FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, September 5, 1963

ADVANCE REFUNDING

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

The following material relating to an advance refunding by the Treasury Department is enclosed: (1) press release issued by the Treasury Department on September 4, 1963, (2) an appendix to paragraph No. 9 of the press release relative to the treatment of gain or loss for Federal income tax purposes in connection with the exchange, (3) an announcement of the Advance Refunding Offer, (4) Treasury Department Circulars, Public Debt Series Nos. 14-63, 15-63, and 16-63, and (5) official subscription forms.

Securities eligible for exchange and their maturity dates		Securities offered in exchange and their maturity dates	
		Prerefunding	
3¼% C of I, B-1964	5/15/64	3⅞% bonds, 1968 (new issue)	11/15/68
4¾% notes, A-1964	5/15/64	4% bonds, 1973 (new issue)	8/15/73
3¾% notes, D-1964	5/15/64	4⅛% bonds, 1989-94 (addl. issue)	5/15/89-94
		"Junior" Advance Refunding	
3¾% bonds, 1966	5/15/66		
4% notes, A-1966	8/15/66	4% bonds, 1973 (new issue)	8/15/73
3⅝% notes, B-1967	2/15/67	4⅛% bonds, 1989-94 (addl. issue)	5/15/89-94
3¾% notes, A-1967	8/15/67		

The securities to be exchanged should accompany the subscriptions and final settlement will be made on September 18, 1963.

All subscribers requesting registered securities will be required to furnish appropriate identifying numbers as required on tax returns and other documents submitted to the Internal Revenue Service, i.e., an individual's social security number or an employer identification number.

The subscription books will be open for all classes of subscribers on September 9 through September 13, 1963. Subscriptions placed in the mail before midnight, Friday, September 13, will be considered timely. Subscriptions 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 furnished upon request.

Yours very truly,

Watrous H. Irons

President

TREASURY DEPARTMENT

WASHINGTON, D.C.
September 4, 1963

FOR IMMEDIATE RELEASE

ADVANCE REFUNDING OFFER

The Treasury today announced that it will offer holders of seven issues of outstanding Treasury securities an opportunity to extend their holdings at attractive yields. $23.0 billion of these securities are held by the public. Including $9.1 billion of holdings by official accounts, there are $32.1 billion of these issues outstanding.

The current offering combines a "junior" advance refunding of certain securities maturing in 1966 and 1967 with a "pre-refunding" of all securities maturing on May 15, 1964.

Holders of securities eligible for exchange will have the option through all of next week of exchanging them for three new issues as follows:

Securities eligible for exchange and their maturity dates		Securities offered in exchange and their maturity dates	
	Pre-refunding		
3-1/4% ctfs.,	5/15/64)	3-7/8% bonds, 1968 (new)	11/15/68
3-3/4% notes,	5/15/64)	4% bonds, 1973 (new)	8/15/73
4-3/4% notes,	5/15/64)	4-1/8% bonds, 1989-94 (addl. issue)	5/15/89-94
	Junior Advance Refunding		
3-3/4% bonds,	5/15/66)	4% bonds, 1973 (new)	8/15/73
4% notes,	8/15/66)	4-1/8% bonds, 1989-94 (addl. issue)	5/15/89-94
3-5/8% notes,	2/15/67)		
3-3/4% notes,	8/15/67)		

The Background of this Advance Refunding

This advance refunding is another part of a continuing debt management program designed to finance the Government's requirements at the lowest practicable cost, while also furthering the growth and expansion of the American economy, helping to restore balance of payments equilibrium, and developing a maturity structure of the debt itself that will contribute to flexible operations at minimum cost in the future. By offering holders of outstanding issues with coupons of 3-1/4% to 4-3/4% an opportunity to invest for longer periods at coupon yields of 3-7/8% to 4-1/8%, the Treasury will accomplish further needed restructuring of the outstanding debt as a coordinate part of its program for carrying out these inter-related objectives.

During the remainder of calendar 1963, the Treasury must raise a net amount of approximately $6 billion in cash. The present intention is that the great bulk of this cash financing will be accomplished through offerings of Treasury bills, possibly including tax anticipation bills. The Treasury will, of course, adjust the timing and magnitude of these borrowing operations with a view not only to the pattern of its cash requirements and the needs of the balance of payments situation, but also to assure that the growth of the very short-term debt does not exceed the needs of the economy. The Treasury must also attempt, from time to time, to reduce the debt in the one-to-five-year maturity area, in order for the market to be able to absorb readily future borrowing within that area.

In the pre-refunding portion of this operation, the Treasury is seeking to reduce the total size of the security issues maturing on May 15, 1964, of which $8.0 billion are held by the public. This is a larger quarterly maturity than any other now outstanding. The junior advance refunding, by reducing the amount of debt maturing in 1966 and 1967, will help to simplify the Treasury's problems of refunding maturing obligations in the years immediately ahead.

With the economy still operating well below capacity levels, the Treasury has a continuing concern that its actions shall not reduce the availability of capital for constructive investment nor place upward pressures on long-term interest rates. Past experience with advance refundings which were conducted under comparable market conditions suggest that such operations mav have a helpful catalytic effect in testing and clarifying the absorptive capacity of the long-term market without any appreciable effect on long-term interest rates.

Debt management operations during the first seven months of calendar 1963 have laid a strong foundation for the achievement of the Treasury's objective of non-inflationary financing of the budget deficit. Despite increasing use of Treasury bills during the January-July period of this year, the Treasury has reduced the total debt maturing within one year by $2.0 billion over the same period. The debt maturing in one-to-five years has been reduced by $3.6 billion. During the same span of time, the debt maturing beyond five years has been increased by $6.1 billion.

This change in structure has been accompanied by a sharply reduced reliance on the banking system in financing the deficit. The estimated holdings of Government securities by all commercial banks have actually declined by $4.3 billion during the first seven months of calendar 1963. Perhaps even more significant, commercial bank holdings of Government securities on July 31, 1963 were only about $100 million higher than they were at the end of 1960, despite the fact that the total outstanding Government debt has risen by $15.1 billion during that period.

In short, the debt restructuring accomplished thus far in calendar 1963, together with the restructuring which will be accomplished by this advance refunding, should assure that the budget deficit will be financed in a non-inflationary manner, and should contribute further toward this country's economic growth and its external balance.

Advance Refunding High Coupon Issues

Typically, advance refundings have involved the exchange of outstanding securities for new issues carrying higher coupon rates of interest. However, as advance refunding continues to evolve as a debt management tool, there will be occasions in which holders of outstanding high-coupon securities will be offered exchange options involving new issues with lower coupon rates of interest. It is important, therefore, that investors become fully aware of the advantages which can accrue to them in an advance refunding exchange of relatively high coupon issues for issues carrying lower coupons.

In the present advance refunding, holders of the 4-3/4% notes of May 1964, for example, are being offered an attractive opportunity to exchange their holdings in this issue for longer-term securities bearing lower coupon rates of interest -- ranging from 3-7/8% for the 1968 maturity to 4-1/8% for the 1989-94 maturity. The financial advantage which will accrue to the holders of the 4-3/4% notes in making this exchange is, however, as great as the financial advantage offered to the other, lower coupon eligible issues maturing in May 1964, the 3-1/4% certificates and the 3-3/4% notes. This comparability among the various options is accomplished by the establishment of different adjustment payments to be paid by the Treasury. In the present case, full allowance has been made for the differences in interest over the period from now until next May as between the 4-3/4% issue and any of the 3-7/8%, 4% and 4-1/8% issues offered in exchange. These adjustments are based on the differences between the current market values of the eligible securities and the indicated current market values of those being offered in exchange. In addition, the adjustment payment also includes an amount sufficient to improve substantially the effective yield on the new issues over the current market level of yields for the maturities involved.

As an illustration, a holder of the 4-3/4% notes of May 1964 who exercises the option to exchange into the 4% bonds of August 1973 will receive, in the form of an immediate payment from the Treasury, not only the full value of the coupon difference from now until the maturity of the 4-3/4's next May but, in addition, an investment yield of more than 4-1/8% on a security which will mature in 9 years and 11 months.

Details in the Advance Refunding

The subscription books for this offering will be open beginning Monday, September 9, and will remain open through Friday, September 13, 1963, for all classes of subscribers. Payment date is Wednesday, September 18, 1963, with interest adjustments as of September 15.

The amounts of cash payments due to subscribers under each possible exchange, the amounts of accrued interest adjustments, and the investment yields and reinvestment rates are set forth in the attached tables. Other details relating to this advance refunding may be found in the formal offering circulars.

Table 1. Payments to and by the Subscriber in the September 1963 Advance Refunding

(In dollars per $100 of face value)

Securities eligible for exchange	Adjustment payments to subscriber (on account of purchase price of offered issues)	Accrued interest to September 15, 1963: Payable to subscriber on issues to be exchanged	Accrued interest to September 15, 1963: Payable by subscriber on offered issues	Accrued interest to September 15, 1963: Net accrued interest payable to subscriber 1/	Net amount to be paid: To Subscriber	Net amount to be paid: By Subscriber
"Pre-refunding":						
		For the 3-7/8% bond, November 15, 1968				
3-1/4% Certificate, 5/15/64.	.650000	1.086277		1.086277	1.736277	
4-3/4% Note, 5/15/64	1.600000	1.587636		1.587636	3.187636	
3-3/4% Note, 5/15/64	.950000	1.253397		1.253397	2.203397	
		For the 4% bond, August 15, 1973				
3-1/4% Certificate, 5/15/64.	1.150000	1.086277		1.086277	2.236277	
4-3/4% Note, 5/15/64	2.100000	1.587636		1.587636	3.687636	
3-3/4% Note, 5/15/64	1.450000	1.253397		1.253397	2.703397	
		For the 4-1/8% bond, May 15, 1989-94				
3-1/4% Certificate, 5/15/64.	1.350000	1.086277	1.686402	-.600125	.749875	
4-3/4% Note, 5/15/64	2.300000	1.587636	1.686402	-.098766	2.201234	
3-3/4% Note, 5/15/64	1.650000	1.253397	1.686402	-.433005	1.216995	
"Junior refunding":						
		For the 4% bond, August 15, 1973				
3-3/4% Bond, 5/15/66	1.150000	1.253397		1.253397	2.403397	
4% Note, 8/15/66	1.800000	.336957		.336957	2.136957	
3-5/8% Note, 2/15/67	.400000	.305367		.305367	.705367	
3-3/4% Note, 8/15/67	.700000	.315897		.315897	1.015897	
		For the 4-1/8% bond, May 15, 1989-94				
3-3/4% Bond, 5/15/66	1.350000	1.253397	1.686402	-.433005	.916995	
4% Note, 8/15/66	2.000000	.336957	1.686402	-1.349445	.650555	
3-5/8% Note, 2/15/67	.600000	.305367	1.686402	-1.381035		.781035
3-3/4% Note, 8/15/67	.900000	.315897	1.686402	-1.370505		.470505

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1/ Minus sign indicates net accrued interest payable by the subscriber.

Table 2. Investment Returns in the September 1963 Advance Refunding

Securities eligible for exchange		Approximate investment yield from 9/15/63 to maturity 1/			Approximate reinvestment rate for extension period 2/		
		3-7/8% Bond 11/15/68	4% Bond 8/15/73	4-1/8% Bond 5/15/89-94 3/	3-7/8% Bond 11/15/68	4% Bond 8/15/73	4-1/8% Bond 5/15/89-94 3/
"Prerefunding":							
3-1/4% Certificate	5/15/64....	4.02%	4.15%	4.21%	4.14%	4.22%	4.24%
4-3/4% Note	5/15/64....	4.02	4.14	4.20	4.13	4.22	4.24
3-3/4% Note	5/15/64....	4.02	4.14	4.20	4.13	4.22	4.24
"Junior" refunding:							
3-3/4% Bond	5/15/66....	Not eligible	4.15	4.21	Not eligible	4.32	4.28
4% Note	8/15/66....	"	4.15	4.21	"	4.34	4.29
3-5/8% Note	2/15/67....	"	4.15	4.21	"	4.32	4.28
3-3/4% Note	8/15/67....	"	4.14	4.20	"	4.36	4.29

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1/ Yields to nontaxable holders (or before tax) on issues offered in exchange based on prices of eligible issues (adjusted for payments on account of issue price). Prices are the mean of bid and ask quotations at noon on September 3, 1963.

2/ Rate for nontaxable holders (or before tax).

3/ Reopening of an existing security.

APPENDIX TO PARAGRAPH NO. 9
NONRECOGNITION OF GAIN OR LOSS FOR FEDERAL INCOME TAX PURPOSES

Where a bond is offered by the Treasury with a payment (other than the accrued interest adjustment) to the investor.

Examples:

1. Assume that:

   (a) The fair market value of the security offered by the Treasury on the date the subscription is submitted is $99.50 (per $100 face value).

   (b) The payment to the subscriber (discount) on account of $100 issue price is $.80.

   (c) The amortised cost basis of the security surrendered on the books of the subscriber is $100.50 (per $100 face value). (It is assumed that the security surrendered was bought at a price above $100.50 and that the original premium was reduced prorata over the period from purchase date to maturity.)

   The sum of the fair market value of the security offered by the Treasury and the payment to the subscriber is $99.50 plus $.80 or $100.30. This is less than the cost basis of the issue surrendered, therefore, no gain is recognized. The new issue will be entered on the books of the subscriber at a cost basis of $99.70, the cost basis of the issue surrendered less $.80. The gain or loss between this cost basis and the proceeds of a subsequent sale or redemption of the new issue will be a capital gain or loss to all investors, except those to whom the securities are stock in trade. Under present law, if the combined time that the security surrendered and the new security received in exchange were held exceeds 6 months, the capital gain or loss is long-term, otherwise it is short-term.

2. The assumptions are the same as in example 1 except that the payment (discount) to the subscriber is now $1.20 (per $100 face value) instead of $.80 in example 1.

   The sum of the fair market value of the new security received in exchange by the subscriber plus the $1.20 payment (discount) is $100.70. This exceeds the cost basis of the security surrendered by $.20. This excess is a recognized gain reportable for the year in which the exchange takes place. The gain is a capital gain except to those to whom the securities are stock in trade. Under present law, if the time the security surrendered was held exceeds 6 months, the capital gain is long-term, otherwise it is short-term.

   The subscriber will carry the new issue received in exchange at a cost basis equal to the basis of the issue surrendered ($100.50), less the payment ($1.20), plus the amount of the recognized gain ($.20), or ($100.50 minus $1.20 plus $.20) $99.50.

3. The assumptions are the same as in example 1, except that the cost basis on the books of the subscriber, of the security surrendered is $99.00 (per $100 face value) instead of $100.50 in example 1.

   The sum of the fair market value of the new issue received in exchange by the subscriber plus the $.80 payment (discount) is $100.30 (as in example 1). This exceeds the $99.00 cost basis by more than $.80. However, the amount of the gain reportable for the year of the exchange is $.80, since the amount of gain recognized cannot exceed the amount of the payment. The nature of the recognized gain and its treatment is the same as in example 2.

   In this case, the subscriber will enter the new security received in exchange on his books at $99.00, the same cost basis as the security surrendered.

TREASURY DEPARTMENT
Washington, D. C.

September 4, 1963

ADVANCE REFUNDING OFFER

The Treasury today announced that it will offer holders of $32.1 billion of outstanding Treasury securities an opportunity to extend their holdings at attractive yields. Of this total, $23.0 billion are held by the public.

The current offering combines a junior advance refunding with a "prerefunding," that is, an advance refunding of issues maturing within the next 12 months.

Holders of securities eligible for exchange have the option of exchanging them, as of September 15, 1963, (with payment for the new bonds to be completed by and delivery to be made on September 18) for three new issues as follows:

Securities eligible for exchange and their maturity dates		Securities offered in exchange and their maturity dates	
PREREFUNDING			
3¼% ctfs., B-1964	5/15/64	3⅞% bonds, 1968 (new issue)	11/15/68
4¾% notes, A-1964	5/15/64	4% bonds, 1973 (new issue)	8/15/73
3¾% notes, D-1964	5/15/64	4⅛% bonds, 1989-94 (addl. issue)	5/15/89-94
"JUNIOR" ADVANCE REFUNDING			
3¾% bonds, 1966	5/15/66		
4% notes, A-1966	8/15/66	4% bonds, 1973 (new issue)	8/15/73
3⅝% notes, B-1967	2/15/67	4⅛% bonds, 1989-94 (addl. issue)	5/15/89-94
3¾% notes, A-1967	8/15/67		

The exchanges will be made on the basis of par for par with accrued interest adjustments as of September 15, 1963, and with cash payments to subscribers which will approximately equalize current market values among eligible issues having different coupons and maturities, and provide an attractive exchange value for each of the issues offered. The amount of the offering will be limited to the amount of securities accepted in exchange. Cash subscriptions are not invited.

The exchanges will not be treated as a sale and purchase for tax purposes; therefore, there will be no recognition of gain or loss for Federal income tax purposes solely on account of the exchange of old for new securities. Details are presented in the following paragraph No. 9.

The subscription books will be open beginning Monday, September 9, and will remain open through Friday, September 13, 1963, for all classes of subscribers.

Further details of the offering, including amounts of cash payments due to subscribers, and the amounts of accrued interest adjustments, are described below.

Terms and Conditions of the Advance Refunding Offer

1. To all holders of the following outstanding Treasury securities:

Description of securities	Issue date	Final maturity date	Remaining term to maturity Yrs. - Mos.	Amount outstanding (in billions)
3¼% certificate B-1964	May 15, 1963	May 15, 1964	— 8	$5.7
4¾% note A-1964	July 20, 1959	May 15, 1964	— 8	4.9
3¾% note D-1964	June 23, 1960	May 15, 1964	— 8	3.9
3¾% bond 1966	Nov. 15, 1960	May 15, 1966	2 8	3.6
4% note A-1966	Feb. 15, 1962	Aug. 15, 1966	2 11	4.5
3⅝% note B-1967	March 15, 1963	Feb. 15, 1967	3 5	4.3
3¾% note A-1967	Sept. 15, 1962	Aug. 15, 1967	3 11	5.3

2. New securities to be issued (or additional amount of an outstanding issue):

Description of Securities	Issue date	Amount outstanding (in billions)	Interest starts[1]	Interest payable
3⅞% bond of Nov. 15, 1968	Sept. 15, 1963	—	Sept. 15, 1963	May 15 and Nov. 15[3]
4% bond of Aug. 15, 1973	Sept. 15, 1963	—	Sept. 15, 1963	Feb. 15 and Aug. 15
4⅛% bond of May 15, 1994[2]	April 18, 1963	$0.3	Sept. 15, 1963	May 15 and Nov. 15

[1] Interest on the securities surrendered stops on September 15, 1963.
[2] Callable on and after May 15, 1989.
[3] First interest payment will be May 15, 1964.

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, 1963, on the securities surrendered and on the additional issue of bonds (per $100 face amount), as indicated below:

Securities to be exchanged	Payable to subscriber on account of purchase price of securities to be issued	Amounts to be paid to or by subscribers — On account of accrued interest to 9/15/63: Payable to subscriber on securities to be exchanged	Payable by subscriber on securities to be issued	Net amount: To be paid to subscriber	To be collected from subscriber	Extension of maturity Yrs. - Mos.
		FOR THE 3⅞% BONDS OF 1968				
3¼% ctf. B-1964	$0.65	$1.086277	—	$1.736277	—	4—6
4¾% note A-1964	1.60	1.587636	—	3.187636	—	4—6
3¾% note D-1964	0.95	1.253397	—	2.203397	—	4—6
		FOR THE 4% BONDS OF 1973				
3¼% ctf. B-1964	$1.15	$1.086277	—	$2.236277	—	9—3
4¾% note A-1964	2.10	1.587636	—	3.687636	—	9—3
3¾% note D-1964	1.45	1.253397	—	2.703397	—	9—3
3¾% bond 1966	1.15	1.253397	—	2.403397	—	7—3
4% note A-1966	1.80	0.336957	—	2.136957	—	7—0
3⅝% note B-1967	0.40	0.305367	—	0.705367	—	6—6
3¾% note A-1967	0.70	0.315897	—	1.015897	—	6—0
		FOR THE 4⅛% BONDS OF 1989-94				
3¼% ctf. B-1964	$1.35	$1.086277	$1.686402	$0.749875	—	30—0
4¾% note A-1964	2.30	1.587636	1.686402	2.201234	—	30—0
3¾% note D-1964	1.65	1.253397	1.686402	1.216995	—	30—0
3¾% bond 1966	1.35	1.253397	1.686402	0.916995	—	28—0
4% note A-1966	2.00	0.336957	1.686402	0.650555	—	27—9
3⅝% note B-1967	0.60	0.305367	1.686402	—	$0.781035	27—3
3¾% note A-1967	0.90	0.315897	1.686402	—	0.470505	26—9

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

Securities	Coupons to be attached
3¼% ctf. B-1964, 4¾% note A-1964, 3¾% note D-1964, and 3¾% bond 1966	Nov. 15, 1963, and subsequent
4% note A-1966, 3⅝% note B-1967, and 3¾% note A-1967	Feb. 15, 1964, and subsequent

4. **Payment:**

Payment for the new securities must be completed by September 18, 1963. The new securities will be delivered September 18, 1963. Where the table in the preceding paragraph shows a net amount to be collected from subscribers such amount should accompany the subscription. Where the table shows a net amount payable to subscribers the payment will be made by the Treasury, if bearer securities are surrendered following their acceptance, and if registered securities are surrendered following discharge of registration in accordance with the assignments on the securities.

5. **Limitation on amount of securities to be issued:**

The amount of securities to be issued under this offering will be limited to the amount of the eligible securities tendered in exchange and accepted.

6. **Books open for subscriptions for the new securities:**

The books will be open for the receipt of subscriptions from Monday, September 9, through Friday, September 13. Subscriptions placed in the mail by midnight, September 13, addressed to any Federal Reserve Bank or Branch or the Treasurer, U. S., Washington, D. C. 20220, will be considered as timely. The use of registered mail is recommended for the security holders' protection in submitting securities to be exchanged.

If securities eligible for exchange are pledged with a State or Federal Government agency or authority and such securities cannot or will not be released by such authority to the pledgor in time for use in making payment for the securities offered in this exchange, the pledgor may, nevertheless, enter a subscription. Such subscriptions should be accompanied by a letter signed by an authorized official of the pledgor explaining the circumstances and, if the authority will not release the securities, a request and authorization for the Federal Reserve Bank, or Branch, or the Treasurer of the U. S. (according to where the subscription is directed) to deliver the new securities to the State or Federal authority in exchange for the old securities held by such authority.

7. 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, D. C. 20220. Banking institutions generally may submit subscriptions for account of customers. All subscribers requesting registered securities will be required to furnish appropriate identifying numbers as required on tax returns and other documents submitted to the Internal Revenue Service.

8. Denominations and other characteristics of new securities:

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 bonds will be acceptable to secure deposits of public moneys.

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

(a) *General* — 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 on the exchange to the extent that money (other than interest) is received by the security holder in connection with the exchange as indicated in (b).

(b) *Where the securities to be issued are offered by the Treasury with a payment to the investor* — if the fair market value[1] of the securities to be issued plus the amount paid to the investor (discount) exceeds the cost basis to the investor of the securities to be exchanged, 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 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.

(c) Gain to the extent not recognized under (b) (or loss), if any, upon the old securities surrendered in exchange will be taken into account upon the disposition or redemption of the new securities. (See appendix to paragraph 9 attached.)

10. Federal estate tax option on the 4⅛% bonds of 1989-94:

The 4⅛% bonds of 1989-94 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.*

11. 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 securities received in exchange on their books at an amount not greater than the amount at which the eligible securities surrendered by them are carried on their books plus the amount of premium, if any, paid on the new securities, or 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 9.

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

A holder of the outstanding eligible securities has the option of accepting the Treasury's exchange offer or of holding them to maturity. Consequently, he can compare the interest plus (or minus) any payment, other than the adjustment of accrued interest, he will receive resulting from exchanging now with the total of the interest on the eligible issues and what he might obtain by reinvesting the proceeds of the eligible securities at maturity.

The income before tax for making the extension now through exchange will be the coupon rates plus (or minus) any payment on the new issues. If a holder of the eligible securities 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 13 below for the remaining terms of the issues now offered, in order to equal the return (including any payment) he would receive by accepting the exchange offer. For example, if the 3¾% bonds of 5/15/66 are exchanged for the 4% bonds of 8/15/73, the investor receives 4% for the entire nine years and eleven months plus $1.15 (per $100 face value) immediately. If the exchange is not made, a 3¾% rate will be received until May 15, 1966, requiring reinvestment of the proceeds of the 3¾'s of 1966 at that time at a rate of at least 4.32% for the remaining seven years and three months, all at compound interest, to average out to a 4% rate for nine years and eleven months plus the $1.15 immediate payment. This minimum reinvestment rate for the extension period is shown in the table under paragraph 13. The minimum reinvestment rates for the other issues included in the exchange are also shown in the table under paragraph 13.

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

13. Payments on issue price and investment rates on the new bonds offered in exchange to holders of the eligible securities:

	3¼% C/Is 5/15/64	3¾% Notes 5/15/64	4¾% Notes 5/15/64	3¾% Bonds 5/15/66	4% Notes 8/15/66	3⅝% Notes 2/15/67	3¾% Notes 8/15/67
FOR THE NEW 3⅞% BONDS OF NOVEMBER 15, 1968							
Payments on account of $100 issue price to subscriber	$0.65	$0.95	$1.60	—	—	—	—
Approximate investment yield from exchange date (9/15/63) to maturity of bonds offered in exchange based on price of securities eligible for exchange[1]	4.02%	4.02%	4.02%	—	—	—	—
Approximate minimum reinvestment rate for the extension period[2]	4.14	4.13	4.13	—	—	—	—
FOR THE NEW 4% BONDS OF AUGUST 15, 1973							
Payments on account of $100 issue price to subscriber	$1.15	$1.45	$2.10	$1.15	$1.80	$0.40	$0.70
Approximate investment yield from exchange date (9/15/63) to maturity of bonds offered in exchange based on price of securities eligible for exchange[1]	4.15%	4.14%	4.14%	4.15%	4.15%	4.15%	4.14%
Approximate minimum reinvestment rate for the extension period[2]	4.22	4.22	4.22	4.32	4.34	4.32	4.36
FOR THE NEW 4⅛% BONDS OF MAY 15, 1989-94							
Payments on account of $100 issue price to subscriber	$1.35	$1.65	$2.30	$1.35	$2.00	$0.60	$0.90
Approximate investment yield from exchange date (9/15/63) to maturity of bonds offered in exchange based on price of securities eligible for exchange[1]	4.21%	4.20%	4.20%	4.21%	4.21%	4.21%	4.20%
Approximate minimum reinvestment rate for the extension period[2]	4.24	4.24	4.24	4.28	4.29	4.28	4.29

[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 3, 1963.

[2] Rate for nontaxable holder or before tax. For explanation see paragraph 12 above.

UNITED STATES OF AMERICA

3⅞ PERCENT TREASURY BONDS OF 1968

Dated and bearing interest from September 15, 1963 **Due November 15, 1968**

Interest payable May 15 and November 15

DEPARTMENT CIRCULAR

Public Debt Series — No. 14-63

TREASURY DEPARTMENT
Office of the Secretary
Washington, September 5, 1963

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 3⅞ percent Treasury Bonds of 1968:

(1) at 99.35 percent of their face value in exchange for 3¼ percent Treasury Certificates of Indebtedness of Series B-1964, dated May 15, 1963, due May 15, 1964;

(2) at 98.40 percent of their face value in exchange for 4¾ percent Treasury Notes of Series A-1964, dated July 20, 1959, due May 15, 1964; or

(3) at 99.05 percent of their face value in exchange for 3¾ percent Treasury Notes of Series D-1964, dated June 23, 1960, due May 15, 1964.

Interest adjustments as of September 15, 1963, 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. The amount of the offering under this circular will be limited to the amount of eligible securities tendered in exchange and accepted. Delivery of the new bonds will be made on September 18, 1963. The books will be open **only on September 9 through September 13, 1963,** 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 1973, or 4⅛ percent Treasury Bonds of 1989-94 (additional issue), which offerings are set forth in Department Circulars, Public Debt Series—Nos. 15-63 and 16-63, 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 3⅞ percent Treasury Bonds of 1968. 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, 1963, and will bear interest from that date at the rate of 3⅞ percent per annum, payable on a semiannual basis on May 15 and November 15, 1964, and thereafter on May 15 and November 15 in each year until the principal amount becomes payable. They will mature November 15, 1968, 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, D. C. 20220. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies.

2. All subscribers requesting registered bonds will be required to furnish appropriate identifying numbers as required on tax returns and other documents submitted to the Internal Revenue Service, i.e., an individual's social security number or an employer identification number.

3. 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 18, 1963, or on later allotment, and may be made only in a like face amount of securities of the three issues enumerated in paragraph 1 of Section I hereof, which should accompany the subscription. Payment will not be deemed to have been completed where registered bonds are requested if the appropriate identifying number, as required by paragraph 2 of Section III hereof, has not been furnished; provided, however, if a subscriber has applied for but is unable to furnish the identifying number by the payment date only because it has not been issued, he may elect to receive, pending the furnishing of the identifying number, interim receipts and in this case payment will be deemed to have been completed. Cash payments due to subscribers, as shown below, will be made in the case of bearer securities following their acceptance and in the case of registered securities following discharge of registration. In the case of registered securities, the payment will be made by check drawn in accordance with the assignments on the securities surrendered, or by credit in any account maintained by a banking institution with the Federal Reserve Bank of its District.

2. **3¼ percent certificates of indebtedness of Series B-1964.**—Coupons dated November 15, 1963, and May 15, 1964, must be **attached** to the certificates when surrendered. Accrued interest from May 15 to September 15, 1963 ($10.86277 per $1,000) plus the payment ($6.50 per $1,000) due on account of the issue price of the bonds will be paid to subscribers.

3. **4¾ percent notes of Series A-1964.**—Coupons dated November 15, 1963, and May 15, 1964, must be **attached** to the notes in bearer form when surrendered. Accrued interest from May 15 to September 15, 1963 ($15.87636 per $1,000) plus the payment ($16.00 per $1,000) due on account of the issue price of the bonds will be paid to subscribers.

4. **3¾ percent notes of Series D-1964.**—Coupons dated November 15, 1963, and May 15, 1964, must be **attached** to the notes in bearer form when surrendered. Accrued interest from May 15 to September 15, 1963 ($12.53397 per $1,000) plus the payment ($9.50 per $1,000) due on account of the issue price of the bonds will be paid to subscribers.

V. ASSIGNMENT OF REGISTERED NOTES

1. Treasury notes 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 with the subscription to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, D. C. 20220. The notes must be delivered at the expense and risk of the holder. If the new bonds are desired registered in the same name as the notes surrendered, the assignment should be to "The Secretary of the Treasury for exchange for 3⅞ percent Treasury Bonds of 1968"; if the new bonds are desired registered in another name, the assignment should be to "The Secretary of the Treasury for exchange for 3⅞ percent Treasury Bonds of 1968 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 3⅞ percent Treasury Bonds of 1968 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.

DOUGLAS DILLON,
Secretary of the Treasury.

UNITED STATES OF AMERICA

4 PERCENT TREASURY BONDS OF 1973

Dated and bearing interest from September 15, 1963 **Due August 15, 1973**

Interest Payable February 15 and August 15

DEPARTMENT CIRCULAR

Public Debt Series — No. 15-63

TREASURY DEPARTMENT
Office of the Secretary
Washington, September 5, 1963

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 1973:

(1) at 98.85 percent of their face value in exchange for 3¼ percent Treasury Certificates of Indebtedness of Series B-1964, dated May 15, 1963, due May 15, 1964;

(2) at 97.90 percent of their face value in exchange for 4¾ percent Treasury Notes of Series A-1964, dated July 20, 1959, due May 15, 1964;

(3) at 98.55 percent of their face value in exchange for 3¾ percent Treasury Notes of Series D-1964, dated June 23, 1960, due May 15, 1964;

(4) at 98.85 percent of their face value in exchange for 3¾ percent Treasury Bonds of 1966, dated November 15, 1960, due May 15, 1966;

(5) at 98.20 percent of their face value in exchange for 4 percent Treasury Notes of Series A-1966, dated February 15, 1962, due August 15, 1966;

(6) at 99.60 percent of their face value in exchange for 3⅝ percent Treasury Notes of Series B-1967, dated March 15, 1963, due February 15, 1967; or

(7) at 99.30 percent of their face value in exchange for 3¾ percent Treasury Notes of Series A-1967, dated September 15, 1962, due August 15, 1967.

Interest adjustments as of September 15, 1963, 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. The amount of the offering under this circular will be limited to the amount of eligible securities tendered in exchange and accepted. Delivery of the new bonds will be made on September 18, 1963. The books will be open **only on September 9 through September 13, 1963,** for the receipt of subscriptions for this issue.

2. In addition to the offering under this circular, holders of all of the eligible securities are offered the privilege of exchanging all or any part of such securities for 4⅛ percent Treasury Bonds of 1989-94 (additional issue), and the holders of the certificates and notes maturing on May 15, 1964, are also offered the privilege of exchanging them for 3⅞ percent Treasury Bonds of 1968, which offerings are set forth in Department Circulars, Public Debt Series — Nos. 16-63 and 14-63, 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 4 percent Treasury Bonds of 1973. 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, 1963, 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, 1964, and thereafter on February 15 and August 15 in each year until the principal amount becomes payable. They will mature August 15, 1973, 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, D. C. 20220. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies.

2. All subscribers requesting registered bonds will be required to furnish appropriate identifying numbers as required on tax returns and other documents submitted to the Internal Revenue Service, i.e., an individual's social security number or an employer identification number.

3. 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 18, 1963, or on later allotment, and may be made only in a like face amount of securities of the seven issues enumerated in paragraph 1 of Section I hereof, which should accompany the subscription. Payment will not be deemed to have been completed where registered bonds are requested if the appropriate identifying number, as required by paragraph 2 of Section III hereof, has not been furnished; provided, however, if a subscriber has applied for but is unable to furnish the identifying number by the payment date only because it has not been issued, he may elect to receive, pending the furnishing of the identifying number, interim receipts and in this case payment will be deemed to have been completed. Cash payments due to subscribers, as shown below, will be made in the case of bearer securities following their acceptance and in the case of registered securities following discharge of registration. In the case of registered securities, the payment will be made by check drawn in accordance with the assignments on the securities surrendered, or by credit in any account maintained by a banking institution with the Federal Reserve Bank of its District.

2. **3¼ percent certificates of indebtedness of Series B-1964.**—Coupons dated November 15, 1963, and May 15, 1964, must be **attached** to the certificates when surrendered. Accrued interest from May 15 to September 15, 1963 ($10.86277 per $1,000) plus the payment ($11.50 per $1,000) due on account of the issue price of the bonds will be paid to subscribers.

3. **4¾ percent notes of Series A-1964.**—Coupons dated November 15, 1963, and May 15, 1964, must be **attached** to the notes in bearer form when surrendered. Accrued interest from May 15 to September 15, 1963 ($15.87636 per $1,000) plus the payment ($21.00 per $1,000) due on account of the issue price of the bonds will be paid to subscribers.

4. **3¾ percent notes of Series D-1964.**—Coupons dated November 15, 1963, and May 15, 1964, must be **attached** to the notes in bearer form when surrendered. Accrued interest from May 15 to September 15, 1963 ($12.53397 per $1,000) plus the payment ($14.50 per $1,000) due on account of the issue price of the bonds will be paid to subscribers.

5. **3¾ percent bonds of 1966.**—Coupons dated November 15, 1963, and all subsequent coupons, must be **attached** to the bonds in bearer form when surrendered. Accrued interest from May 15 to September 15, 1963 ($12.53397 per $1,000) plus the payment ($11.50 per $1,000) due on account of the issue price of the new bonds will be paid to subscribers.

6. **4 percent notes of Series A-1966.**—Coupons dated February 15, 1964, and all subsequent coupons, must be **attached** to the notes in bearer form when surrendered. Accrued interest from August 15 to September 15, 1963 ($3.36957 per $1,000) plus the payment ($18.00 per $1,000) due on account of the issue price of the bonds will be paid to subscribers.

7. **3⅝ percent notes of Series B-1967.**—Coupons dated February 15, 1964, and all subsequent coupons, must be **attached** to the notes in bearer form when surrendered. Accrued interest from August 15 to September 15, 1963 ($3.05367 per $1,000) plus the payment ($4.00 per $1,000) due on account of the issue price of the bonds will be paid to subscribers.

8. **3¾ percent notes of Series A-1967.**—Coupons dated February 15, 1964, and all subsequent coupons, must be **attached** to the notes in bearer form when surrendered. Accrued interest from August 15 to September 15, 1963 ($3.15897 per $1,000) plus the payment ($7.00 per $1,000) due on account of the issue price of the bonds will be paid to subscribers.

V. ASSIGNMENT OF REGISTERED SECURITIES

1. Treasury notes and bonds 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 with the subscription to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, D. C. 20220. 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, the assignment should be to "The Secretary of the Treasury for exchange for 4 percent Treasury Bonds of 1973"; 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 1973 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 1973 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.

DOUGLAS DILLON,
Secretary of the Treasury.

UNITED STATES OF AMERICA

4 1/8 PERCENT TREASURY BONDS OF 1989-94

Dated April 18, 1963, with interest from September 15, 1963 **Due May 15, 1994**

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND AFTER MAY 15, 1989

Interest payable May 15 and November 15

ADDITIONAL ISSUE

DEPARTMENT CIRCULAR

Public Debt Series — No. 16-63

TREASURY DEPARTMENT
Office of the Secretary
Washington, September 5, 1963

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 1/8 percent Treasury Bonds of 1989-94:

(1) at 98.65 percent of their face value in exchange for 3 1/4 percent Treasury Certificates of Indebtedness of Series B-1964, dated May 15, 1963, due May 15, 1964;

(2) at 97.70 percent of their face value in exchange for 4 3/4 percent Treasury Notes of Series A-1964, dated July 20, 1959, due May 15, 1964;

(3) at 98.35 percent of their face value in exchange for 3 3/4 percent Treasury Notes of Series D-1964, dated June 23, 1960, due May 15, 1964;

(4) at 98.65 percent of their face value in exchange for 3 3/4 percent Treasury Bonds of 1966, dated November 15, 1960, due May 15, 1966;

(5) at 98.00 percent of their face value in exchange for 4 percent Treasury Notes of Series A-1966, dated February 15, 1962, due August 15, 1966;

(6) at 99.40 percent of their face value in exchange for 3 5/8 percent Treasury Notes of Series B-1967, dated March 15, 1963, due February 15, 1967; or

(7) at 99.10 percent of their face value in exchange for 3 3/4 percent Treasury Notes of Series A-1967, dated September 15, 1962, due August 15, 1967.

Interest adjustments as of September 15, 1963, 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. The amount of the offering under this circular will be limited to the amount of eligible securities tendered in exchange and accepted. Delivery of the new bonds will be made on September 18, 1963. The books will be open **only on September 9 through September 13, 1963,** for the receipt of subscriptions for this issue.

2. In addition to the offering under this circular, holders of all of the eligible securities are offered the privilege of exchanging all or any part of such securities for 4 percent Treasury Bonds of 1973, and the holders of the certificates and notes maturing on May 15, 1964, are also offered the privilege of exchanging them for 3 7/8 percent Treasury Bonds of 1968, which offerings are set forth in Department Circulars, Public Debt Series — Nos. 15-63 and 14-63, 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 4 1/8 percent Treasury Bonds of 1989-94. 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 now offered will be an addition to and will form a part of the series of 4 1/8 percent Treasury Bonds of 1989-94 which are described in Department Circular, Public Debt Series — No. 11-63, dated May 16, 1963, 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, 1963. Subject to the provision for the accrual of interest from September 15, 1963, on the bonds now offered, the bonds are described in the following quotation from Department Circular No. 11-63:

"1. The bonds, dated April 18, 1963, bear interest from that date at the rate of 4⅛ percent per annum, payable on a semiannual basis on November 15, 1963, and thereafter on May 15 and November 15 in each year until the principal amount becomes payable. They will mature May 15, 1994, but may be redeemed at the option of the United States on and after May 15, 1989, at par and accrued interest, on any interest day, on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.

"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 are acceptable to secure deposits of public moneys.

"4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, are available in denominations of $500, $1,000, $5,000, $10,000, $100,000 and $1,000,000. Provision has been made for the interchange of bonds of different denominations and of bearer and registered bonds, and for the transfer of registered bonds.

"5. If the bonds are owned by a decedent at the time of his death and thereupon constitute a part of his estate, they will be redeemed at par and accrued interest at the option of the representative of the estate, provided the Secretary of the Treasury is authorized by the decedent's estate to apply the entire proceeds of redemption to payment of the Federal estate taxes on such decedent's estate.

"6. The bonds are subject to the general rules and regulations of the Treasury Department, now or hereafter prescribed, governing United States securities."

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. 20220. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies.

2. All subscribers requesting registered bonds will be required to furnish appropriate identifying numbers as required on tax returns and other documents submitted to the Internal Revenue Service, i.e., an individual's social security number or an employer identification number.

3. 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 18, 1963, or on later allotment, and may be made only in a like face amount of securities of the seven issues enumerated in paragraph 1 of Section I hereof, which should accompany the subscription. Payment will not be deemed to have been completed where registered bonds are requested if the appropriate identifying number, as required by paragraph 2 of Section III hereof, has not been furnished; provided, however, if a subscriber has applied for but is unable to furnish the identifying number by the payment date only because it has not been issued, he may elect to receive, pending the furnishing of the identifying number, interim receipts and in this case payment will be deemed to have been completed. Cash payments due from subscribers (paragraphs 7 and 8 below) should accompany the subscription. Cash payments due to subscribers (paragraphs 2 through 6 below) will be made in the case of bearer securities following their acceptance and in the case of registered securities following discharge of registration. In the case of registered securities, the payment will be made by check drawn in accordance with the assignments on the securities surrendered, or by credit in any account maintained by a banking institution with the Federal Reserve Bank of its District.

2. **3¼ percent certificates of indebtedness of Series B-1964.**—Coupons dated November 15, 1963, and May 15, 1964, must be **attached** to the certificates when surrendered. Accrued interest from May 15 to September 15, 1963 ($10.86277 per $1,000) plus the payment ($13.50 per $1,000) due to the subscriber on account of the issue price of the bonds will be credited, accrued interest from April 18 to September 15, 1963 ($16.86402 per $1,000) on the bonds to be issued will be charged, and the difference ($7.49875 per $1,000) will be paid to subscribers.

3. **4¾ percent notes of Series A-1964.**—Coupons dated November 15, 1963, and May 15, 1964, must be **attached** to the notes in bearer form when surrendered. Accrued interest from May 15 to September 15, 1963

($15.87636 per $1,000) plus the payment ($23.00 per $1,000) due to the subscriber on account of the issue price of the bonds will be credited, accrued interest from April 18 to September 15, 1963 ($16.86402 per $1,000) on the bonds to be issued will be charged, and the difference ($22.01234 per $1,000) will be paid to subscribers.

4. **3¾ percent notes of Series D-1964.**—Coupons dated November 15, 1963, and May 15, 1964, must be **attached** to the notes in bearer form when surrendered. Accrued interest from May 15 to September 15, 1963 ($12.53397 per $1,000) plus the payment ($16.50 per $1,000) due to the subscriber on account of the issue price of the bonds will be credited, accrued interest from April 18 to September 15, 1963 ($16.86402 per $1,000) on the bonds to be issued will be charged, and the difference ($12.16995 per $1,000) will be paid to subscribers.

5. **3¾ percent bonds of 1966.**—Coupons dated November 15, 1963, and all subsequent coupons, must be **attached** to the bonds in bearer form when surrendered. Accrued interest from May 15 to September 15, 1963 ($12.53397 per $1,000) plus the payment ($13.50 per $1,000) due to the subscriber on account of the issue price of the new bonds will be credited, accrued interest from April 18 to September 15, 1963 ($16.86402 per $1,000) on the bonds to be issued will be charged, and the difference ($9.16995 per $1,000) will be paid to subscribers.

6. **4 percent notes of Series A-1966.**—Coupons dated February 15, 1964, and all subsequent coupons, must be **attached** to the notes in bearer form when surrendered. Accrued interest from August 15 to September 15, 1963 ($3.36957 per $1,000) plus the payment ($20.00 per $1,000) due to the subscriber on account of the issue price of the bonds will be credited, accrued interest from April 18 to September 15, 1963 ($16.86402 per $1,000) on the bonds to be issued will be charged, and the difference ($6.50555 per $1,000) will be paid to subscribers.

7. **3⅝ percent notes of Series B-1967.**—Coupons dated February 15, 1964, and all subsequent coupons, must be **attached** to the notes in bearer form when surrendered. Accrued interest from August 15 to September 15, 1963 ($3.05367 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 credited, accrued interest from April 18 to September 15, 1963 ($16.86402 per $1,000) on the bonds to be issued will be charged, and the difference ($7.81035 per $1,000) must be paid by subscribers.

8. **3¾ percent notes of Series A-1967.**—Coupons dated February 15, 1964, and all subsequent coupons, must be **attached** to the notes in bearer form when surrendered. Accrued interest from August 15 to September 15, 1963 ($3.15897 per $1,000) plus the payment ($9.00 per $1,000) due to the subscriber on account of the issue price of the bonds will be credited, accrued interest from April 18 to September 15, 1963 ($16.86402 per $1,000) on the bonds to be issued will be charged, and the difference ($4.70505 per $1,000) must be paid by subscribers.

V. ASSIGNMENT OF REGISTERED SECURITIES

1. Treasury notes and bonds 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 with the subscription to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, D. C. 20220. 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, the assignment should be to "The Secretary of the Treasury for exchange for 4⅛ percent Treasury Bonds of 1989-94"; if the new bonds are desired registered in another name, the assignment should be to "The Secretary of the Treasury for exchange for 4⅛ percent Treasury Bonds of 1989-94 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 4⅛ percent Treasury Bonds of 1989-94 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.

DOUGLAS DILLON,
Secretary of the Treasury.