

APPENDIX 1

PURCHASE PRICES AND YIELDS ON INVESTMENTS AND SALES PRICES ON REDEMPTIONS

Market-Based Treasury Special bills:

Purchase Price: The Discount rate used to calculate the purchase Price for a Market-Based Treasury Special bill mirroring the particular marketable Treasury bill specified by the Federal Program Agency in an investment instruction will be the average of the prevailing bid and offered bank Discount rates on the specified marketable Treasury bill on the day the investment instruction is received by Fiscal Service, as reported to Treasury by the Federal Reserve Bank of New York. The prevailing bid and offered bank Discount rates will be based on a survey of Treasury securities dealers taken by the Federal Reserve Bank of New York between approximately 11:15 a.m. and 11:45 a.m. (Eastern Time) each Business Day.

Sales Price for redemption before the Maturity Date: The Discount rate used to calculate the redemption Price for the particular Market-Based Treasury Special bill specified by the Federal Program Agency in a redemption instruction will be the prevailing bank Discount bid rate on the marketable Treasury bill corresponding to the Treasury Special bill on the day the redemption instruction is received by Fiscal Service, as reported to Treasury by the Federal Reserve Bank of New York.

Pricing floor for Market-Based Treasury Special bills: Treasury's Office of Debt Management has established a floor of zero percent for Market-Based Treasury Special bills. These securities will not be transacted at negative yields.

Market-Based Treasury Special fixed-principal notes and bonds:

Purchase Price:	The purchase Price for a Market-Based Treasury Special fixed-principal note or bond mirroring the particular marketable Treasury fixed-principal note or bond specified by the Federal Program Agency in an investment instruction will be the average of the prevailing bid and offered Prices for the specified marketable Treasury fixed-principal note or bond on the day the investment instruction is received by Fiscal Service, as reported to Treasury by the Federal Reserve Bank of New York. The prevailing bid and offered Prices will be based on a survey of Treasury securities dealers taken by the Federal Reserve Bank of New York between approximately 11:15 a.m. and 11:45 a.m. (Eastern Time) each Business Day.
Sales Price for redemption before the Maturity Date:	The redemption Price for the particular Market-Based Treasury Special fixed-principal note or bond specified by the Federal Program Agency in a redemption instruction will be the prevailing bid Price for the marketable Treasury fixed-principal note or bond corresponding to the specified Treasury Special note or bond on the day the redemption instruction is received by Fiscal Service, as reported to Treasury by the Federal Reserve Bank of New York.
Pricing floor for Market-Based Treasury Special fixed-principal notes and bonds:	Treasury's Office of Debt Management has established a floor of zero percent for Market-Based Treasury Special fixed-principal, fixed-rate notes and bonds. These securities will not be transacted at negative yields.

Market-Based Treasury Special floating rate notes:

Purchase Price:	The purchase Price for a Market-Based Treasury Special floating rate note mirroring the particular marketable Treasury floating rate note specified by the Federal Program Agency in an investment instruction will be the average of the prevailing bid and offered Prices for the specified marketable Treasury floating rate note on the day the investment instruction is received by Fiscal Service, as reported to Treasury by the Federal Reserve Bank of New York. The prevailing bid and offered Prices will be based on a survey of Treasury securities dealers taken by the Federal Reserve Bank of New York between approximately 11:15 a.m. and 11:45 a.m. (Eastern Time) each Business Day.
Sales Price for redemption before the Maturity Date:	The redemption Price for the particular Market-Based Treasury Special floating rate note specified by the Federal Program Agency in a redemption instruction will be the prevailing bid Price for the marketable Treasury floating rate note corresponding to the specified Treasury Special floating rate note on the day the redemption instruction is received by Fiscal Service, as reported to Treasury by the Federal Reserve Bank of New York.
Pricing for Market-Based Treasury Special floating rate notes:	Treasury's Office of Debt Management has established a floor of zero percent for all nominal securities. However, this policy does not apply to Market-Based Treasury floating rate note securities because they may recover due to future rate changes.

Market-Based Treasury Special inflation-protected note or bond securities (TIPS):

Purchase Price:	The purchase Price for TIPS mirroring particular marketable TIPS specified by the Federal Program Agency in an investment instruction will be the average of prevailing bid and offered Prices for the specified marketable TIPS on the day the investment instruction is received by Fiscal Service, as reported to Treasury by the Federal Reserve Bank of New York. The prevailing bid and offered Prices will be based on a survey of Treasury securities dealers taken by the Federal Reserve Bank of New York between approximately 11:15 a.m. and 11:45 a.m. (Eastern Time) each Business Day. TIPS shall have principal adjusted by daily Reference Index numbers, as published by Fiscal Service.
Sales Price for redemption before the Maturity Date:	The redemption Price for the particular TIPS specified by the Federal Program Agency in a redemption instruction will be the prevailing bid Price for the marketable TIPS corresponding to the specified TIPS on the day the redemption instruction is received by Fiscal Service, as reported to Treasury by the Federal Reserve Bank of New York. TIPS shall have principal adjusted by daily Reference Index numbers, as published by Fiscal Service.
Pricing for Market-Based Treasury Special Inflation-protected note or bond securities (TIPS):	Treasury's Office of Debt Management has established a floor of zero percent for all nominal securities. However, this policy does not apply to TIPS because they may recover due to inflation. Real yields on TIPS can and do trade at negative rates. This is a function of investor's views on inflation and the potential arbitrage between TIPS securities and nominal securities of comparable tenors.

Market-Based Treasury Special one-day certificates of indebtedness:

Interest Rate:	The Interest Rate on a Market-Based Treasury Special one-day certificate of indebtedness will be determined by the Secretary of the Treasury, taking into consideration the current market-bid coupon-equivalent yield to the Maturity Date of the most recently auctioned United States Treasury bill of the shortest maturity United States Treasury bills then being regularly auctioned.
Pricing floor for Market-Based Treasury Special one-day certificates of indebtedness:	Treasury's Office of Debt Management has established a floor of zero percent for Market-Based Treasury Special one-day certificates of indebtedness. These securities will not be transacted at negative yields.

Market-Based Treasury Special zero-coupon bonds:

Purchase Price and sales Price for redemption before the Maturity Date:

The purchase Price or redemption Price for a Market-Based Treasury Special zero-coupon bond (or permitted portion thereof) will be calculated by Treasury using the following formula:

$$P = \frac{F}{\left(1 + \frac{r i}{2s}\right) \left(1 + \frac{i}{2}\right)^n}$$

where:

P = Price

F = Face value of the amount being purchased or Discount rate redeemed

i = Discount rate as determined below

n = Number of full semi-annual periods from the purchase date or redemption date (as the case may be) to the Maturity Date

r = Number of days from the purchase date or redemption date (as the case may be) to the next semi-annual date, or zero if the purchase date or redemption date is on a semi-annual date

s = Number of days in the semi-annual period that ends on the semi-annual date following the purchase date or redemption date (as the case may be).

Discount rate for purchases:

The Discount rate used to calculate the purchase Price for a Market-Based Treasury Special zero-coupon bond mirroring the particular marketable Treasury STRIPS principal or interest component of a marketable Treasury bond specified by the Federal Program Agency in an investment instruction shall be determined by Treasury based on the mean of the prevailing market bid and ask yields on the specified marketable Treasury STRIPS principal or interest component as of 12:00 p.m. (Eastern Time), or as soon as possible thereafter, on the purchase date of the non-marketable Treasury zero-coupon bond. In determining the prevailing market yields, Treasury will survey available quotations on the available marketable Treasury STRIPS components from market sources, including financial information services and primary dealers active in the Treasury STRIPS market.

Discount rate for redemptions before the Maturity Date:

The Discount rate used to calculate the redemption Price for the particular special-issue non-marketable Treasury zero-coupon bond specified by the Federal Program Agency in a redemption instruction shall be determined by Treasury based on the prevailing market bid yield on the same marketable Treasury STRIPS principal or interest component as was used to determine the original purchase Price, as of 12:00 p.m. (Eastern Time), or as soon as possible thereafter, on the date of redemption of the non-marketable Treasury zero-coupon bond. In determining the prevailing market bid yields, Treasury will survey available quotations on the appropriate marketable Treasury STRIPS components from market sources, including financial information services and primary dealers active in the Treasury STRIPS market.

Pricing floor for
Market-Based
Treasury Special
zero coupon
bonds:

Treasury's Office of Debt Management has established a floor of zero percent for Market-Based Treasury Special zero coupon bonds. These securities will not be transacted at negative yields.