

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, January 27, 1955

PRELIMINARY ANNOUNCEMENT EXCHANGE OFFERING

To All Banking Institutions and Others Concerned
in the Eleventh Federal Reserve District:

There is quoted below a press statement issued today by the Treasury Department:

"The Treasury announced today that on Tuesday, February 1, it will offer holders of the 2 $\frac{7}{8}$ percent Treasury Bonds of 1955-60, called for redemption on March 15, an opportunity to exchange their holdings for a 3 percent 40-year Treasury Bond or a 13-month 1 $\frac{5}{8}$ percent Treasury Note. Cash subscriptions will not be received.

"At the same time holders of the 1 $\frac{5}{8}$ percent Certificates of Indebtedness, maturing February 15, and the 1 $\frac{1}{2}$ percent Treasury Notes, maturing March 15, will be given the choice of exchanging their holdings for the new 13-month Note or a 2 percent 2 $\frac{1}{2}$ -year Treasury Note.

"The subscription books will be open for three days, Tuesday through Thursday, for these offerings.

<u>Maturing Issues</u>	<u>Eligible for Exchange</u>	<u>New Issues to Be Dated February 15, 1955</u>
1 $\frac{5}{8}$ % Certificates	\$7,007	} 2% 2 $\frac{1}{2}$ -year Note and 1 $\frac{5}{8}$ % 13-month Note
1 $\frac{1}{2}$ % Notes	5,365	
2 $\frac{7}{8}$ % Bonds	2,611	3% 40-year Bond and 1 $\frac{5}{8}$ % 13-month Note

The 13-month Note will mature March 15, 1956

The 2 $\frac{1}{2}$ -year Note will mature August 15, 1957

The 40-year Bond will mature February 15, 1995

"Holders of the 2 $\frac{7}{8}$ % called Bonds will be credited with the full six-months' interest to March 15 on the bonds surrendered, they will be charged accrued interest from February 15 to March 15 on the new securities they elect to receive, and they will be paid the difference.

"In determining the amount of interest received upon the bonds exchanged, and the exemption to which such interest is entitled, for Federal income tax purposes, the full amount which is allowed as interest on the bonds surrendered in the exchange will be regarded as such to the extent that it accrued to the holder making the exchange, and not as a capital recovery; similarly the amount of interest charged the subscriber on the new securities issued will be regarded as an investment of capital, and therefore upon subsequent recovery of such amount (i.e., upon payment of interest to him on the securities or upon sale or other disposition by him of the securities) as a return of capital and not as interest income.

"Exchanges of the maturing certificates will be made par for par as of February 15. Exchanges of the notes maturing March 15 will be made at par with an adjustment of accrued interest as of February 15.

"Full information concerning this exchange offering will be released on Monday, January 31."

The official circulars and subscription forms for the exchange offering will be mailed to reach all banking institutions on or before February 1, the date the books open. If the circulars and forms are not received in sufficient time, however, subscriptions may be entered by mail or by telephone, subject to confirmation with an official application blank.

Yours very truly,

WATROUS H. IRONS

President