FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, September 8, 1961

ADVANCE REFUNDING

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

Enclosed are Treasury Department Circulars Nos. 1065, 1066 and 1067 which govern the offering of three Treasury issues.

SECURITIES OFFERED

3½ Percent Treasury Bonds of 1980 (Additional Issue)
3½ Percent Treasury Bonds of 1990 (Additional Issue)
3½ Percent Treasury Bonds of 1998 (Additional Issue)

PAYMENT

Payment must be made by exchange of either of the following issues:

2½ Percent Treasury Bonds of 1965-70
2½ Percent Treasury Bonds of 1966-71

Securities should be surrendered on or before September 29, 1961; and since allotments are to be made in full, subject to the usual reservations, securities should accompany the subscriptions.

GENERAL INFORMATION

The exchange of the 3½ percent Treasury bonds for the 2½ percent Treasury bonds will be made on the basis of par for par, with payments by and to the Treasury, as outlined in Section I of the official circulars, and with adjustments of accrued interest to September 15, 1961, on the 3½ percent bonds as provided in Section IV of the respective offering circulars.

Subscriptions to this exchange offering will be received at this bank and its branches at El Paso, Houston and San Antonio, and should be submitted on the enclosed forms. Additional circulars and forms will be forwarded upon request.

CLOSING OF SUBSCRIPTION BOOKS

Subscriptions addressed to a Federal Reserve bank or branch or to the Treasury Department and placed in the mail before midnight, September 15, by subscribers other than individuals, and before midnight on September 20, in the case of individuals, will be considered as having been entered before the close of the subscription books.

Yours very truly,

Watrous H. Irons

President

UNITED STATES OF AMERICA

THREE AND ONE-HALF PERCENT TREASURY BONDS OF 1980

Dated October 3, 1960, with interest from September 15, 1961 **Due November 15, 1980**
Interest payable May 15 and November 15

ADDITIONAL ISSUE

1961
Department Circular No. 1065

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT
Office of the Secretary
Washington, September 11, 1961

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions from the people of the United States for bonds of the United States, designated 3½ percent Treasury Bonds of 1980: (1) at 102.25 percent of their face value in exchange for 2½ percent Treasury Bonds of 1965-70, dated February 1, 1944, due March 15, 1970; or (2) at 103.50 percent of their face value in exchange for 2½ percent Treasury Bonds of 1966-71, dated December 1, 1944, due March 15, 1971. The cash payments due from the subscriber on account of the issue prices of the new bonds issued in exchange for the 2½ percent Treasury Bonds due March 15, 1970, and March 15, 1971 ($22.50 and $35.00 per $1,000, respectively) will be payable by the subscriber as provided in Section IV hereof. Interest will be adjusted as of September 15, 1961, as set forth in Section IV hereof. Delivery of the new bonds will be made on September 29, 1961. The amount of the offering under this circular will be limited to the amount of the eligible securities tendered in exchange and accepted. The books will be open for the receipt of subscriptions for this issue from all classes of subscribers from September 11 through September 15, 1961, and, in addition, subscriptions may be submitted by individuals through September 20, 1961. For this purpose individuals are defined as natural persons in their own right.

2. In addition to the offering under this circular, holders of the eligible securities are offered the privilege of exchanging all or any part of such securities for 3½ percent Treasury Bonds of 1990 (Additional Issue), or 3½ percent Treasury Bonds of 1998 (Additional Issue) which offerings are set forth in Department Circulars Nos. 1066 and 1067, respectively, issued simultaneously with this circular.

3. **Nonrecognition of gain or loss for Federal income tax purposes.**—Pursuant to the provisions of section 1037 (a) of the Internal Revenue Code of 1954 as added by Public Law 86-346 (approved September 22, 1959), the Secretary of the Treasury hereby declares that no gain or loss shall be recognized for Federal income tax purposes upon the exchange with the United States of the eligible securities enumerated in paragraph one of this section solely for the 3½ percent Treasury Bonds of 1980. Gain or loss, if any, upon the obligations surrendered in exchange will be taken into account upon the disposition or redemption of the new obligations.

II. DESCRIPTION OF BONDS

1. The bonds now offered will be an addition to and will form a part of the series of 3½ percent Treasury Bonds of 1980 issued pursuant to Department Circular No. 1050, dated September 12, 1960, will be freely interchangeable therewith, and are identical in all respects therewith except that interest on the bonds to be issued under this circular will accrue from September 15, 1961. Subject to the provision for the accrual of interest from September 15, 1961, on the bonds now offered, the bonds are described in the following quotation from Department Circular No. 1050:

> "1. The bonds will be dated October 3, 1960, and will bear interest from that date at the rate of 3½ percent per annum, payable on a semi-annual basis on May 15 and November 15, 1961, and thereafter on May 15 and November 15 in each year until the principal amount becomes payable. They will mature November 15, 1980, and will not be subject to call for redemption prior to maturity.
>
> "2. The income derived from the bonds is subject to all taxes imposed under the Internal Revenue Code of 1954. The bonds are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.
>
> "3. The bonds will be acceptable to secure deposits of public moneys.
>
> "4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of $500, $1,000, $5,000, $10,000, $100,000 and $1,000,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury.
>
> "5. Any bonds issued hereunder which upon the death of the owner constitute part of his estate, will be redeemed at the option of the duly constituted representatives of the deceased owner's estate, at par and accrued interest to date of payment,[1] **provided:**
>
> (a) that the bonds were actually owned by the decedent at the time of his death; and
>
> (b) that the Secretary of the Treasury be authorized to apply the entire proceeds of redemption to the payment of Federal estate taxes.

---

[1] An exact half-year's interest is computed for each full half-year period irrespective of the actual number of days in the half year. For a fractional part of any half year, computation is on the basis of the actual number of days in such half year.

Registered bonds submitted for redemption hereunder must be duly assigned to "The Secretary of the Treasury for redemption, the proceeds to be paid to the District Director of Internal Revenue at______ for credit on Federal estate taxes due from estate of______________." Owing to the periodic closing of the transfer books and the impossibility of stopping payment of interest to the registered owner during the closed period, registered bonds received after the closing of the books for payment during such closed period will be paid only at par with a deduction of interest from the date of payment to the next interest payment date;[2] bonds received during the closed period for payment at a date after the books reopen will be paid at par plus accrued interest from the reopening of the books to the date of payment. In either case checks for the full six months' interest due on the last day of the closed period will be forwarded to the owner in due course. All bonds submitted must be accompanied by Form PD 1782,[3] properly completed, signed and certified, and by proof of the representatives' authority in the form of a court certificate or a certified copy of the representatives' letters of appointment issued by the court. The certificate, or the certification to the letters, must be under the seal of the court, and except in the case of a corporate representative, must contain a statement that the appointment is in full force and be dated within six months prior to the submission of the bonds, unless the certificate or letters show that the appointment was made within one year immediately prior to such submission. Upon payment of the bonds appropriate memorandum receipt will be forwarded to the representatives, which will be followed in due course by formal receipt from the District Director of Internal Revenue.

"6. The bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds."

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Office of the Treasurer of the United States, Washington, D. C. Only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Banking institutions generally may submit subscriptions for account of customers provided the names of the customers are set forth in such subscriptions.

2. The Secretary of the Treasury reserves the right to reject or reduce any subscription, and to allot less than the amount of bonds applied for; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment for the face amount of bonds allotted hereunder must be made on or before September 29, 1961, or on later allotment, and may be made only in a like face amount of the two issues of bonds enumerated in Section I hereof, which should accompany the subscription.

2. Coupons dated September 15, 1961, should be detached from the 2½ percent Treasury Bonds of 1965-70 and 1966-71, by holders and cashed when due. Coupons dated March 15, 1962, and all subsequent coupons, must be attached to the bonds of 1965-70 and 1966-71 in bearer form when surrendered. In the case of registered bonds, interest due on September 15, 1961, will be paid by check in regular course by the Treasury.

3. Accrued interest from May 15 to September 15, 1961 ($11.69837 per $1,000) on the bonds to be issued and the payment ($22.50 per $1,000 for the bonds of 1965-70 and $35.00 per $1,000 for the bonds of 1966-71) due to the Treasury on account of the issue prices of the new bonds (paragraph 1 of Section I hereof) will be charged subscribers. The total amount of such charges to be paid by subscribers, $34.19837 per $1,000 in the case of the bonds of 1965-70 and $46.69837 per $1,000 in the case of the bonds of 1966-71, should accompany the subscription.

V. ASSIGNMENT OF REGISTERED BONDS

1. Treasury Bonds of the eligible issues in registered form tendered in payment for bonds offered hereunder should be assigned by the registered payees or assignees thereof, in accordance with the general regulations of the Treasury Department governing assignments for transfer or exchange, in one of the forms hereafter set forth, and thereafter should be surrendered to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, D. C. If the new bonds are desired registered in the same name as the bonds surrendered in exchange, the assignment should be to "The Secretary of the Treasury for exchange for 3½ percent Treasury Bonds of 1980"; if the new bonds are desired registered in another name, the assignment should be to "The Secretary of the Treasury for exchange for 3½ percent Treasury Bonds of 1980 in the name of____________"; if new bonds in coupon form are desired, the assignment should be to "The Secretary of the Treasury for exchange for 3½ percent Treasury Bonds of 1980 in coupon form to be delivered to________________".

VI. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective Districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY H. FOWLER,
Acting Secretary of the Treasury.

---

[2] The transfer books are closed from April 16 to May 15, and from October 16 to November 15 (both dates inclusive) in each year.

[3] Copies of Form PD 1782 may be obtained from any Federal Reserve Bank or from the Treasury Department, Washington, D. C.

UNITED STATES OF AMERICA

THREE AND ONE-HALF PERCENT TREASURY BONDS OF 1990

Dated February 14, 1958, with interest from September 15, 1961 **Due February 15, 1990**
Interest payable February 15 and August 15

1961
Department Circular No. 1066

Fiscal Service
Bureau of the Public Debt

ADDITIONAL ISSUE

TREASURY DEPARTMENT
Office of the Secretary
Washington, September 11, 1961

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions from the people of the United States for bonds of the United States, designated 3½ percent Treasury Bonds of 1990: (1) at 99.00 percent of their face value in exchange for 2½ percent Treasury Bonds of 1965-70, dated February 1, 1944, due March 15, 1970. The cash payment due to the subscriber on account of the issue price of the new bonds issued in exchange for the 2½ percent Treasury Bonds due March 15, 1970 ($10.00 per $1,000) will be payable to the subscriber as provided in Section IV hereof; or (2) at 100.25 percent of their face value in exchange for 2½ percent Treasury Bonds of 1966-71, dated December 1, 1944, due March 15, 1971. The cash payment due from the subscriber on account of the issue price of the new bonds issued in exchange for the 2½ percent Treasury Bonds due March 15, 1971 ($2.50 per $1,000) will be payable by the subscriber as provided in Section IV hereof. Interest will be adjusted as of September 15, 1961, as set forth in Section IV hereof. Delivery of the new bonds will be made on September 29, 1961. The amount of the offering under this circular will be limited to the amount of the eligible securities tendered in exchange and accepted. The books will be open for the receipt of subscriptions for this issue from all classes of subscribers from September 11 through September 15, 1961, and, in addition, subscriptions may be submitted by individuals through September 20, 1961. For this purpose individuals are defined as natural persons in their own right.

2. In addition to the offering under this circular, holders of the eligible securities are offered the privilege of exchanging all or any part of such securities for 3½ percent Treasury Bonds of 1980 (Additional Issue), or 3½ percent Treasury Bonds of 1998 (Additional Issue) which offerings are set forth in Department Circulars Nos. 1065 and 1067, respectively, issued simultaneously with this circular.

3. **Nonrecognition of gain or loss for Federal income tax purposes.**—Pursuant to the provisions of section 1037 (a) of the Internal Revenue Code of 1954 as added by Public Law 86-346 (approved September 22, 1959), the Secretary of the Treasury hereby declares that no gain or loss shall be recognized for Federal income tax purposes upon the exchange with the United States of the eligible securities enumerated in paragraph one of this section solely for the 3½ percent Treasury Bonds of 1990. Section 1031 (b) of the code, however, requires recognition of any gain realized on the exchange to the extent that money is received by the bond holder in connection with the exchange. To the extent not recognized at the time of the exchange, gain or loss, if any, upon the obligations surrendered in exchange will be taken into account upon the disposition or redemption of the new obligations.

II. DESCRIPTION OF BONDS

1. The bonds now offered will be an addition to and will form a part of the series of 3½ percent Treasury Bonds of 1990 issued pursuant to Department Circulars Nos. 1005 and 1051, dated February 3, 1958, and September 12, 1960, respectively, will be freely interchangeable therewith, and are identical in all respects therewith except that interest on the bonds to be issued under this circular will accrue from September 15, 1961. Subject to the provision for the accrual of interest from September 15, 1961, on the bonds now offered, the bonds are described in the following quotation from Department Circular No. 1005:

"1. The bonds will be dated February 14, 1958, and will bear interest from that date at the rate of 3½ percent per annum, payable on a semiannual basis on August 15, 1958, and thereafter on February 15 and August 15 in each year until the principal amount becomes payable. They will mature February 15, 1990, and will not be subject to call for redemption prior to maturity.

"2. The income derived from the bonds is subject to all taxes imposed under the Internal Revenue Code of 1954. The bonds are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

"3. The bonds will be acceptable to secure deposits of public moneys.

"4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of $500, $1,000, $5,000, $10,000, $100,000 and $1,000,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury.

"5. Any bonds issued hereunder which upon the death of the owner constitute part of his estate, will be redeemed at the option of the duly constituted representatives of the deceased owner's estate, at par and accrued interest to date of payment,[1] **provided:**

(a) that the bonds were actually owned by the decedent at the time of his death; and

(b) that the Secretary of the Treasury be authorized to apply the entire proceeds of redemption to the payment of Federal estate taxes.

Registered bonds submitted for redemption hereunder must be duly assigned to "The Secretary of the Treasury for redemption, the proceeds to be paid to the District Director of Internal Revenue at__________

[1] An exact half-year's interest is computed for each full half-year period irrespective of the actual number of days in the half year. For a fractional part of any half year, computation is on the basis of the actual number of days in such half year.

for credit on Federal estate taxes due from estate of___________________________." Owing to the periodic closing of the transfer books and the impossibility of stopping payment of interest to the registered owner during the closed period, registered bonds received after the closing of the books for payment during such closed period will be paid only at par with a deduction of interest from the date of payment to the next interest payment date;[2] bonds received during the closed period for payment at a date after the books reopen will be paid at par plus accrued interest from the reopening of the books to the date of payment. In either case checks for the full six months' interest due on the last day of the closed period will be forwarded to the owner in due course. All bonds submitted must be accompanied by Form PD 1782,[3] properly completed, signed and certified, and by proof of the representatives' authority in the form of a court certificate or a certified copy of the representatives' letters of appointment issued by the court. The certificate, or the certification to the letters, must be under the seal of the court, and except in the case of a corporate representative, must contain a statement that the appointment is in full force and be dated within six months prior to the submission of the bonds, unless the certificate or letters show that the appointment was made within one year immediately prior to such submission. Upon payment of the bonds appropriate memorandum receipt will be forwarded to the representatives, which will be followed in due course by formal receipt from the District Director of Internal Revenue.

"6. The bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds."

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Office of the Treasurer of the United States, Washington, D. C. Only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Banking institutions generally may submit subscriptions for account of customers provided the names of the customers are set forth in such subscriptions.

2. The Secretary of the Treasury reserves the right to reject or reduce any subscription, and to allot less than the amount of bonds applied for; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment for the face amount of bonds allotted hereunder must be made on or before September 29, 1961, or on later allotment, and may be made only in a like face amount of the two issues of bonds enumerated in Section I hereof, which should accompany the subscription.

2. Coupons dated September 15, 1961, should be detached from the 2½ percent Treasury Bonds of 1965-70 and 1966-71 by holders and cashed when due. Coupons dated March 15, 1962, and all subsequent coupons, must be attached to the bonds of 1965-70 and 1966-71 in bearer form when surrendered. In the case of registered bonds, interest due on September 15, 1961, will be paid by check in regular course by the Treasury.

3. Accrued interest from August 15 to September 15, 1961 ($2.94837 per $1,000) on the bonds to be issued will be charged subscribers. In the case of the 2½ percent bonds of 1965-70, the accrued interest will be deducted from the payment ($10.00 per $1,000) due to the subscriber on account of the issue price of the new bonds (paragraph 1.(1) of Section I hereof) and the difference ($7.05163 per $1,000) will be paid to subscribers. Payments to subscribers will be made in the case of bearer bonds following their acceptance and in the case of registered bonds following discharge of registration. In the case of registered bonds, the payment will be made by check drawn in accordance with the assignments on the bonds surrendered, or by credit in any account maintained by a banking institution with the Federal Reserve Bank of its district. In the case of the 2½ percent bonds of 1966-71, a cash payment of $5.44837 per $1,000 should be made by the subscriber when the subscription is tendered, which is the total of the accrued interest ($2.94837 per $1,000) and the payment ($2.50 per $1,000) due to the Treasury on account of the issue price of the new bonds (paragraph 1.(2) of Section I hereof).

V. ASSIGNMENT OF REGISTERED BONDS

1. Treasury Bonds of the eligible issues in registered form tendered in payment for bonds offered hereunder should be assigned by the registered payees or assignees thereof, in accordance with the general regulations of the Treasury Department governing assignments for transfer or exchange, in one of the forms hereafter set forth, and thereafter should be surrendered to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, D. C. If the new bonds are desired registered in the same name as the bonds surrendered in exchange, the assignment should be to "The Secretary of the Treasury for exchange for 3½ percent Treasury Bonds of 1990"; if the new bonds are desired registered in another name, the assignment should be to "The Secretary of the Treasury for exchange for 3½ percent Treasury Bonds of 1990 in the name of_______________________"; if new bonds in coupon form are desired, the assignment should be to "The Secretary of the Treasury for exchange for 3½ percent Treasury Bonds of 1990 in coupon form to be delivered to_______________________".

VI. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective Districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY H. FOWLER,
Acting Secretary of the Treasury.

---

[2] The transfer books are closed from January 16 to February 15, and from July 16 to August 15 (both dates inclusive) in each year.

[3] Copies of Form PD 1782 may be obtained from any Federal Reserve Bank or from the Treasury Department, Washington, D. C.

UNITED STATES OF AMERICA

THREE AND ONE-HALF PERCENT TREASURY BONDS OF 1998

Dated October 3, 1960, with interest from September 15, 1961 **Due November 15, 1998**
Interest payable May 15 and November 15

ADDITIONAL ISSUE

1961
Department Circular No. 1067

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT
Office of the Secretary
Washington, September 11, 1961

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions from the people of the United States for bonds of the United States, designated 3½ percent Treasury Bonds of 1998: (1) At 98.00 percent of their face value in exchange for 2½ percent Treasury Bonds of 1965-70, dated February 1, 1944, due March 15, 1970; or (2) at 99.00 percent of their face value in exchange for 2½ percent Treasury Bonds of 1966-71, dated December 1, 1944, due March 15, 1971. The cash payments due to the subscriber on account of the issue prices of the new bonds issued in exchange for the 2½ percent Treasury Bonds due March 15, 1970, and March 15, 1971 ($20.00 and $10.00, respectively) will be payable to the subscriber as provided in Section IV hereof. Interest will be adjusted as of September 15, 1961, as set forth in Section IV hereof. Delivery of the new bonds will be made on September 29, 1961. The amount of the offering under this circular will be limited to the amount of the eligible securities tendered in exchange and accepted. The books will be open for the receipt of subscriptions for this issue from all classes of subscribers from September 11 through September 15, 1961, and, in addition, subscriptions may be submitted by individuals through September 20, 1961. For this purpose individuals are defined as natural persons in their own right.

2. In addition to the offering under this circular, holders of the eligible securities are offered the privilege of exchanging all or any part of such securities for 3½ percent Treasury Bonds of 1980 (Additional Issue), or 3½ percent Treasury Bonds of 1990 (Additional Issue) which offerings are set forth in Department Circulars Nos. 1065 and 1066, respectively, issued simultaneously with this circular.

3. **Nonrecognition of gain or loss for Federal income tax purposes.**—Pursuant to the provisions of section 1037 (a) of the Internal Revenue Code of 1954 as added by Public Law 86-346 (approved September 22, 1959), the Secretary of the Treasury hereby declares that no gain or loss shall be recognized for Federal income tax purposes upon the exchange with the United States of the eligible securities enumerated in paragraph one of this section solely for the 3½ percent Treasury Bonds of 1998. Section 1031 (b) of the code, however, requires recognition of any gain realized on the exchange to the extent that money is received by the bond holder in connection with the exchange. To the extent not recognized at the time of the exchange, gain or loss, if any, upon the obligations surrendered in exchange will be taken into account upon the disposition or redemption of the new obligations.

II. DESCRIPTION OF BONDS

1. The bonds now offered will be an addition to and will form a part of the series of 3½ percent Treasury Bonds of 1998 issued pursuant to Department Circular No. 1052, dated September 12, 1960, will be freely interchangeable therewith, and are identical in all respects therewith except that interest on the bonds to be issued under this circular will accrue from September 15, 1961. Subject to the provision for the accrual of interest from September 15, 1961, on the bonds now offered, the bonds are described in the following quotation from Department Circular No. 1052:

> "1. The bonds will be dated October 3, 1960 and will bear interest from that date at the rate of 3½ percent per annum, payable on a semiannual basis on May 15 and November 15, 1961, and thereafter on May 15 and November 15 in each year until the principal amount becomes payable. They will mature November 15, 1998, and will not be subject to call for redemption prior to maturity.
>
> "2. The income derived from the bonds is subject to all taxes imposed under the Internal Revenue Code of 1954. The bonds are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.
>
> "3. The bonds will be acceptable to secure deposits of public moneys.
>
> "4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of $500, $1,000, $5,000, $10,000, $100,000 and $1,000,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury.
>
> "5. Any bonds issued hereunder which upon the death of the owner constitute part of his estate, will be redeemed at the option of the duly constituted representatives of the deceased owner's estate, at par and accrued interest to date of payment,[1] **provided:**
>
> (a) that the bonds were actually owned by the decedent at the time of his death; and
>
> (b) that the Secretary of the Treasury be authorized to apply the entire proceeds of redemption to the payment of Federal estate taxes.
>
> Registered bonds submitted for redemption hereunder must be duly assigned to "The Secretary of the Treasury for redemption, the proceeds to be paid to the District Director of Internal Revenue at__________for credit on Federal estate taxes due from estate of______________." Owing to the periodic closing of

[1] An exact half-year's interest is computed for each full half-year period irrespective of the actual number of days in the half year. For a fractional part of any half year, computation is on the basis of the actual number of days in such half year.

the transfer books and the impossibility of stopping payment of interest to the registered owner during the closed period, registered bonds received after the closing of the books for payment during such closed period will be paid only at par with a deduction of interest from the date of payment to the next interest payment date;[2] bonds received during the closed period for payment at a date after the books reopen will be paid at par plus accrued interest from the reopening of the books to the date of payment. In either case checks for the full six months' interest due on the last day of the closed period will be forwarded to the owner in due course. All bonds submitted must be accompanied by Form PD 1782,[3] properly completed, signed and certified, and by proof of the representatives' authority in the form of a court certificate or a certified copy of the representatives' letters of appointment issued by the court. The certificate, or the certification to the letters, must be under the seal of the court, and except in the case of a corporate representative, must contain a statement that the appointment is in full force and be dated within six months prior to the submission of the bonds, unless the certificate or letters show that the appointment was made within one year immediately prior to such submission. Upon payment of the bonds appropriate memorandum receipt will be forwarded to the representatives, which will be followed in due course by formal receipt from the District Director of Internal Revenue.

"6. The bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds."

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Office of the Treasurer of the United States, Washington, D. C. Only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Banking institutions generally may submit subscriptions for account of customers provided the names of the customers are set forth in such subscriptions.

2. The Secretary of the Treasury reserves the right to reject or reduce any subscription, and to allot less than the amount of bonds applied for; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment for the face amount of bonds allotted hereunder must be made on or before September 29, 1961, or on later allotment, and may be made only in a like face amount of the two issues of bonds enumerated in Section I hereof, which should accompany the subscription.

2. Coupons dated September 15, 1961, should be detached from the 2½ percent Treasury Bonds of 1965-70 and 1966-71 by holders and cashed when due. Coupons dated March 15, 1962, and all subsequent coupons, must be attached to the bonds of 1950-70 and 1966-71 in bearer form when surrendered. In the cast of registered bonds, interest due on September 15, 1961, will be paid by check in regular course by the Treasury.

3. Accrued interest from May 15, to September 15, 1961 ($11.69837 per $1,000) on the bonds to be issued will be charged subscribers. In the case of the 2½ percent bonds of 1965-70, the accrued interest will be deducted from the payment ($20.00 per $1,000) due to the subscriber on account of the issue price of the new bonds (paragraph 1 of Section I hereof) and the difference ($8.30163 per $1,000) will be paid to subscribers. Payments to subscribers will be made in the case of bearer bonds following their acceptance and in the case of registered bonds following discharge of registration. In the case of registered bonds, the payment will be made by check drawn in accordance with the assignments on the bonds surrendered, or by credit in any account maintained by a banking institution with the Federal Reserve Bank of its district. In the case of the 2½ percent Treasury Bonds of 1966-71, a cash payment of $1.69837 per $1,000 should be made by the subscriber when the subscription is tendered, which is the difference between the accrued interest ($11.69837 per $1,000) charged to the subscriber and the payment ($10.00 per $1,000) credited to the subscriber on account of the issue price of the new bonds (paragraph 1 of Section I hereof).

V. ASSIGNMENT OF REGISTERED BONDS

1. Treasury bonds of the eligible issues in registered form tendered in payment for bonds offered hereunder should be assigned by the registered payees or assignees thereof, in accordance with the general regulations of the Treasury Department governing assignments for transfer or exchange, in one of the forms hereafter set forth, and thereafter should be surrendered to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, D. C. If the new bonds are desired registered in the same name as the bonds surrendered in exchange, the assignment should be to "The Secretary of the Treasury for exchange for 3½ percent Treasury Bonds of 1998"; if the new bonds are desired registered in another name, the assignment should be to "The Secretary of the Treasury for exchange for 3½ percent Treasury Bonds of 1998 in the name of____________________"; if new bonds in coupon form are desired, the assignment should be to "The Secretary of the Treasury for exchange for 3½ percent Treasury Bonds of 1998 in coupon form to be delivered to____________________".

VI. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective Districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY H. FOWLER,
Acting Secretary of the Treasury.

---

[2] The transfer books are closed from April 16 to May 15, and October 16 to November 15 (both dates inclusive) in each year.

[3] Copies of Form PD 1782 may be obtained from any Federal Reserve Bank or from the Treasury Department, Washington, D. C.

TREASURY DEPARTMENT
Washington, D. C.

September 7, 1961

ADVANCE REFUNDING OFFER

The Treasury is offering holders of $4.7 billion 2½% Bonds of March 15, 1965-1970, and $2.9 billion 2½% Bonds of March 15, 1966-1971, which were issued during the war-loan drives in 1944, the right to exchange them for any of the following outstanding bonds:

3½% Bonds due November 15, 1980;
3½% Bonds due February 15, 1990;
3½% Bonds due November 15, 1998.

The exchanges will be made on the basis of par for par, as of September 15, 1961, with payments by the holders to the Treasury (or by the Treasury to the holders) and with accrued interest to September 15, 1961, on the 3½% Bonds, to be paid by the investors, as indicated in paragraph No. 3, hereunder.

The offering provides an immediate increase in interest to investors who accept a security of longer maturity. By making this conversion, holders will obtain somewhat higher yields than could be obtained by purchasing any of the affected issues in the market at current prices. Holders of the 1965-70 and 1966-71 bonds would otherwise have to reinvest their proceeds on maturity in Treasury Bonds of equal maturity at rates of 4.28 to 4.36 percent to equal the terms of this offering. The exchange of old for new securities will not be treated as a sale and purchase for tax purposes, thereby avoiding immediate recording of book gains or losses on the securities being accepted by the Treasury in exchange for the new issues.

Terms and Conditions of the Advance Refunding Offer

1. **To all holders owning $500, or more, of the following outstanding Treasury bonds:**

Description of Bonds	Issue Date	Final Maturity Date	Remaining Term to Final Maturity (Yrs. — Mos.)	Amount Outstanding (in billions)
2½% bonds 1965-70	Feb. 1, 1944	March 15, 1970	8 — 6	$4.7
2½% bonds 1966-71	Dec. 1, 1944	March 15, 1971	9 — 6	2.9

2. **New bonds to be issued: (additional amounts of outstanding issues)**

Description of Bonds	Issue Date	Amount Outstanding (in billions)	Interest Starts[1]	Interest Payable
3½% bonds of Nov. 15, 1980	Oct. 3, 1960	$ .6	Sept. 15, 1961	May 15 & Nov. 15
3½% bonds of Feb. 15, 1990	Feb. 14, 1958	2.7	Sept. 15, 1961	Feb. 15 & Aug. 15
3½% bonds of Nov. 15, 1998	Oct. 3, 1960	2.3	Sept. 15, 1961	May 15 & Nov. 15

3. **Terms of the exchange:**

Exchanges will be made on the basis of par for par, with payments by and to the Treasury, and with adjustments of accrued interest to September 15, 1961, on the 3½% bonds to be issued, (per $100 face amount) as indicated below:

Bonds to be Exchanged	Bonds to be Issued	Amount of Purchase Price of 3½% Bonds: To Be Paid to Subscriber	Amount of Purchase Price of 3½% Bonds: To Be Collected from Subscriber	Accrued Interest to be Paid by Subscriber	Net Amount: To Be Paid to Subscriber	Net Amount: To Be Collected From Subscriber	Extension of Maturity Yrs. — Mos.
2½% 1965-70	3½% 1980	—	$2.25	$1.170	—	$3.420	10 — 8
	3½% 1990	$1.00	—	0.295	$0.705	—	19 — 11
	3½% 1998	2.00	—	1.170	0.830	—	28 — 8
2½% 1966-71	3½% 1980	—	3.50	1.170	—	4.670	9 — 8
	3½% 1990	—	.25	0.295	—	0.545	18 — 11
	3½% 1998	1.00	—	1.170	—	0.170	27 — 8

Coupons dated September 15, 1961, on the 2½% bonds in bearer form should be *detached* by holders and cashed when due. Interest on the bonds in registered form will be paid by check on September 15, 1961, by the Treasury in regular course to holders of record on August 15, 1961.

4. **Limitation on amount of bonds to be issued:**

The amount of the 3½% bonds to be issued under this offering will be limited to the amount of the eligible 2½% bonds tendered in exchange and accepted.

[1] Interest on the bonds surrendered stops on September 15, 1961.

5. **Books open for subscriptions for the 3½% bonds:**

The books will be open for the receipt of subscriptions from *ALL* classes of subscribers from Monday, September 11, through Friday, September 15. In addition, the books will also be open for the receipt of subscriptions from *individuals* through Wednesday, September 20. For this purpose, individuals are defined as natural persons in their own right. Subscriptions placed in the mail by midnight of the respective closing dates, addressed to the Treasurer, U. S., Washington 25, D. C., or any Federal Reserve Bank or Branch, will be considered as timely. The use of registered mail is recommended for bondholders' protection in submitting bonds to be exchanged. The new bonds will be delivered to subscribers on September 29, 1961.

6. **Requirements applicable to subscriptions:**

Subscriptions will be received at Federal Reserve Banks and Branches and at the Office of the Treasurer of the United States, Washington 25, D. C. Banking institutions generally may submit subscriptions for account of customers, provided the names of the customers are set forth in such subscriptions.

7. **Denominations and other characteristics of the 3½% bonds:**

$500, $1,000, $5,000, $10,000, $100,000 and $1,000,000 in coupon and registered forms. They will be acceptable to secure deposits of public moneys.

8. **Nonrecognition of gain or loss for Federal income tax purposes:**

(a) *Where the exchange is solely of the 2½% Bonds for the 3½% Bonds* — the Secretary of the Treasury has declared pursuant to section 1037(a) of the Internal Revenue Code that no gain or loss shall be recognized for Federal income tax purposes; *however,* section 1031(b) of the Code requires recognition of any gain realized on the exchange to the extent that money (other than interest) is received by the bondholder in connection with the exchange as indicated in (b).

(b) *Where the 3½% Bonds are offered by the Treasury with a payment to the investor* — if the fair market value[1] of the 3½% Bonds plus the amount paid to the investor (discount) exceeds the cost basis of the 2½% Bonds to the investor, such gain (but not to exceed the amount of the payment) must be recognized and accounted for as gain for the taxable year of exchange. He will carry the 3½% Bonds on his books at the same amount as he is now carrying the 2½% Bonds except that he will reduce the cost basis by the amount of the payment and increase it by the amount of the gain recognized. If the fair market value of the 3½% Bonds plus the amount of the payment does not exceed the cost basis of the 2½% Bonds, the basis in the 3½% Bonds will be the cost basis in the 2½% Bonds reduced by the amount of the payment.

(c) *Where premium is paid by the subscriber* — if a premium is paid by the subscriber no gain or loss will be recognized; but his tax basis in the 3½% Bonds will be his cost basis in the 2½% Bonds *increased* by the amount of the premium.

(d) Gain to the extent not recognized under (b) (or loss), if any, upon the 2½% Bonds surrendered in exchange will be taken into account upon the disposition or redemption of the 3½% Bonds.

9. **Federal estate tax option on the 3½% Bonds:**

The 3½% Treasury Bonds of 1980, 1990, and 1998 will be redeemable at par and accrued interest prior to maturity for the purpose of using the proceeds in payment of Federal estate taxes *but only if they are owned by the decedent at the time of his death and thereupon constitute part of his estate.* Accordingly, estates of decedents to which the similar option in the 2½% Treasury Bonds of 1965-70 and 1966-71 has accrued at the date of exchange cannot make the exchange, with the expectation of using the proceeds of redemption of the 3½% Bonds prior to maturity in payment of estate taxes because such 3½% Bonds were not owned by the decedent at the time of his death.

10. **Book value of new bonds to banking institutions:**

The Comptroller of the Currency, Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation have indicated to the Treasury that banks under their supervision may place the new bonds received in exchange on their books

(a) at an amount not greater than the amount at which the eligible bonds surrendered by them are carried on their books plus the amount of premium, if any, paid on the new bonds; or

(b) at the amount at which the eligible bonds surrendered are carried on their books, reduced by the amount of discount, if any, received by the subscriber and increased by the amount of gain, if any, which will be recognized as indicated in paragraph 8 (b).
They will so advise their examiners.

11. **Computation of reinvestment rate for the extension of maturity:**

A holder of the outstanding eligible 2½% Bonds has the option of accepting the Treasury's exchange offer or of holding the bonds to maturity. Consequently, he can compare the interest he will receive resulting from exchanging now with the interest that he might obtain by reinvesting the proceeds of the 2½% Bonds at maturity.

---
[1] The mean of the bid and asked quotations on date subscriptions are submitted.

The interest income before tax for making the extension now through exchange will be the coupon rate on the new issue. If a holder of the eligible 2½% Bonds does **not** make the exchange, he would receive only the 2½% rate to their maturity and would have to reinvest at that time at a rate equal to that indicated in section 12 below for the remaining term of the issue now offered, in order to equal the interest he would receive by accepting the exchange offer. For example, if the 2½% Bonds of 1965-70 are exchanged for the 3½% Bonds of 1990, the rate for the entire twenty-eight years and five months will be 3½%. If the exchange is not made, a 2½% rate will be received until March 15, 1970, requiring reinvestment of the proceeds of the 2½'s at that time at a rate of at least 4.36% for the remaining nineteen years and eleven months, all at compound interest, to average out to a 3½% rate for twenty-eight years and five months. This minimum reinvestment rate for the extension period is shown in the table under section 12. The minimum reinvestment rates for the other issues included in the exchange are also shown in the table under section 12.

12. Investment rates on the 3½% bonds offered in exchange, to holders of the eligible 2½% bonds:

Eligible Bonds	**2½% March 15, 1965-70**			**2½% March 15, 1966-71**		
Bonds offered in exchange	3%½ Nov. 15, 1980	3½% Feb. 15, 1990	3½% Nov. 15, 1998	3½% Nov. 15, 1980	3½% Feb. 15, 1990	3½% Nov. 15, 1998
Payments on account of $100 issue price:						
By subscriber	$2.25			$3.50	$0.25	
To subscriber		$1.00	$2.00			$1.00
Approximate investment yield from exchange date (9/15/61) to maturity of 3½% bonds based on price of eligible 2½% bond[1]	4.16%	4.23%	4.19%	4.15%	4.21%	4.19%
Approximate minimum reinvestment rate for the extension period[2]	4.31	4.36	4.28	4.30	4.36	4.30

[1] Yield to nontaxable holder or before tax. Based on mean of bid and ask prices (adjusted for payments on account of issue price) at noon September 6, 1961.

[2] Rate for nontaxable holder or before tax. For explanation see paragraph 11 above.