75%% TREASURY BOND OF 2002-2007

CUSIO SITORIO SY E

Redominate on call on and after February 15, 2802 CHICSLAS Se. 4-72



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THE ENHED STATES OF AMERICA

FOR VALUE RECEIVED PROMISES TO PAY TO THE BEARER THE SUM OF

ONE THOUSAND DOLLARS

ON THE DUE DATE, AND TO PAY INTEREST ON THE PRINCIPAL SUM FROM THE DATE HEREOF, AT THE RATE SPECIFIED HEREON, THIS BOND AND INTEREST COUPONS ARE PAYABLE AT THE DEPARTMENT OF THE TREABURY, WASHINGTON, D.C., OR AT ANY FEDERAL RESERVE BANK OR BRANCH, THIS BOND IS ONE OF A SERIES OF BONDS, AUTHORIZED BY THE SECOND LIBERTY BOND ACT, AS AMENDED, ISSUED PURBUANT TO THE DEPARTMENT OF THE TREASURY CIRCULAR REFERRED TO HERSON, ALL OR ANY OF THE BONDS OF THIS SERIES MAY BE REDEEMED, AT THE OPTION OF THE UNITED STATES OF AND AFTER PERRUARY 15, 2002, AT PAR AND ACCRUED INTEREST, ON ANY INTEREST DAY OR DATE THROUGH HON THE NOTICE OF REDEMPTION GIVEN IN SUCH MANNER AS THE SECRETARY OF THE TREASURY SWEET PRE-SCRIBE, IN CASE OF PARTIAL REDEMPTION THE BONDS TO BE REDEEMED WILL BE DESERT METHOD AS MAY BE PRESCRIBED BY THE SECRETARY OF THE TREASURY, FROM THE DATE OF ACCOUNTS. DESIGNATED IN ANY SUCH NOTICE, INTEREST ON THE SONDS CALLED FOR REDEMPERS PRODUCT OF ASE. THE INCOME DERIVED FROM THIS BOND IS SUBJECT TO ALL TAXES IMPOSED UNDER THE INTERNAL REVENUE CODE OF 1984. THIS BOND IS SUBJECT TO ESTATE, INHERITANCE, GIFT OR OTHER ESCIES TAXES, WHETHER FEDERAL OR STATE, BUT IS EXEMPT FROM ALL TAXATION NOW OR HEREAFTER IMPOSED ON THE PRINCIPAL OR INTEREST HEREOF BY ANY STATE, OR ANY OF THE POSSESSIONS OF THE UNITED STATES, OR BY ANY LOCAL TAXING AUTHORITY. THIS BOND IS ACCEPTABLE TO SECURE DEPOSITS OF PUBLIC MONEYS, IT IS NOT ACCEPTABLE IN PAYMENT OF TAXES.

WASHINGTON, D. C., FEBRUARY 15, 1977.

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What is the bond Price (P_b) that will earn you a 2% interest rate?

Amount you get at maturity - Price of the bond Interest Rate = -Price of the bond

$$=\frac{1,000 - P_b}{P_b} \times 100$$

If you pay 980.4 for this bond, you will earn 2% interest

Solve for P_b:

$$0.02 = \frac{1,000 - P_b}{D}$$

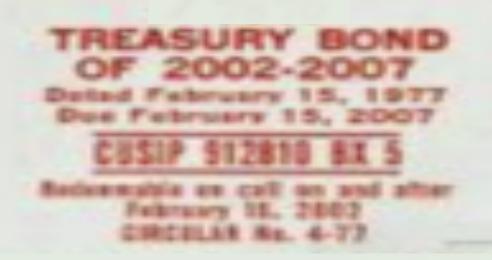
$$0.02_{x}P_{b} = 1,000 - P_{b}$$

$$0.02_x P_b + P_b = 1,000$$

$$(0.02 + 1)P_b = 1,000$$

 $1.02P_b = 1,000$

1,000 1.02





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What is the bond Price (P_b) that will earn you a 2% interest rate?

$$2\% = \frac{1,000 - P_b}{P_b} \times 100 \qquad \text{Solve for } P_b:$$

$$0.02 = \frac{1,000 - P_b}{P_b} \qquad 0.02 \times P_b + P_b = 1,000 \qquad P_b = \frac{1,000}{1.02}$$

$$0.02 \times P_b = 1,000 - P_b \qquad 1.02P_b = 1,000$$

If you pay 980.4 for this bond, you will earn 2% interest

OF 2002-2007
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