

**OFFERING CIRCULAR**

**\$1,250,000,000**  
**The Arab Republic of Egypt**

**Ministry of Finance**

**4.45% GUARANTEED NOTES DUE 2015**  
**FULLY GUARANTEED AS TO PRINCIPAL AND INTEREST BY THE**  
**UNITED STATES OF AMERICA**  
**ACTING BY AND THROUGH THE**  
**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT**

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*Interest payable on March 15 and September 15*

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*The 4.45% Guaranteed Notes due 2015, (the “Guaranteed Notes”) offered hereby constitute obligations of the Arab Republic of Egypt (the “Borrower”) guaranteed by the United States of America, acting through the United States Agency for International Development, as to payment of 100% of principal and interest due thereon. Each such guarantee (a “Guarantee”) will be entitled to the full faith and credit of the United States of America.*

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*The Guaranteed Notes will mature on September 15, 2015. The Guaranteed Notes will be issued only in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. The Guaranteed Notes will not be subject to prepayment or acceleration under any circumstances.*

*For a more detailed description of the Guaranteed Notes, see “The Guaranteed Notes” on page 3.*

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**PRICE 99.659% AND ACCRUED INTEREST, IF ANY**

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**Morgan Stanley & Co. Incorporated expects to deliver the Guaranteed Notes to purchasers on September 27, 2005.**

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**MORGAN STANLEY**

*September 21, 2005*

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**No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorized by the Borrower or by the Underwriter. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy securities by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borrower, USAID or the United States of America since the date hereof or that information contained herein is correct as of any time subsequent to its date.**

IN CONNECTION WITH THIS OFFERING MORGAN STANLEY & CO. INCORPORATED OR ANY PERSON ACTING FOR IT MAY, SUBJECT TO ALL APPLICABLE LAWS AND REGULATIONS, OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE GUARANTEED NOTES AT LEVELS OTHER THAN THOSE THAT MIGHT OTHERWISE PREVAIL. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE GUARANTEED NOTES OFFERED HEREBY ARE NOT REQUIRED TO BE REGISTERED UNDER THE SECURITIES ACT OF 1933. ACCORDINGLY, NO REGISTRATION STATEMENT HAS BEEN FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE “COMMISSION”): THE GUARANTEED NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Guaranteed Notes will initially be issued entirely in the form of beneficial interests in one or more restricted global notes (the “Global Notes”) registered in the name of a nominee of The Depository Trust Company (“DTC”), but such beneficial interests may, under certain limited circumstances, be exchangeable for Guaranteed Notes issued in definitive form (“Definitive Notes”). See “Issuance of Definitive Notes; Other Exchanges and Transfers.” Participants in DTC (in the United States) or Clearstream Banking, société anonyme (“Clearstream”) or the Euroclear System (“Euroclear”) (in Europe) may hold the Guaranteed Notes through DTC, Clearstream or Euroclear; indirect participants may hold the Guaranteed Notes through organizations that are participants in DTC, Clearstream or Euroclear. Beneficial interests in the Global Notes will trade in DTC’s Same-Day Funds Settlement System, and secondary market trading activity in such interests between DTC participants or between Clearstream customers or Euroclear participants will therefore settle in same-day funds. See “Book-Entry System.”

The statements made herein with respect to the Guaranteed Notes, the Guarantees, the Fiscal Agency Agreement, the Authorizing Legislation, the Regulations and related documents are subject to the detailed provisions of the Authorizing Legislation, the Regulations and such instruments and documents, and the statements made herein are qualified in their entirety by reference thereto. Copies of the Fiscal Agency Agreement (including the forms of the Guaranteed Notes, which are exhibits thereto) are available from the Fiscal Agent upon request.

## **BACKGROUND**

The financing contemplated hereby is being undertaken pursuant to the Emergency Wartime Supplemental Appropriations Act of 2003, as amended, Title I of Pub. Law 108-11, enacted on April 16, 2003 (the "Authorizing Legislation"). In accordance with the Authorizing Legislation, the United States Agency for International Development, an agency of the United States Government ("USAID"), is authorized to issue guarantees of up to \$2,000,000,000 in principal amount of loans to the Borrower, together with the interest thereon, until September 30, 2005. USAID has not previously issued any guarantees of loans to the Borrower under the Authorizing Legislation and is not expected to issue any guarantees under the Authorizing Legislation other than the Guarantees of the Guaranteed Notes offered hereby. In addition to providing guarantees of loans to the Arab Republic of Egypt pursuant to the Authorizing Legislation, USAID carries out economic assistance programs to developing countries. The Administrator of USAID reports to the Secretary of State.

USAID has also promulgated regulations (the "Regulations") under the Authorizing Legislation for the purpose of establishing the terms and conditions of the Guarantees to be issued to guarantee each Guaranteed Note. Such Regulations will be published in the Federal Register and will be codified at 22 C.F.R. 231 (2005).

## **THE BORROWER**

The Guaranteed Notes will constitute full faith and credit obligations of the Arab Republic of Egypt (the "Borrower"), in addition to being backed by a full faith and credit guarantee issued by the United States of America, acting through USAID.

The proceeds of the sale of the Guaranteed Notes, after deducting amounts to be used to pay certain expenses related to the offering, will be used by the Borrower subject to the terms of the Authorizing Legislation and an agreement for the purpose of implementing the Authorizing Legislation (the "USAID Agreement"). While the Borrower has undertaken certain obligations to USAID under the USAID Agreement, a default or breach by the Borrower of such obligations will not affect USAID's obligations under the Guarantees or the rights of the Noteholders (as defined below) under the terms of the Guaranteed Notes, and will not cause the Guaranteed Notes to be subject to prepayment or acceleration under any circumstances.

## **THE USAID GUARANTEES**

The United States of America, acting through USAID, pursuant to the Guarantees to be issued, in respect of each Guaranteed Note, will guarantee to each holder (a "Noteholder") of a Guaranteed Note listed in the Note Register (as defined below), payment of 100% of all payments of principal and interest due, together with interest on any overdue principal amount or interest amount in respect of such Guaranteed Note from the Note Payment Date (as hereinafter defined) on which such amounts were due but not paid to the date of payment, at the rate of interest borne by such Guaranteed Note (the "Guaranteed Amount"). Under the terms of the Guarantees, as set forth in the Authorizing Legislation and the Regulations, if the Borrower fails to make payment when due of any principal or interest amount under a Guaranteed Note, USAID will be obligated, upon demand of the Fiscal Agent on behalf of all of the Noteholders, or of any Noteholder (but only with respect to Guaranteed Notes held by such demanding Noteholder) to pay to each Noteholder the applicable Guaranteed Amount within three Business Days following the receipt of such demand. "Business Day" means any day other than a day on which banks in New York, New York are closed or authorized to be closed or a day which is observed as a federal holiday in Washington, D.C. by the United States Government.

In accordance with the Authorizing Legislation and the Regulations, the Guarantees provide, and an Assistant General Counsel of USAID will render an opinion to the effect, that the Guarantees are obligations of the United States of America and the full faith and credit of the United States of America are pledged for full payment and performance of such obligations. The issuance of the Guarantees and of such opinion are conditions to the issuance of the Guaranteed Notes offered hereby.

The Guarantees will not be affected or impaired due to any defect in the authorization, execution, delivery or enforceability of any agreement or other document executed by a Noteholder, USAID, the Fiscal Agent or the

Borrower in connection with the transactions contemplated by the Guarantees, other than with respect to losses arising out of fraud or misrepresentation for which a demanding Noteholder is responsible or of which it had knowledge at the time it became a Noteholder.

The Federal Credit Reform Act of 1990, as amended, Pub. Law 101-508 (the “Credit Reform Act”), provides that payments in respect of loan guarantee commitments made on or after October 1, 1991, including the guarantee commitments made by USAID under the Guarantees, will be made by the U.S. Treasury from a “financing account” to be established under Section 502(7) of the Credit Reform Act. Section 505(c) of the Credit Reform Act authorizes the Secretary of the Treasury to lend or pay to the financing account such amounts as may be necessary to make any payments required to discharge loan guarantee obligations and commitments in the event funds in the financing account are insufficient.

### **Payments Under the USAID Guarantees**

Pursuant to the Fiscal Agency Agreement described below, if the Borrower does not deposit with the Fiscal Agent thereunder at or before 12 o’clock noon, New York City time, on any date on which a payment of principal or interest on the Guaranteed Notes is due (each, a “Note Payment Date”), immediately available funds in an amount sufficient to pay in full any principal and interest amount due on such Note Payment Date with respect to the Guaranteed Notes, the Fiscal Agent, acting on behalf of the holders of the Guaranteed Notes, is obligated to make a demand upon USAID not later than 2 o’clock p.m., New York City time, on such Note Payment Date for payment pursuant to the Guarantees. See “Fiscal Agent” below.

Pursuant to the Guarantees, USAID is required, not later than three Business Days following receipt of such demand, to pay to the demanding Noteholders the applicable Guaranteed Amount.

Upon receipt by the Fiscal Agent of payments from USAID pursuant to the Guarantees, the Fiscal Agent will be required, if such payments are received at or prior to 12 o’clock noon, New York City time, on any Business Day, to remit such payments to the registered holders of the Guaranteed Notes entitled thereto on such Business Day and, if such payments are received after such time, to remit such payments to such registered holders on the Business Day following receipt of such payment by the Fiscal Agent.

Each Noteholder will be deemed by the acceptance of a Guaranteed Note to have irrevocably appointed the Fiscal Agent as its agent for the purpose of making a demand for payment upon USAID pursuant to the Guarantees and receiving any payment to a Noteholder by USAID pursuant to the Guarantees. All payments made by USAID to the Fiscal Agent pursuant to the Guarantees will be held in trust by the Fiscal Agent solely for the benefit of the registered holders of the Guaranteed Notes until remitted to such holders. USAID will be discharged from its obligations to make a payment pursuant to the Guarantees upon the making of such payment to the Fiscal Agent on behalf of the Noteholders, provided that such discharge will be effective only as to such payment and to the extent of the amount of such payment.

The Regulations also provide that any Noteholder may make demand for payment upon USAID under a Guarantee on its own behalf immediately upon the failure of the Borrower to make any payment when due under such Noteholder’s Guaranteed Note. As described under “The Guaranteed Notes — General,” upon the occurrence of an Event of Default, any holder of a beneficial interest in a Global Note may request that its interest be exchanged for Definitive Notes of the same aggregate outstanding principal amount in order to make such a demand.

## THE GUARANTEED NOTES

### General

On original issuance, all Guaranteed Notes will be issued to investors in the form of beneficial interests in one or more restricted global notes (the “Global Notes”) through The Depository Trust Company (“DTC”), the Euroclear System (“Euroclear”) or Clearstream Banking, société anonyme (“Clearstream”). After original issuance, all Guaranteed Notes will continue to be held as beneficial interests in the Global Notes, except that, from and after an Event of Default (as defined below), a beneficial owner of an interest in a Global Note may request that its interest be exchanged for certificated Guaranteed Notes of the same aggregate outstanding principal amount in definitive form (“Definitive Notes”). See “— Book-Entry System,” “— Issuance of Definitive Notes; Other Exchanges and Transfers” and “USAID Guarantees — Payments Under the USAID Guarantees.”

Guaranteed Notes, both as interests in Global Notes and as Definitive Notes, will be available in minimum denominations of \$1,000 principal amount and integral multiples of \$1,000 in excess thereof. All Guaranteed Notes will be issued in registered form only.

### The Guaranteed Notes

The Guaranteed Notes will mature on September 15, 2015. Semiannual payments of interest on the Guaranteed Notes are due on March 15 and September 15 of each year, commencing March 15, 2006 (or the next succeeding Business Day, if such day is not a Business Day). Principal on the Guaranteed Notes is payable at maturity (or the next succeeding Business Day, if such day is not a Business Day).

All payments on the Guaranteed Notes will be made to the persons in whose names the Guaranteed Notes are registered on March 1 or September 1, as the case may be, (whether or not a Business Day) next preceding the applicable Note Payment Date.

Each Guaranteed Note will bear interest on any overdue installment of principal or any overdue interest payment at the interest rate borne by such Guaranteed Note. Such interest shall be payable from the date of such default to, but excluding, the date on which such defaulted amount is paid.

Interest on the Guaranteed Notes is computed on the basis of a year of 360 days consisting of twelve 30-day months.

### Book-Entry System

The Borrower has obtained the information in this section concerning DTC, Clearstream and Euroclear and their book-entry systems and procedures from sources that the Borrower believes to be reliable, including from DTC, Euroclear and Clearstream, and the Borrower takes responsibility for the accurate reproduction of this information. The Borrower takes no responsibility, however, for the accuracy of this information. DTC, Euroclear and Clearstream are under no obligation to perform or continue to perform the procedures described below, and they may modify or discontinue them at anytime. Neither the Borrower nor the Fiscal Agent will be responsible for the performance of the obligations of DTC, Euroclear and Clearstream under their respective rules and procedures. The Borrower and the Fiscal Agent will not be responsible for the performance by direct or indirect participants of their respective obligations under their respective rules and procedures.

The Guaranteed Notes initially will be issued as Global Notes and will be represented by one or more fully registered global notes deposited with, or on behalf of, DTC or any successor thereto and registered in the name of Cede & Co., DTC’s partnership nominee.

Investors may hold their interests in the Guaranteed Notes in the United States through DTC, or in Europe through Clearstream or Euroclear, either as a participant in those systems or indirectly through organizations which are participants in those systems. Clearstream and Euroclear will hold interests in the Guaranteed Notes on behalf of their respective participating organizations or customers through customers’ securities accounts in

Clearstream's and Euroclear's names on the books of their respective depositories, which in turn will hold those positions in customers' securities accounts in the depositories' names on the books of DTC.

So long as DTC or its nominee is the registered owner of the Global Notes representing the Guaranteed Notes, DTC or that nominee will be considered the sole owner and holder of the Guaranteed Notes for all purposes of the Guaranteed Notes and the Fiscal Agency Agreement. Except as described below, owners of beneficial interests in the Guaranteed Notes will not be entitled to have the Guaranteed Notes registered in their names, will not receive or be entitled to receive physical delivery of the Guaranteed Notes in definitive form and will not be considered the owners or holders of the Guaranteed Notes under the Fiscal Agency Agreement, including for purposes of receiving any reports delivered by the Borrower or the Fiscal Agent under the Fiscal Agency Agreement. Accordingly, each person owning a beneficial interest in a Guaranteed Note must rely on the procedures of DTC or its nominee and, if that person is not a participant, on the procedures of the participant through which that person owns its interest, in order to exercise any rights of a holder of Guaranteed Notes.

Unless and until the Borrower issues the Definitive Notes under the limited circumstances described below under "Issuance of Definitive Notes; Other Exchanges and Transfers":

- the holders of beneficial interests in the Global Notes will not be entitled to receive certificates representing their interests in the Guaranteed Notes;
- all references in this offering circular to actions by holders will refer to actions taken by DTC upon instructions from its direct participants; and
- all references in this offering circular to payments and notices to holders will refer to payments and notices to DTC or Cede & Co., as the registered holder of the Guaranteed Notes, for distribution to the holders of beneficial interests in the Global Notes in accordance with DTC procedures.

### **The Depository Trust Company**

DTC or a custodian on its behalf will act as securities depository for the Guaranteed Notes. The Guaranteed Notes will be issued as fully registered Guaranteed Notes registered in the name of Cede & Co. DTC is:

- a limited-purpose trust company organized under the New York Banking Law;
- a "banking organization" under the New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" under the New York Uniform Commercial Code; and
- a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended.

DTC holds securities that its direct participants deposit with DTC. DTC also facilitates the settlement among direct participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in direct participants' accounts, thereby eliminating the need for physical movement of securities certificates.

Direct participants of DTC include both U.S. and non-U.S. securities brokers and dealers (who may include the Underwriter), banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTTC"). DTTC, in turn, is owned by a number of direct participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (each of which is also a subsidiary of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Indirect participants of DTC, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations, can also access the DTC system if they maintain a custodial relationship with a direct participant, either directly or indirectly. DTC has Standard & Poor's Ratings Services' highest rating of AAA. The DTC Rules applicable to its participants are on file with the Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Holders of interests in the Guaranteed Notes that are not direct participants or indirect participants in DTC and that wish to purchase, sell or otherwise transfer ownership of, or other interests in, Guaranteed Notes, must do so through a direct participant or an indirect participant.

Purchases of the Guaranteed Notes under DTC's system must be made by or through direct participants, which will receive a credit for the Guaranteed Notes on DTC's records. The ownership interest of each beneficial owner is in turn to be recorded on the records of direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct participants or indirect participants through which such beneficial owners entered into the transaction. Transfers of ownership interests in the Guaranteed Notes are to be accomplished by entries made on the books of direct participants and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in Guaranteed Notes, except as described below in "Issuance of Definitive Notes; Other Exchanges and Transfers."

The deposit of Global Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC will have no knowledge of the actual beneficial owners of the Guaranteed Notes. DTC's records will reflect only the identity of the direct participants to whose accounts such Guaranteed Notes are credited, which may or may not be the beneficial owners. The direct participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

#### **Clearstream and Euroclear**

Clearstream and Euroclear will record the ownership interests of their participants in much the same way as DTC.

Clearstream has advised that it is incorporated under the laws of Luxembourg as a bank. Clearstream facilitates the clearance and settlement of securities transactions between its customers through electronic book-entry transfers between their accounts. Clearstream provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic securities markets in over 30 countries through established depository and custodial relationships. As a bank, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector, also known as the *Commission de Surveillance du Secteur Financier*. Customers of Clearstream are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. U.S. customers of Clearstream are limited to securities brokers and dealers and banks. Indirect access to Clearstream is also available to other institutions such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream customer.

Euroclear advises that it was created in 1968 and that it clears and settles transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates. Euroclear provides various other services, including securities lending and borrowing and interfacing with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V., referred to as the "Euroclear Operator," under contract with Euroclear Clearance Systems, S.C., a Belgian cooperative corporation, referred to as the "Cooperative." All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks, including central banks, securities brokers and dealers and other professional financial intermediaries and may include the underwriter. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

## **Book-Entry Format**

Under the book-entry format, the Fiscal Agent will pay interest or principal payments to Cede & Co., as nominee of DTC or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit direct participant's accounts upon DTC's receipt of funds and corresponding detail information from the Borrower or the Fiscal Agent on the date payable in accordance with their respective holdings shown on DTC's records. Payments by direct and indirect participants (including Clearstream and Euroclear) to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participant and not DTC, the Fiscal Agent, or the Borrower, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments on the Guaranteed Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borrower or the Fiscal Agent, disbursement of such payments to direct participants will be the responsibility of DTC, and disbursement of such payments to the beneficial owners will be the responsibility of the direct and indirect participants. Investors in the Guaranteed Notes may experience some delay in receiving their payments under this system.

The Fiscal Agent will not recognize the holder of a beneficial interest in the Global Notes as a holder under the Fiscal Agency Agreement, and such holders can only exercise the rights of a holder indirectly through DTC and its direct participants. DTC has advised the Borrower that it will only take action regarding Guaranteed Notes if one or more of the direct participants to whom the Guaranteed Notes are credited direct DTC to take such action. DTC can only act on behalf of its direct participants. The ability of investors in the Guaranteed Notes to pledge Guaranteed Notes to non-direct participants, and to take other actions, may be limited, because, except as described below in "Issuance of Definitive Notes; Other Exchanges and Transfers," investors will not possess a physical certificate that represents their Guaranteed Notes.

Clearstream or Euroclear will credit payments to the cash accounts of Clearstream customers or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its depository. These payments will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a holder under the Fiscal Agency Agreement on behalf of a Clearstream customer or Euroclear participant only in accordance with its relevant rules and procedures and subject to its depository's ability to effect those actions on its behalf through DTC.

DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of the Guaranteed Notes among participants of DTC, Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform those procedures, and they may discontinue those procedures at any time.

## **Transfers Within and Among Book-Entry Systems**

Transfers between DTC's direct participants will occur in accordance with DTC rules. Transfers between Clearstream customers and Euroclear participants will occur in accordance with their applicable rules and operating procedures.

DTC will effect cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream customers or Euroclear participants, on the other hand, in accordance with DTC rules on behalf of the relevant European international clearing system by its depository. However, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, instruct its depository to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream customers and Euroclear participants may not deliver instructions directly to the depositories.

Because of time-zone differences, credits of securities received in Clearstream or Euroclear resulting from a transaction with a DTC direct participant will be made during the subsequent securities settlement processing, dated the business day following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Clearstream customer or Euroclear participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream customer or a Euroclear participant to a DTC direct participant will be received with value on the DTC settlement date, but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Guaranteed Notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform those procedures and those procedures may be discontinued at any time.

### **Same-Day Settlement and Payment**

The Underwriter will settle the Guaranteed Notes in immediately available funds. The Borrower will make principal and interest payments on the Guaranteed Notes in immediately available funds or the equivalent. Secondary market trading between DTC direct participants will occur in accordance with DTC rules and will be settled in immediately available funds using DTC's Same Day Funds Settlement System. Secondary market trading between Clearstream customers and Euroclear participants will occur in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional eurobonds in immediately available funds. No assurance can be given as to the effect, if any, of settlement in immediately available funds on trading activity, if any, in the Guaranteed Notes.

The Underwriter expects that delivery of the Guaranteed Notes will be made against payment therefor on or about the closing date specified on the cover page of this offering circular, which will be the fourth business day following the date of pricing of the Guaranteed Notes (this settlement cycle being referred to as "T+4"). Under Rule 15c6-1 of the United States Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Guaranteed Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Guaranteed Notes will initially settle in T+4, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Guaranteed Notes who wish to trade the Guaranteed Notes on the date of pricing or succeeding business days should consult their own advisors.

### **Issuance of Definitive Notes; Other Exchanges and Transfers**

If an Event of Default occurs with respect to a Guaranteed Note, any person that is a holder of a beneficial interest in such Guaranteed Note may, upon request, exchange its interest for a Definitive Note. Upon receipt by the Fiscal Agent of written or electronic instructions from DTC or its nominee on behalf of any holder of a beneficial interest in a Guaranteed Note and upon receipt by the Fiscal Agent of a written order of such person containing registration information for the requesting holder and upon payment by the requesting holder of the Fiscal Agent's applicable charges, the Fiscal Agent will cause, in accordance with the standing instructions and procedures existing between DTC and the Fiscal Agent, the aggregate principal amount of the applicable Global Note to be reduced and, following such reduction, the Fiscal Agent will authenticate and issue on behalf of the Borrower and deliver to such person, one or more Definitive Notes.

Upon issuance as described above, (i) Definitive Notes may be exchanged, upon presentation and surrender at the offices of the Fiscal Agent at PNC Bank, N.A., Government Services, 7th Floor, 808 17th Street, Washington, D.C. 20006, if presented by hand delivery, or PNC Bank, N.A., Government Services, P.O. Box 96206, Washington, D.C. 20077-7572, if presented by mail, for Definitive Notes in other authorized denominations and in the same aggregate principal amount; and (ii) any Definitive Note may be transferred by the registered holder thereof, or by its attorney-in-fact duly authorized in writing, at the office of the Fiscal Agent specified above upon presentation and surrender of such Definitive Note for cancellation, and upon any such

transfer a new Definitive Note or Notes, of like series in other authorized denominations and in the same aggregate principal amount will be issued to the transferee. In addition, upon notice to the Fiscal Agent, Definitive Notes will be eligible to be held as Global Notes through DTC, and the Fiscal Agent will arrange for any Definitive Note which is the subject of such an exchange to be represented by a related Global Note.

The Fiscal Agent is required to make all payments of interest due to the registered holders of Definitive Notes as of the applicable record date by check mailed by the Fiscal Agent to such registered holders or, if written instructions are received by the Fiscal Agent from the registered holder thereof at least five Business Days prior to the applicable Note Payment Date, by wire transfer in immediately available funds to an account at a commercial bank in the United States designated by such registered holder. The principal of the Guaranteed Notes is payable to holders of Definitive Notes at the office of the Fiscal Agent, upon presentation and surrender of such Definitive Notes.

### **Payment of Additional Amounts**

Pursuant to the terms of the Guaranteed Notes, all payments of principal and interest will be made free and clear of, and without liability for or deduction by the Borrower or any other party for, any and all present and future taxes, levies, deductions, penalties and withholdings whatsoever imposed or levied thereon by the Arab Republic of Egypt or by any municipality or other political subdivision or taxing authority thereof (all such taxes, levies, deductions, penalties and withholdings hereinafter referred to as "Local Tax"); provided, however, if any Local Tax is imposed or levied, with respect thereto, the Borrower will, on behalf of the Noteholder, pay the same, or in the event that the Noteholder has made such payment, hold the Noteholder harmless from and reimburse the Noteholder therefor so that the Noteholder will receive, net and free of all withholdings and deductions and all liability for such Local Tax, an amount equal to the amount the Noteholder would have received if there had not been any such levy, collection or assessment. Notwithstanding the foregoing, the obligations of the Borrower contained in this paragraph shall not apply to a Noteholder if such Noteholder is otherwise subject to taxation in the Arab Republic of Egypt by reason of any relationship with or activity within the Arab Republic of Egypt other than its ownership of a Guaranteed Note.

Pursuant to the Guarantees, USAID will guarantee any additional payment the Borrower may be required to make pursuant to the foregoing.

Under Egyptian law in effect as of the date hereof, payments made under the Guaranteed Notes will be exempt from Egyptian taxation and there are no stamp or similar taxes under the laws of the Arab Republic of Egypt payable in connection with the issuance and sale of the Guaranteed Notes.

### **Events of Default**

As provided in each Guaranteed Note, an Event of Default will be deemed to occur if the Borrower fails to make any payments on such Guaranteed Note on the applicable Note Payment Date. Upon the occurrence of an Event of Default, the Fiscal Agent on behalf of all of the Noteholders, or any registered holder of a Guaranteed Note on behalf of itself, may make demand upon USAID under the Guarantees, and any Noteholder may proceed to protect and enforce any of its rights as a lender under a Guaranteed Note at law or in equity. However, none of the Fiscal Agent, any Noteholder, nor USAID has the right to accelerate payment of any Guaranteed Note, notwithstanding any failure of the Borrower to make payment on the Guaranteed Notes.

### **Consent to Jurisdiction; Service of Process**

Under the terms of the Guaranteed Notes, the Arab Republic of Egypt has consented to jurisdiction in the courts of the State of New York sitting in the City of New York and the Federal courts of the United States sitting in the Southern District of New York in suits brought to enforce the Arab Republic of Egypt's obligation under the Guaranteed Notes. The Arab Republic of Egypt will appoint the Ambassador to the United States of America as agent for service of process in respect of proceedings arising out of or relating to the Guaranteed Notes.

### **THE FISCAL AGENT**

PNC Bank, N.A., a national banking association (in such capacity, the “Fiscal Agent”), will enter into a Fiscal Agency Agreement, to be dated the date of closing (the “Fiscal Agency Agreement”), with the Borrower and USAID pursuant to which the Borrower will appoint it to act as the fiscal agent with respect to the Guaranteed Notes and the Fiscal Agent will, among other things, agree to maintain a register (the “Note Register”) of the holders of the Guaranteed Notes, to receive payments from the Borrower and USAID with respect to the Guaranteed Notes, to remit such payments to the registered holders thereof and to make demands under the Guarantees on USAID upon a default by the Borrower.

## UNITED STATES FEDERAL INCOME TAXATION

The following is a discussion of the material United States federal income tax considerations for initial purchasers of the Guaranteed Notes who are “U.S. Holders” (as defined below) and who purchase the Guaranteed Notes pursuant to this Offering Circular. This discussion is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This discussion does not describe all aspects of United States federal income taxation which may be important to particular investors in light of their individual investment circumstances, such as Guaranteed Notes held by investors subject to special tax rules (*e.g.*, financial institutions, insurance companies, broker-dealers, partnerships and their partners, non-U.S. Holders and tax-exempt organizations (including private foundations)) or to persons that will hold the Guaranteed Notes as part of a straddle, hedge, conversion, constructive sale, or other integrated security transaction for United States federal income tax purposes or that have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ significantly from those discussed below. In addition, this discussion does not discuss any state, local, or non-United States tax considerations. This discussion is written for investors that will hold the Guaranteed Notes as “capital assets” (generally, property held for investment) under the Internal Revenue Code of 1986. Each prospective investor is urged to consult its tax advisor regarding the United States federal, state, local, and non-United States income and other tax considerations of the purchase, ownership, and disposition of the Guaranteed Notes.

For the purposes of this discussion, a “U.S. Holder” is a beneficial owner of Guaranteed Notes that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation, partnership, or other entity created in, or organized under the law of, the United States or any State or political subdivision thereof, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that was in existence on August 20, 1996, was treated as a United States person on the previous day, and elected to continue to be so treated.

**TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS OF GUARANTEED NOTES ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS OF GUARANTEED NOTES FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS OF GUARANTEED NOTES UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE GUARANTEED NOTES; AND (C) HOLDERS OF GUARANTEED NOTES SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

### **Payments of Interest**

Interest payable on the Guaranteed Notes will be taxable to a U.S. Holder as ordinary income when received or accrued in accordance with the U.S. Holder’s method of tax accounting and will constitute foreign source income for United States federal income tax purposes.

### **Sale, Redemption, or Retirement of the Guaranteed Notes**

A U.S. Holder will generally recognize United States source capital gain or loss upon the sale, redemption, retirement, or other disposition of the Guaranteed Notes in an amount equal to the difference between the amount realized from such disposition, other than any amount attributable to accrued but unpaid interest, and the U.S. Holder’s tax basis in the Guaranteed Notes. Any such gain or loss will generally be long-term if the Guaranteed Notes have been held for more than one year. The deductibility of a capital loss is subject to limitations.

## **UNDERWRITING**

Subject to the terms and conditions set forth in the underwriting agreement (the “Underwriting Agreement”), between the Borrower and Morgan Stanley & Co. Incorporated (the “Underwriter”), relating to the Guaranteed Notes, the Borrower has agreed to sell to the Underwriter, and the Underwriter has agreed to purchase from the Borrower, all of the Guaranteed Notes. In the Underwriting Agreement, the Underwriter has agreed, subject to the terms and conditions set forth therein, to purchase all of the Guaranteed Notes if any are purchased.

The Guaranteed Notes will initially be offered at the price indicated on the cover page of this offering circular. After the initial offering of the Guaranteed Notes, the offering and other selling terms of the Guaranteed Notes may from time to time be varied by the Underwriter.

The Underwriter may effect such transactions by selling the Guaranteed Notes to or through dealers, and such dealers may receive compensation in the form of underwriting discounts, concessions or commissions from the Underwriter. The Underwriter and any dealers that participate with the Underwriter in the distribution of the Guaranteed Notes may be deemed to be underwriters, and any profits on the resale of the Guaranteed Notes positioned by them may be deemed to be underwriting discounts and commissions under the Securities Act of 1933, as amended.

The Guaranteed Notes are a new issue of securities with no established trading market. The Borrower does not intend to apply for listing of the Guaranteed Notes on a national securities exchange. The Borrower has been advised by the Underwriter that it intends to make a market in the Guaranteed Notes, as permitted by applicable laws, but it is not obligated to do so and may discontinue such market making at any time without notice. No assurance can be given as to whether a trading market in the Guaranteed Notes will develop or as to the liquidity of any trading market for the Guaranteed Notes.

In connection with the offering of the Guaranteed Notes, the Underwriter or any person acting for it may engage in transactions that stabilize, maintain or otherwise affect the price of the Guaranteed Notes. Specifically, the Underwriter may over-allot the offering, creating a syndicate short position. In addition, the Underwriter may bid for, and purchase, the Guaranteed Notes in the open market to cover syndicate shorts or to stabilize the price of the Guaranteed Notes. Any of these activities may stabilize or maintain the market price of the Guaranteed Notes above independent market levels. The Underwriter is not required to engage in these activities, and may end any of these activities at any time.

The Underwriter and its affiliates may engage in transactions with and perform services for the Borrower and the United States government and certain of their departments and agencies in the ordinary course of business.

The Underwriting Agreement provides that the Borrower will indemnify the Underwriter against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or contribute to payments the Underwriter may be required to make in respect thereof.

## **LEGAL MATTERS**

Certain legal matters will be passed upon for the Government of the Arab Republic of Egypt by Skadden, Arps, Slate, Meagher & Flom (UK) LLP, London, England, and for the Underwriter by Davis Polk and Wardwell, New York, New York. Certain matters with respect to Egyptian law will be passed upon for the Government of the Arab Republic of Egypt by Helmy, Hamza & Partners, Cairo, Egypt and the Council of State legal advisor to the Ministry of Finance of Egypt. In addition, an Assistant General Counsel of USAID will render an opinion with respect to certain matters relating to the Guarantees.



