC under the permanent assistance program. That will depend on the price the FDIC receives when it sells its stock interest in Continental Illinois and on any losses incurred under the loan purchase arrangement. We believe that any FDIC losses will be comparatively modest, and there is a possibility of a gain.

IV. RESPONSES TO QUESTIONS AND CONCERNs

The FDIC's response to the crisis at Continental Illinois has engendered considerable public comment -- some informed and thoughtful, some wide of the mark. I will devote the balance of my testimony to responding to some of the most frequently expressed concerns and commonly asked questions.

Q. Why did the FDIC provide its assurance on May 17 that all depositors and other general creditors of the bank would be protected in any subsequent transaction to permanently resolve the bank's problems? By placing the interim capital of \$2.0 billion in the bank on top of its existing \$2.2 billion in book capital and reserves, the FDIC was in fact providing more than enough cushion to protect all depositors and other general creditors against loss. Since the purpose of the interim capital was to stabilize the bank's funding sources to give us the time needed to evaluate the bank and arrange a sound and orderly permanent solution, we felt we should simply state what we already believed to be the case rather than leaving it to individual depositors to make their own judgments.

Q. What legal authority did the FDIC have to extend the \$100,000 deposit insurance ceiling in this fashion? The assurance given by the FDIC is widely misunderstood. The FDIC did not increase the \$100,000 insurance limit. In giving the assurance, the FDIC was simply stating that it would not resolve the bank's problems through a payoff of insured depositors -- that the permanent solution would involve either a merger or direct financial aid, both of which would necessarily protect all depositors and

other general creditors. In recent decades, approximately 75 percent of bank failures have been handled through a merger or direct financial aid, and depositors and other general creditors have been fully protected.

Q. Are there any precedents for this type of assurance, particularly at smaller banks? In 1981, the Greenwich Savings Bank was experiencing a run. The FDIC issued a press statement acknowledging the bank's difficulties and assuring all depositors and other general creditors that they would be protected when a solution to the problem was developed. The action gave us the time we needed to arrange an orderly merger, which made whole all depositors and other general creditors. In 1983, the FDIC provided an interim \$25 million capital infusion to the United Southern Bank in Nashville and also issued an assurance to depositors. Again, the action gave us the time we needed to arrange an orderly merger. Finally, later in 1983, the FDIC provided interim capital of \$100 million to First National Bank of Midland before putting together a merger. In those cases, as with Continental, the interim assistance was initiated not by the banks but by the FDIC to protect its own interests -- to calm a liquidity crisis, thereby preserving franchise value and holding down the cost to the FDIC of the permanent solution.

Q. Did the interim solution work or did the run on Continental continue despite the assurance? The interim program worked well, particularly through most of June. The bank's borrowings from the Federal Reserve, the FDIC and the safety net banks totalled \$9.4 billion on May 18, with the prospect that the number would have climbed to the \$15-to-\$20 billion range in short order if nothing had been done. One month later, on June 18, the borrowings from these three sources had declined to \$8.2 billion. In late June and throughout July, the situation deteriorated as adverse press stories and speculation appeared almost daily and as funds suppliers became anxious about the nature of the permanent solution. Would there be a merger and, if so, with whom? Would there be direct assistance and, if so, how much? Would there be management changes and, if so, would the new people be competent? Would the government run the bank? Would the new institution be viable? By July 26, the borrowings from the three sources had increased to \$12.6 billion. The only surprise was that it had not gone higher considering the volatile nature of the funding, the uncertainties regarding the permanent solution and the intense media coverage. Since the announcement of the permanent program, the funding has remained fairly steady. As of September 21, borrowings from the three sources declined slightly to \$12.3 billion. The absence of significant improvement is due primarily to the lack of favorable ratings which would make it possible for institutional investors, such as money funds, to return to the bank. The bank could not get its ratings upgraded until after the permanent aid program was approved by the shareholders, and, though we hope not, some rating services might wait until a quarter or two of earnings are produced. When the ratings are upgraded, the bank is expected to once again become self-sufficient.

Q. How do you justify the expenditure of tax money by unelected officials to bail out Continental? First, not one nickel of taxpayer money is involved. The FDIC is funded entirely by bank assessments and interest on its investment portfolio. It was created by Congress in 1933 for precisely this purpose and has acted well within its statutory authority. Second, there has been no bailout. Shareholders have suffered an 80 percent dilution and could lose their entire investment, depending on the FDIC's losses under the loan purchase arrangement. Top management changes have been made and more are contemplated. All legal claims against officers, directors and others have been assigned to the FDIC and will be vigorously pursued. In short, the bank has been handled as if it had failed. Depositors and other general creditors have been protected, but they are protected in most bank failures.

Q. Perhaps no taxpayer money is involved, but won't bank customers indirectly foot the bill because banks will pass along the higher cost of deposit insurance? If the FDIC loses money at Continental, banks will try to pass at least some of the added cost of deposit insurance to their customers. It is not clear that they will be able to do so in today's highly competitive marketplace. It is conceivable that the FDIC will not lose any money or will make a profit at Continental. In any event, there is little doubt that the FDIC would have lost more money had it handled Continental in some other fashion. An analogy can be made to casualty insurance. Automobile manufacturers pay premiums for casualty insurance, and when losses rise so do premiums. These costs are passed along to car buyers to the extent possible. That does not transform the expenditure into a tax dollar.

Q. But doesn't the FDIC have the right to draw upon tax dollars? The FDIC has the right to borrow up to \$3 billion from the U.S. Treasury. If it does, it must pay the money back at a market rate of interest. The FDIC has never needed to borrow from the Treasury and does not foresee a need to do so.

Q. What about the assumption of Federal Reserve debt by the FDIC -- isn't this unprecedented and why was it done? The FDIC paid for the problem loans by agreeing to repay an equivalent amount of the bank's Federal Reserve debt over a five-year period. Similar transactions were structured in 1974 when Franklin National Bank failed, in 1981 when Greenwich Savings Bank failed and in 1983 when First National Bank of Midland failed. The FDIC in the past has also agreed to repay savings bank borrowings from the Federal Home Loan Bank system. The Federal Reserve debt bears a market rate of interest so no subsidy is involved. The transaction permits Continental to shrink in size, reducing its need for volatile funding, and enhance its earnings by removing most of its nonperforming loans. The cost, if any, of the transaction will be borne first by the shareholders and then by the FDIC. The FDIC could have purchased the loans using its own cash, but assuming the Federal Reserve debt enables the FDIC fund to conserve its liquidity.

Q. Speaking of the FDIC fund, isn't it getting stretched pretty thin by Continental and all the other bank failures in recent years? Despite absorbing record losses from 1981 through 1984, the FDIC fund is stronger and more liquid than ever. At the beginning of 1981, the fund totalled \$11 billion. Today it stands at nearly \$17 billion. The fund is invested in U.S. Treasury obligations with an average maturity of just over 2½-years. Gross income from bank premiums and interest on the FDIC's investment portfolio will be in the range of \$3 billion this year. Net positive cash flow during the next twelve-months is expected to exceed \$5 billion. When you consider that Continental was larger than the combined total of all the banks that have failed in the history of the FDIC, it is remarkable and extremely reassuring to witness the ease with which the insurance fund handled it.

Q. Why did the FDIC assist the parent holding company instead of only the bank -- didn't that provide unjustified protection to the holding company's creditors? The FDIC would have preferred to place the new capital directly in the bank rather than using the holding company as a conduit, but it could not be done. The holding company had outstanding several indenture agreements which would have been violated. Some of them had no mechanism for obtaining a waiver of default. In any event, the issue was largely an academic one at Continental since the holding company had assets roughly equal to its liabilities, even if its investment in the bank were valued at zero. Thus, as a practical matter, the holding company's creditors would not have lost much, if anything, irrespective of the structure of the aid program.

Q. Isn't Continental, in effect, "nationalized" -- why didn't you put together a private-sector transaction? Continental remains under private-sector control. The FDIC has made a major investment but will not be involved in or interfere with the normal operations of the bank. The FDIC intends to sell its ownership position as soon as it can be done consistent with minimizing costs or maximizing the return on the FDIC's investment. Contrary to some uninformed reports in the press, the FDIC made it clear to prospective purchasers from May 17 forward that it would be willing to assist a private-sector solution to the extent necessary. Several private-sector proposals were received, but none would have created as strong a bank, at as low a cost to the FDIC, as the permanent assistance program.

Q. Why are the rich and powerful getting bailed out at Continental while small banks are permitted to fail? First, the rich and powerful are not being bailed out. Shareholders and top management are being handled as if the bank had failed. All depositors are being protected, but they are when most banks fail. Among the principal beneficiaries of this protection are some 2,300 small banks which had nearly \$6 billion at risk in Continental. Second, the assistance to Continental is designed to minimize the cost to the FDIC. If it had been handled in

some other fashion, the direct cost of the transaction would have been very high and the cost of the domino effect, as other banks failed, would have been incalculable. Third, unlike every small bank that has failed, Continental was not and is not insolvent on a book basis. It was experiencing a severe liquidity crisis, but it had book capital and reserves approximating \$2.2 billion on May 17 and continues to have nearly \$1.0 billion today without regard to the FDIC assistance. Solvent small banks seldom face severe liquidity problems, but when they do, assistance is normally available from the Federal Reserve. Due to the extremely volatile nature of its funding, that type of assistance was not sufficient to stem the tide at Continental. Finally, if the FDIC had wanted to bail out Continental, as previously noted it had the potential to do so in a far less visible fashion at the time of the Penn Square Bank failure.

Q. But uninsured depositors at small banks are sometimes placed at risk -- how do you justify the different treatment at Continental? Primarily because of our concern about the effect of a payoff on the entire banking system and the fact that Continental was not insolvent. This is not to say there is not a serious perception problem. During the fifty-year history of the FDIC, nearly 50 percent of all bank failures have been handled as straight liquidations, wherein uninsured depositors have been placed at risk. A large bank has never been handled in this fashion, creating the impression that a large institution is safer from the standpoint of an uninsured depositor. The FDIC is deeply concerned about this perception and has been endeavoring to change it. A principal difficulty with a large bank payoff is that the volume of uninsured funds is so massive. One way to alleviate the adverse economic impact of a large bank payoff would be to advance to the uninsured depositors, at the time of failure, an amount equal to what the FDIC estimates they would ultimately receive from the liquidation of the bank. The FDIC calls this type of transaction a "modified payoff." It was recently developed and tested by the FDIC as a possible way to handle bank failures of all sizes in an even-handed manner. It also offers the advantage of encouraging large depositor discipline in the system.

Q. Why didn't you handle Continental as a modified payoff? First, as noted earlier, the bank was not insolvent. Second, we could not have handled it administratively in a bank of this size at this time -- we needed more of an opportunity to test and develop the procedures. Third, it would have entailed an abrupt policy change on a massive scale, which we had promised we would not do, and would have seriously injured scores of small banks which maintained correspondent relationships with Continental.

Q. Is the modified payoff plan dead? The testing phase of our modified payoff plan ended before the May 17 Continental package. It was used in 9 out of 17 failures from March 16 to May 11, most of which would otherwise have been handled as a

straight payoff due to the lack of acceptable bids or to the existence of large contingent claims which made mergers impossible. We are evaluating the results of the tests and are planning to consult with bankers and others before deciding how to proceed. If we decide to go ahead, we will provide substantial public notice and lead time as promised in our press release of March 16. This will give weaker banks an opportunity to correct their problems and allow for the possible development of private-sector deposit insurance on amounts over the FDIC insurance limit. In the meantime, modified payoffs may be used to alleviate the disruption when a straight payoff would otherwise be indicated.

Q. Do you agree with those who say that the modified payoff test made financial markets jittery and may have helped fuel the run on Continental? This speculation has no basis in fact and lacks historical perspective. First, the FDIC announced in several press releases that the modified payoff was a test and would not be employed generally without adequate public notice. Second, the procedure was used in the successive failures of three affiliated banks in Texas over a two-month period and in each one a significant proportion of the uninsured deposits remained. Third, the Continental run started abroad and the foreign bankers with whom we have subsequently met had never heard of the concept. Finally, large banks with a heavy dependence on volatile funding were subject to liquidity crises long before modified payoffs were even considered. Franklin National Bank lost nearly 25 percent of its deposits in four days in 1974 when adverse news regarding its condition was made public. The run exceeded 50 percent of deposits by the time a merger was finally arranged. First Pennsylvania Bank lost over \$1 billion in deposits in 1980 in reaction to negative publicity. In 1981, the Greenwich Savings Bank lost nearly \$500 million in funding when word of its difficulties surfaced. These runs occurred despite the conventional wisdom that the authorities would never allow depositors to suffer a loss in a sizable bank. The liquidity crisis at Continental developed for one simple reason: suppliers of funds, who had no particular loyalty to the bank, lost confidence in the institution and its policies. It would be hard to argue that the markets behaved irrationally.

Q. Does the FDIC still believe there is a need for market discipline? The need for market discipline is growing, not diminishing. It is the only truly effective way we know of in a deregulated interest-rate environment to protect the vast majority of banks that are prudently operated. In the absence of market discipline, the money will simply flow to the banks that pay the highest rates, which tend to be the marginal operators. Market discipline is essential to the maintenance of a strong, free-enterprise banking system.

Q. Are there ways other than the modified payoff to encourage more discipline? In our deposit insurance study submitted to Congress last year, we suggested an alternative whereby discipline could be encouraged through the suppliers of capital to banks, specifically subordinated debtholders. The federal banking agencies currently require equity capital in the 5-to-6 percent range for a well-run bank. We could gradually raise the minimum standard to the 9 percent range and allow the additional amount to be satisfied with subordinated debt. A well-run bank should be able to issue subordinated debt at a comparatively modest cost above the CD rate. A marginal bank would pay a premium or perhaps not be able to issue the debt, thereby limiting its ability to grow. We believe this system, coupled with the depositor preference bill we have pending before the Congress, could be nearly as effective as the modified payoff procedure in maintaining discipline and would enable us to arrange for the merger of nearly every failed bank. At least prior to Continental, however, the banking industry had indicated its preference for the modified payoff approach. One problem is that the savings and loan industry has far lower capital standards than those to which banks are subject. We have also suggested other supplemental steps such as risk-based FDIC premiums and limitations on the use of brokered funds. None of these measures is easy to sell politically. While a great many people in and out of government deplore the necessity of Continental-type rescue efforts, fewer appear to be willing to make fundamental changes in the system that gave rise to it.

Q. Doesn't the situation at Continental prove that deregulation doesn't work? It is ironic that competitors of banks and the foes of deregulation are attempting to use the Continental episode to bolster their case. In our judgment, the situation at Continental simply demonstrates that the policies of the past must be altered. The fact is that we do not currently have meaningful deregulation. The only deregulation in place is on the liability side of bank balance sheets. Banks have been forced to pay more for their deposits but have not been given the opportunity to make up the lost income on the asset side. Rather than permitting banks to invest sensibly in domestic financial-services ventures, public policy has tempted some of them to take higher credit risks to offset their higher liability costs. When banks try to raise service charges to help cover their increased expenses, they are roundly criticized. Banks such as Continental are hemmed in by branching restrictions, which preclude the development of a strong core deposit base and lead to excessive reliance on volatile funding. Until this summer when Illinois adopted emergency legislation, Continental's choices of partners for a voluntary merger were severely limited by restrictive laws. This is not to argue that Continental would not have gotten into difficulty had the regulatory climate been more favorable. Continental's management made serious mistakes and has no one to blame but itself. But deregulation clearly did not cause the problems and a persuasive case can be made that excessive regulation helped create or exacerbated them.

Mr. Chairman, members of the Committee, let me thank you once again for providing this forum for a constructive dialogue on the situation at Continental Illinois. It is an unfortunate, historic event which has caused considerable pain for many people. We owe it to the American public to learn from this episode and, if there is any way possible, to prevent others from arising in the future. We pledge to assist you in that endeavor.

I would be remiss if I closed without expressing my deep appreciation to the hundreds of individuals at the FDIC, the other banking agencies and at the bank who made the rescue effort possible -- people who toiled, for the most part, in anonymity late into the evenings and throughout the weekends. In Continental, and in scores of other situations throughout the past several years, they have shown their dedication and their worth. They are one of the most deserving and least recognized and rewarded groups in our nation.

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