FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, February 15, 1962

PRELIMINARY ANNOUNCEMENT
ADVANCE REFUNDING

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

The Treasury announced today that it will offer holders of nearly $19 billion of outstanding bonds an opportunity to extend their holdings at higher yields. For the first time, the Treasury is combining in one operation a "junior" advance refunding (in which holders of relatively short-term maturities are given an opportunity to move into an intermediate maturity) and a "senior" advance refunding (in which holders of intermediate-term securities may exchange into a longer-term issue). The terms and conditions of this exchange offering are set forth in the official circulars which will be mailed, together with the subscription forms, on Friday, February 16, 1962. The securities will be offered on the following basis with adjustments of accrued interest as of March 1, 1962:

Bonds Eligible for Exchange	Bonds to be Issued	Basis for Exchange
3% Treasury Bonds of 1964	4% Treasury Bonds of 1971	Par
2⅝% Treasury Bonds of 1965	4% Treasury Bonds of 1971	102.00
	4% Treasury Bonds of 1980	100.25
2½% Treasury Bonds of 1967-72 (6-1-45)	3½% Treasury Bonds of 1990	101.25
	3½% Treasury Bonds of 1998	Par
2½% Treasury Bonds of 1967-72 (10-20-41)	3½% Treasury Bonds of 1990	101.50
	3½% Treasury Bonds of 1998	100.25
2½% Treasury Bonds of 1967-72 (11-15-45)	3½% Treasury Bonds of 1990	101.75
	3½% Treasury Bonds of 1998	100.50

The Treasury is making it possible for investors to gain additional income at terms mutually advantageous to the Treasury and themselves, by extending the maturity of their holdings for additional periods ranging between 6½ and 26½ years. In order to equal the terms of this offering through any alternative investment, investors would otherwise have to reinvest the proceeds of their present holdings, on maturity, at interest rates ranging from 4.30 to 4.38 percent.

The exchange of old for new securities will not be treated as a sale and purchase for tax purposes, thereby avoiding the immediate charging of book losses on the securities being accepted by the Treasury in exchange for the new issues.

To the extent that investors choose to extend the maturity of their existing holdings, the Treasury will have accomplished some needed restructuring of its outstanding debt, without diverting from productive purposes in other sectors of the economy the new savings currently flowing into the intermediate and longer-term capital markets. Books will be open for subscriptions beginning Monday, February 19, and will remain open through Wednesday, February 21. In addition, individuals will be allowed to subscribe for a further period through Wednesday, February 28.

Yours very truly,

Watrous H. Irons

President