

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, September 6, 1962

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

A press statement issued by the Treasury Department on September 5 announcing an advance refunding is printed below. Subscriptions to this refunding offer will be received at this bank and its branches at El Paso, Houston and San Antonio. Official circulars and subscription forms, together with copies of a special notice regarding this advance refunding, are enclosed and additional copies of this material will be furnished upon request.

Since a limited amount of each of the new issues is being offered, subscriptions to both new issues are subject to allotment. For this reason, the eligible securities to be applied in payment should be held by subscribers until allotment notices are received. Deposits required on subscriptions entered through commercial banks should be retained by the banks until allotment has been made. All other required deposits should accompany the subscriptions. If a partial allotment is necessary, forms for furnishing delivery instructions for the new securities and descriptions of securities to be exchanged will accompany the allotment notices.

Subscriptions placed in the mail before midnight, September 12, will be considered as having been entered before the close of the subscription books.

Yours very truly,

Watrous H. Irons

President

TREASURY DEPARTMENT
Washington, D. C.

September 5, 1962

ADVANCE REFUNDING OFFER

The Treasury is offering holders of \$26.8 billion of certificates and notes maturing February 15, 1963, and May 15, 1963, the right to exchange them for either or both of the following new securities:

3¾% notes due August 15, 1967

4% bonds due August 15, 1972

The issues eligible for exchange are considerably closer to maturity than the eligible issues in earlier advance refundings. The Treasury's objective in making this offer is to reduce the extremely congested maturity schedules of February and May 1963 and to improve the structure of the outstanding debt. By refunding these maturing securities in two stages, the Treasury will also assist the smooth functioning of the money and capital markets.

In February 1963, three issues totaling \$13.3 billion mature, \$9.4 billion of which is held by the public and the remaining \$3.9 billion by the Federal Reserve and Government Investment Accounts. In May 1963, three issues totaling \$13.5 billion mature, \$9.8 billion of which is held by the public and the remaining \$3.7 billion by the Federal Reserve and Government accounts.

The offering is designed to be attractive to investors. Market yields on the new issues, as summarized in paragraph 11 below, compare favorably with those on outstanding issues of comparable maturities on the date of this offering. After giving effect to the difference between the present and the offered coupon rates, and to the payments that will be made by the Treasury to subscribers in further adjustment of interest differences, the effective yields on the new notes will range between 3.80 and 3.83%; the effective yields on the new bonds will range between 4.05 and 4.07%.

The reinvestment return to holders for the period of the extension would also appear to compare favorably with prospective yields that might be obtained on reinvestment at the time these six outstanding securities are scheduled to mature. The new 4 year 11 month notes will provide yields for the extension period of 3.89% or 3.90% for holders of February maturities and 3.94% to 3.97% for May holders. The new 9 year 11 month bond will provide a yield for the extra period of holding equivalent to 4.11% or 4.12% for the subscribers who turn in February maturities and 4.15% or 4.16% for those who turn in May maturities.

The transfer of old for new securities will not be treated as a sale and purchase for tax purposes, thereby avoiding immediate charging of book 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 of the following outstanding Treasury securities:

<u>Description of securities</u>	<u>Issue date</u>	<u>Final maturity date</u>	<u>Remaining term to maturity (Months)</u>	<u>Amount outstanding (in billions)</u>
3½% certificate A-1963	Feb. 15, 1962	Feb. 15, 1963	5	\$6.9
2⅝% note A-1963	April 15, 1958	Feb. 15, 1963	5	2.8
3¼% note E-1963	Nov. 15, 1961	Feb. 15, 1963	5	3.6
3¼% certificate B-1963	May 15, 1962	May 15, 1963	8	6.7
3¼% note D-1963	May 15, 1961	May 15, 1963	8	5.0
4% note B-1963	April 1, 1959	May 15, 1963	8	1.7

2. New securities to be issued:

<u>Description of securities</u>	<u>Issue date</u>	<u>Interest starts¹</u>	<u>Interest payable</u>
3¾% note of Aug. 15, 1967	Sept. 15, 1962	Sept. 15, 1962	Feb. 15 & Aug. 15
4% bond of Aug. 15, 1972	Sept. 15, 1962	Sept. 15, 1962	Feb. 15 & Aug. 15

¹ Interest on the securities surrendered stops on September 15, 1962.

3. Terms of the exchange:

Exchanges will be made on the basis of equal face amounts, with payments by the Treasury, and with adjustments of accrued interest to September 15, 1962, on the securities surrendered (per \$100 face amount), as indicated below:

<u>Securities to be exchanged</u>	<u>Amounts to be paid to subscribers</u>			<u>Extension of maturity Yrs. — Mos.</u>
	<u>On account of purchase price of securities to be issued</u>	<u>On account of accrued interest to Sept. 15, 1962 on securities to be exchanged</u>	<u>Total</u>	
FOR THE NEW NOTES				
3½% certificate A-1963	\$.50	\$.294837	\$.794837	4 — 6
2⅝% note A-1963	.10	.221128	.321128	4 — 6
3¼% note E-1963	.40	.273777	.673777	4 — 6
3¼% certificate B-1963	.40	1.086277	1.486277	4 — 3
3¼% note D-1963	.40	1.086277	1.486277	4 — 3
4% note B-1963	1.00	1.336957	2.336957	4 — 3
FOR THE NEW BONDS				
3½% certificate A-1963	\$.70	\$.294837	\$.994837	9 — 6
2⅝% note A-1963	.30	.221128	.521128	9 — 6
3¼% note E-1963	.60	.273777	.873777	9 — 6
3¼% certificate B-1963	.60	1.086277	1.686277	9 — 3
3¼% note D-1963	.60	1.086277	1.686277	9 — 3
4% note B-1963	1.20	1.336957	2.536957	9 — 3

The following coupons should be attached to the securities in bearer form when they are surrendered:

<u>Securities</u>	<u>Coupons to be attached</u>
3½% ctf. A-1963, 2⅝% note A-1963, 3¼% note E-1963	Feb. 15, 1963
3¼% ctf. B-1963, 4% note B-1963, 3¼% note D-1963	Nov. 15, 1962 and May 15, 1963

Accrued interest to September 15, 1962, will be paid to subscribers, in the case of bearer securities following their acceptance, and in the case of registered notes following discharge of registration in accordance with the assignments on the notes surrendered. Payment for and delivery of the new notes and bonds will be made on September 20, 1962.

4. Limitation on amount of securities to be issued:

While it is not practicable to estimate the extent of investor acceptance, the Treasury is placing an outside limit of \$6 billion, or thereabouts, on the aggregate amount of notes, and \$3 billion, or thereabouts, on the aggregate amount of bonds to be issued to the public. In the event the limit on either issue is exceeded, subscriptions to the respective issue will be subject to allotment. In addition, exchange subscriptions for the notes and bonds from Government Investment Accounts will be allotted in full.

5. Books open for subscription for the new securities:

The books will be open for the receipt of subscriptions from Monday, September 10, through Wednesday, September 12, 1962. Subscriptions placed in the mail by midnight of September 12, 1962, 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 security holders' protection in submitting securities to be exchanged.

6. Requirements applicable to subscriptions:

Subscriptions will be received at the 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.

Subscriptions from banking institutions for their own account, Federally-insured savings and loan associations, States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, Federal Reserve Banks, and Government Investment Accounts will be received without deposit. Subscriptions from all others must be accompanied by deposit of eligible securities in an amount equal to 10% of the securities applied for.

7. Denominations and other characteristics of new securities:

The notes will be issued in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$1,000,000, \$100,000,000 and \$500,000,000 in coupon and registered forms. The bonds will be issued in denominations of \$500, \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000 in coupon and registered forms. The notes and bonds will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

8. Nonrecognition of gain or loss for Federal income tax purposes solely on account of exchange of old for new securities:

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 solely on account of the exchange of the securities; *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 security holder in connection with the exchange.* Accordingly, if the fair market value¹ of the 3¾% notes or 4% bonds plus the amount paid to the investor (discount) exceeds the cost basis of the old securities to the investor, the 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 new securities on his books at the same amount as he is now carrying the old securities 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 new securities plus the amount of the payment does not exceed the cost basis of the old securities, the basis in the new securities will be the cost basis in the old securities reduced by the amount of the payment. Gain to the extent not recognized (or loss), if any, upon the securities surrendered in exchange will be taken into account upon the disposition or redemption of the new notes or bonds.

9. Book value of new securities 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 notes and bonds received in exchange on their books at the amount at which the eligible securities 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. They will so advise their examiners.

10. Computation of reinvestment rate for the extension of maturity:

A holder of the outstanding eligible certificates and notes has the option of accepting the Treasury's exchange offer or of holding them 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 eligible securities 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 rates on the new issues. If a holder of the eligible certificates and notes does not make the exchange he would receive the coupon rates on the eligible issues to their maturity and would have to reinvest at that time at a rate equal to that indicated in paragraph 11 below for the remaining terms of the issues now offered, in order to equal the interest he would receive by accepting the exchange offer. For example, if the 3¼% certificates or notes of 5/15/63 are exchanged for the 4% bonds of 8/15/72, the rate for the entire nine years and eleven months will be 4%. If the exchange is not made, a 3¼% rate will be received until May 15, 1963, requiring reinvestment of the proceeds of the 3¼'s at that time at a rate of at least 4.15% for the remaining nine years and three months, all at compound interest, to average out to a 4% rate for nine years and eleven months. This minimum reinvestment rate for the extension period is shown in the table under paragraph 11. The minimum reinvestment rates for the other issues included in the exchange are also shown in the table under paragraph 11.

11. Investment rates on the new notes and bonds offered in exchange to holders of the eligible securities:

<u>Eligible securities</u>	<u>3½% C/Is 2/15/63</u>	<u>2¾% Notes 2/15/63</u>	<u>3¼% Notes 2/15/63</u>	<u>3¼% C/Is 5/15/63</u>	<u>3¼% Notes 5/15/63</u>	<u>4% Notes 5/15/63</u>
<u>FOR THE NEW 3¾% NOTES OF AUGUST 15, 1967</u>						
Payments on account of \$100 issue price to subscriber	\$0.50	\$0.10	\$0.40	\$0.40	\$0.40	\$1.00
Approximate investment yield from exchange date (9/15/62) to maturity of notes offered in exchange based on price of securities eligible for exchange ¹	3.81%	3.80%	3.81%	3.81%	3.81%	3.83%
Approximate minimum reinvest- ment rate for the extension period ²	3.90	3.89	3.90	3.94	3.94	3.97
<u>FOR THE NEW 4% BONDS OF AUGUST 15, 1972</u>						
Payments on account of \$100 issue price to subscriber	\$0.70	\$0.30	\$0.60	\$0.60	\$0.60	\$1.20
Approximate investment yield from exchange date (9/15/62) to maturity of bonds offered in exchange based on price of securities eligible for exchange ¹	4.06%	4.05%	4.06%	4.06%	4.06%	4.07%
Approximate minimum reinvest- ment rate for the extension period ²	4.12	4.11	4.12	4.15	4.15	4.16

¹ Yield to nontaxable holder or before tax. Based on mean of bid and asked prices (adjusted for payments on account of issue price) at noon on September 4, 1962.

² Rate for nontaxable holder or before tax. For explanation see paragraph 10 above.

UNITED STATES OF AMERICA
3 3/4 PERCENT TREASURY NOTES OF SERIES A-1967

Dated and bearing interest from September 15, 1962

Due August 15, 1967

Department Circular
Public Debt Series — No. 15-62

TREASURY DEPARTMENT
Office of the Secretary
Washington, September 10, 1962

I. OFFERING OF NOTES

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 notes of the United States, designated 3 3/4 percent Treasury Notes of Series A-1967:

- (1) at 99.50 percent of their face value in exchange for 3 1/2 percent Treasury Certificates of Indebtedness of Series A-1963, dated February 15, 1962, due February 15, 1963;
- (2) at 99.90 percent of their face value in exchange for 2 5/8 percent Treasury Notes of Series A-1963, dated April 15, 1958, due February 15, 1963;
- (3) at 99.60 percent of their face value in exchange for 3 1/4 percent Treasury Notes of Series E-1963, dated November 15, 1961, due February 15, 1963;
- (4) at 99.60 percent of their face value in exchange for 3 1/4 percent Treasury Certificates of Indebtedness of Series B-1963, dated May 15, 1962, due May 15, 1963;
- (5) at 99.60 percent of their face value in exchange for 3 1/4 percent Treasury Notes of Series D-1963, dated May 15, 1961, due May 15, 1963; or
- (6) at 99.00 percent of their face value in exchange for 4 percent Treasury Notes of Series B-1963, dated April 1, 1959, due May 15, 1963.

Interest adjustments as of September 15, 1962, and the cash payments due to the subscriber on account of the issue prices of the new notes will be made as set forth in Section IV hereof. Subscriptions are invited up to an amount not to exceed \$6,000,000,000, or thereabouts. If subscriptions exceed this amount they will be received subject to allotment. In addition to the amount offered for public subscription, exchange subscriptions from Government Investment Accounts will be allotted in full. Delivery of the new notes will be made on September 20, 1962. The books will be open **only on September 10 through September 12, 1962**, for the receipt of subscriptions for this issue.

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 4 percent Treasury Bonds of 1972, which offering is set forth in Department Circular, Public Debt Series — No. 16-62, 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 3 3/4 percent Treasury Notes of Series A-1967. 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 security 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 NOTES

1. The notes will be dated September 15, 1962, and will bear interest from that date at the rate of 3 3/4 percent per annum, payable on a semiannual basis on February 15 and August 15, 1963, and thereafter on February 15 and August 15 in each year until the principal amount becomes payable. They will mature August 15, 1967, and will not be subject to call for redemption prior to maturity.

2. The income derived from the notes is subject to all taxes imposed under the Internal Revenue Code of 1954. The notes 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 notes will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

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

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

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 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, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Subscriptions will be received without deposit from banking institutions for their own account, Federally-insured savings and loan associations, States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, Federal Reserve Banks and Government Investment Accounts. Subscriptions from all

others must be accompanied by the deposit of any of the eligible securities enumerated in paragraph one of Section I hereof, in the face amount of not less than 10 percent of the amount of notes applied for, not subject to withdrawal until after allotment. Registered securities submitted as deposits should not be assigned. After allotment detached assignment forms may be used as provided in Section V hereof.

2. The Secretary of the Treasury reserves the right to reject or reduce any subscription, to allot less than the amount of notes applied for, and to make different percentage allotments to various classes of subscribers; and any action he may take in these respects shall be final. The basis of the allotment will be publicly announced and allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment for the face amount of notes allotted hereunder must be made on or before September 20, 1962, or on later allotment, and may be made only in a like face amount of securities of the six issues enumerated in paragraph one of Section I hereof. In every case where payment is not so completed, the payment with application up to 10 percent of the notes allotted shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States.

2. **3½ percent certificates of indebtedness of Series A-1963.**—Coupons dated February 15, 1962, must be attached to the certificates when surrendered. Accrued interest from August 15 to September 15, 1962 (\$2.94837 per \$1,000) plus the payment (\$5.00 per \$1,000) due to the subscriber on account of the issue price of the notes will be paid to subscribers following acceptance of the certificates.

3. **2½ percent notes of Series A-1963.**—Coupons dated February 15, 1963, must be attached to the notes when surrendered. Accrued interest from August 15 to September 15, 1962 (\$2.21128 per \$1,000) plus the payment (\$1.00 per \$1,000) due to the subscriber on account of the issue price of the new notes will be paid to subscribers following acceptance of the notes.

4. **3¼ percent notes of Series E-1963.**—Coupons dated February 15, 1963, must be attached to the notes in bearer form when surrendered. Accrued interest from August 15 to September 15, 1962 (\$2.73777 per \$1,000) plus the payment (\$4.00 per \$1,000) due to the subscriber on account of the issue price of the new notes will be paid to subscribers. Payments will be made in the case of bearer notes following their acceptance and in the case of registered notes following discharge of registration. In the case of registered notes, the payment will be made by check drawn in accordance with the assignments on the notes surrendered, or by credit in any account maintained by a banking institution with the Federal Reserve Bank of its District.

5. **3¼ percent certificates of indebtedness of Series B-1963.**—Coupons dated November 15, 1962, and May 15, 1963, must be attached to the certificates when surrendered. Accrued interest from May 15 to September 15, 1962 (\$10.86277 per \$1,000) plus the payment (\$4.00 per \$1,000) due to the subscriber on account of the issue price of the notes will be paid to subscribers following acceptance of the certificates.

6. **3¼ percent notes of Series D-1963.**—Coupons dated November 15, 1962, and May 15, 1963, must be attached to the notes in bearer form when surrendered. Accrued interest from May 15 to September 15, 1962 (\$10.86277 per \$1,000) plus the payment (\$4.00 per \$1,000) due to the subscriber on account of the issue price of the new notes will be paid to subscribers. Payments will be made in the case of bearer notes following their acceptance and in the case of registered notes following discharge of registration. In the case of registered notes, the payment will be made by check drawn in accordance with the assignments on the notes surrendered, or by credit in any account maintained by a banking institution with the Federal Reserve Bank of its District.

7. **4 percent notes of Series B-1963.**—Coupons dated November 15, 1962, and May 15, 1963, must be attached to the notes when surrendered. Accrued interest from May 15 to September 15, 1962 (\$13.36957 per \$1,000) plus the payment (\$10.00 per \$1,000) due to the subscriber on account of the issue price of the new notes will be paid to subscribers following acceptance of the notes.

V. ASSIGNMENT OF REGISTERED SECURITIES

1. After allotment Treasury Notes of Series D-1963 and Series E-1963 in registered form tendered in payment for notes 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 25, D. C. The securities must be delivered at the expense and risk of the holder. If the new notes are desired registered in the same name as the securities surrendered in exchange, the assignment should be to "The Secretary of the Treasury for exchange for 3¾ percent Treasury Notes of Series A-1967"; if the new notes are desired registered in another name, the assignment should be to "The Secretary of the Treasury for exchange for 3¾ percent Treasury Notes of Series A-1967 in the name of _____"; if new notes in coupon form are desired, the assignment should be to "The Secretary of the Treasury for exchange for 3¾ percent Treasury Notes of Series A-1967 in coupon form to be delivered to _____". Detached assignment forms may be used for the convenience of subscribers.

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 notes allotted, to make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

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.

DOUGLAS DILLON,
Secretary of the Treasury.

UNITED STATES OF AMERICA
4 PERCENT TREASURY BONDS OF 1972

Dated and bearing interest from September 15, 1962

Due August 15, 1972

Interest payable February 15 and August 15

Department Circular

Public Debt Series — No. 16-62

TREASURY DEPARTMENT
Office of the Secretary
Washington, September 10, 1962

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 4 percent Treasury Bonds of 1972:

- (1) at 99.30 percent of their face value in exchange for 3½ percent Treasury Certificates of Indebtedness of Series A-1963, dated February 15, 1962, due February 15, 1963;
- (2) at 99.70 percent of their face value in exchange for 2⅝ percent Treasury Notes of Series A-1963, dated April 15, 1958, due February 15, 1963;
- (3) at 99.40 percent of their face value in exchange for ¾ percent Treasury Notes of Series E-1963, dated November 15, 1961, due February 15, 1963;
- (4) at 99.40 percent of their face value in exchange for ¾ percent Treasury Certificates of Indebtedness of Series B-1963, dated May 15, 1962, due May 15, 1963;
- (5) at 99.40 percent of their face value in exchange for ¾ percent Treasury Notes of Series D-1963, dated May 15, 1961, due May 15, 1963; or
- (6) at 98.80 percent of their face value in exchange for 4 percent Treasury Notes of Series B-1963, dated April 1, 1959, due May 15, 1963.

Interest adjustments as of September 15, 1962, and the cash payments due to the subscriber on account of the issue prices of the new bonds will be made as set forth in Section IV hereof. Subscriptions are invited up to an amount not to exceed \$3,000,000,000, or thereabouts. If subscriptions exceed this amount they will be received subject to allotment. In addition to the amount offered for public subscription, exchange subscriptions from Government Investment Accounts will be allotted in full. Delivery of the new bonds will be made on September 20, 1962. The books will be open **only on September 10 through September 12, 1962**, for the receipt of subscriptions for this issue.

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 ¾ percent Treasury Notes of Series A-1967, which offering is set forth in Department Circular, Public Debt Series—No. 15-62, 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 4 percent Treasury Bonds of 1972. 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 security 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 will be dated September 15, 1962, and will bear interest from that date at the rate of 4 percent per annum, payable on a semiannual basis on February 15 and August 15, 1963, and thereafter on February 15 and August 15 in each year until the principal amount becomes payable. They will mature August 15, 1972, 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. They will not be acceptable in payment of taxes.

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. 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 25, D. C. Banking institutions generally may submit subscriptions for accounts of customers, provided the names of the customers are set forth in such subscriptions, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Subscriptions will be received without deposit from banking institutions for their own account, Federally-insured savings and loan associations, States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central

banks and foreign States, Federal Reserve Banks and Government Investment Accounts. Subscriptions from all others must be accompanied by the deposit of any of the eligible securities enumerated in paragraph one of Section I hereof, in the face amount of not less than 10 percent of the amount of bonds applied for, not subject to withdrawal until after allotment. Registered securities submitted as deposits should not be assigned. After allotment detached assignment forms may be used as provided in Section V hereof.

2. The Secretary of the Treasury reserves the right to reject or reduce any subscription, to allot less than the amount of bonds applied for, and to make different percentage allotments to various classes of subscribers; and any action he may take in these respects shall be final. The basis of the allotment will be publicly announced and 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 20, 1962, or on later allotment, and may be made only in a like face amount of securities of the six issues enumerated in paragraph one of Section I hereof. In every case where payment is not so completed, the payment with application up to 10 percent of the bonds allotted shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States.

2. **3½ percent certificates of indebtedness of Series A-1963.**—Coupons dated February 15, 1963, must be attached to the certificates when surrendered. Accrued interest from August 15 to September 15, 1962 (\$2.94837 per \$1,000) plus the payment (\$7.00 per \$1,000) due to the subscriber on account of the issue price of the bonds will be paid to subscribers following acceptance of the certificates.

3. **2½ percent notes of Series A-1963.**—Coupons dated February 15, 1963, must be attached to the notes when surrendered. Accrued interest from August 15 to September 15, 1962 (\$2.21128 per \$1,000) plus the payment (\$3.00 per \$1,000) due to the subscriber on account of the issue price of the bonds will be paid to subscribers following acceptance of the notes.

4. **3¼ percent notes of Series E-1963.**—Coupons dated February 15, 1963, must be attached to the notes in bearer form when surrendered. Accrued interest from August 15 to September 15, 1962 (\$2.73777 per \$1,000) plus the payment (\$6.00 per \$1,000) due to the subscriber on account of the issue price of the bonds will be paid to subscribers. Payments will be made in the case of bearer notes following their acceptance and in the case of registered notes, following discharge of registration. In the case of registered notes, the payment will be made by check drawn in accordance with the assignments on the notes surrendered, or by credit in any account maintained by a banking institution with the Federal Reserve Bank of its District.

5. **3¼ percent certificates of indebtedness of Series B-1963.**—Coupons dated November 15, 1962, and May 15, 1963, must be attached to the certificates when surrendered. Accrued interest from May 15 to September 15, 1962 (\$10.86277 per \$1,000) plus the payment (\$6.00 per \$1,000) due to the subscriber on account of the issue price of the bonds will be paid to subscribers following acceptance of the certificates.

6. **3¼ percent notes of Series D-1963.**—Coupons dated November 15, 1962, and May 15, 1963, must be attached to the notes in bearer form when surrendered. Accrued interest from May 15 to September 15, 1962 (\$10.86277 per \$1,000) plus the payment (\$6.00 per \$1,000) due to the subscriber on account of the issue price of the bonds will be paid to subscribers. Payments will be made in the case of bearer notes following their acceptance and in the case of registered notes, following discharge of registration. In the case of registered notes, the payment will be made by check drawn in accordance with the assignments on the notes surrendered, or by credit in any account maintained by a banking institution with the Federal Reserve Bank of its District.

7. **4 percent notes of Series B-1963.**—Coupons dated November 15, 1962, and May 15, 1963, must be attached to the notes when surrendered. Accrued interest from May 15 to September 15, 1962 (\$13.36957 per \$1,000) plus the payment (\$12.00 per \$1,000) due to the subscriber on account of the issue price of the bonds will be paid to subscribers following acceptance of the notes.

V. ASSIGNMENT OF REGISTERED SECURITIES

1. After allotment Treasury Notes of Series D-1963 and Series E-1963 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 25, D. C. The securities must be delivered at the expense and risk of the holder. If the new bonds are desired registered in the same name as the securities surrendered in exchange, the assignment should be to "The Secretary of the Treasury for exchange for 4 percent Treasury Bonds of 1972"; if the new bonds are desired registered in another name, the assignment should be to "The Secretary of the Treasury for exchange for 4 percent Treasury Bonds of 1972 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 4 percent Treasury Bonds of 1972 in coupon form to be delivered to _____". Detached assignment forms may be used for the convenience of subscribers.

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.

DOUGLAS DILLON,
Secretary of the Treasury.

ADVANCE REFUNDING

U. S. TREASURY DEPARTMENT

During period September 10 to September 12, 1962*

OFFERS TO ISSUE :

Securities	With dates of Issue	Maturity	In amount up to (or thereabouts)
3-3/4% Treasury Notes, Series A-1967	Sept. 15, 1962	Aug. 15, 1967	\$6 Billion
4% Treasury Bonds of 1972	Sept. 15, 1962	Aug. 15, 1972	3 Billion

IN EXCHANGE FOR OUTSTANDING :

Amount (Billions)	Treasury Securities	With dates of Issue	Maturity
\$6.9	3-1/2% Certificates of Series A-1963	Feb. 15, 1962	Feb. 15, 1963
2.8	2-5/8% Notes of Series A-1963	Apr. 15, 1958	Feb. 15, 1963
3.6	3-1/4% Notes of Series E-1963	Nov. 15, 1961	Feb. 15, 1963
6.7	3-1/4% Certificates of Series B-1963	May 15, 1962	May 15, 1963
5.0	3-1/4% Notes of Series D-1963	May 15, 1961	May 15, 1963
1.7	4% Notes of Series B-1963	Apr. 1, 1959	May 15, 1963

Exchanges to be made on the basis of par for par in multiples of \$1,000 for the new notes and in multiples of \$500 for the new bonds with cash payments to subscribers per \$100 face amount as follows :

SECURITIES TO BE EXCHANGED	AMOUNTS TO BE PAID SUBSCRIBERS		
	ON ACCOUNT OF PURCHASE PRICE OF SECURITIES TO BE ISSUED	ON ACCOUNT OF ACCRUED INTEREST TO SEPT. 15, 1962 ON SECURITIES TO BE EXCHANGED	TOTAL AMOUNT
FOR THE 3-3/4% NOTES OF SERIES A-1967			
3-1/2% Certificates of Series A-1963	\$.50	\$.294837	\$.794837
2-5/8% Notes of Series A-1963	.10	.221128	.321128
3-1/4% Notes of Series E-1963	.40	.273777	.673777
3-1/4% Certificates of Series B-1963	.40	1.086277	1.486277
3-1/4% Notes of Series D-1963	.40	1.086277	1.486277
4% Notes of Series B-1963	1.00	1.336957	2.336957
FOR THE 4% BONDS OF 1972			
3-1/2% Certificates of Series A-1963	\$.70	\$.294837	\$.994837
2-5/8% Notes of Series A-1963	.30	.221128	.521128
3-1/4% Notes of Series E-1963	.60	.273777	.873777
3-1/4% Certificates of Series B-1963	.60	1.086277	1.686277
3-1/4% Notes of Series D-1963	.60	1.086277	1.686277
4% Notes of Series B-1963	1.20	1.336957	2.536957

Subscriptions will be subject to allotment if total subscriptions exceed amount of respective offerings. Interest adjustments will be made as of September 15, 1962. The new securities will be subject to payment and delivery on September 20, 1962.

FULL INFORMATION CONCERNING TERMS OF THE EXCHANGE OFFERINGS AND TERMS OF NEW SECURITIES MAY BE OBTAINED FROM MOST COMMERCIAL BANKS, FEDERAL RESERVE BANKS AND BRANCHES, OR THE TREASURER OF THE UNITED STATES, WASHINGTON 25, D. C.

*Subscriptions placed in the mail by midnight Wednesday, September 12, 1962, addressed to the Treasurer of the United States, Washington 25, D. C., or any Federal Reserve Bank or Branch, will be considered timely sent. The use of registered mail in sending securities is recommended for the protection of security holders.