

VICTORIA PEAK INTERNATIONAL FINANCE LIMITED

To the Distributors of the Notes:

Bank of China (Hong Kong) Limited	ICEA Securities Ltd.
Bank of Communications Co., Ltd. Hong Kong Branch	Chong Hing Bank Limited
Chiyu Banking Corporation Limited	MEVAS Bank Limited
CITIC Bank International Limited	Nanyang Commercial Bank, Limited
Core Pacific-Yamaichi International (H.K.) Limited	Public Bank (Hong Kong) Limited
Dah Sing Bank, Limited	Wing Hang Bank, Ltd.
	Wing Lung Bank Limited

To: The holders of the Octave Series 15 Notes (via Euroclear and/or Clearstream, Luxembourg)

Octave Notes Series 15

USD Credit-Linked Secured Callable Fixed Rate Notes due 2011 and extendable to 2014 (ISIN: XS0281891332) ("Tranche A Notes")

HKD Credit-Linked Secured Callable Fixed Rate Notes due 2011 and extendable to 2014 (ISIN: XS0281893627) ("Tranche B Notes")

(each a "Tranche" and the notes of either or both Tranches, the "Notes") issued by Victoria Peak International Finance Limited pursuant to its Retail Note Programme (the "Programme")

We refer to our notices to distributors of the Notes dated 1 December 2008, 8 December 2008, 30 March 2009, 2 April 2009, 21 April 2009, 7 May 2009, 20 May 2009, 1 June 2009, 2 July 2009, 21 October 2009, 6 November 2009, 1 December 2009 and 13 April 2010 informing you of recent credit events which have occurred in relation to the Underlying Securities for the Notes and the related loss calculations.

As at the date of this notice, the Underlying Securities for the Notes consist of Series 2007-3 Floating Rate Notes due 2011 and extendable to 2014 issued by Morgan Stanley ACES SPC acting for the account of the Series 2007-3 Segregated Portfolio (the "**Underlying Securities**"). The Underlying Securities are Synthetic CDO Securities referenced to 121 Reference Entities, as defined and further described in the Private Placement Memorandum Supplement of the Underlying Securities dated 29 January 2007 (the "**PPMS**").

As set out in our notice to distributors dated 13 April 2010, a Credit Event has occurred in respect of Ambac Assurance Corporation. Whilst this is not a reference entity under the Notes, it is a Reference Entity under the Underlying Securities.

As a result of this Credit Event, an Underlying Securities Default Event (also referred to as a Mandatory Redemption Event) as described in Special Condition (B)(2)(i) of the Notes has occurred in relation to the Notes. Following the occurrence of this event, the Notes have become subject to mandatory early redemption as further set out in Special Condition (B)(2) of the Notes. This notice is being sent to Noteholders via Euroclear and Clearstream,

Luxembourg pursuant to Special Condition (B)(2) of the Notes. Please refer to the attached set of Frequently Asked Questions for further information.

Although we are under no obligation to provide information in respect of the Notes or the Underlying Securities beyond that required by the offering documentation constituted by the Programme Prospectus and the Issue Prospectus, in the present exceptional circumstances we have considered it to be helpful to write to you in this instance to provide you with the information below relating to the Underlying Securities and the information contained in the attached set of Frequently Asked Questions relating to the Notes and the Underlying Securities. Please refer to the Programme Prospectus and the Issue Prospectus for the Notes for further information in relation to the consequences of this event.

We have set out in Part A of the Annex below the following information in relation to the loss calculations in respect of the Underlying Securities following the occurrence of the Credit Event relating to Ambac Assurance Corporation referred to above: the Reference Entity Notional Amount which applies to each Reference Entity in respect of which Credit Events have occurred since the issue date of the Underlying Securities and, in respect of each of the Credit Events that have occurred since the issue date of the Underlying Securities where such amounts have been determined (including the Credit Event relating to Ambac Assurance Corporation referred to above), the Weighted Average Final Price, the Reference Value and the Loss Amount.

The Aggregate Loss Amount as at the date hereof, being the sum of the Loss Amounts determined in respect of each of the Credit Events which have occurred in relation to the Underlying Securities since the issue date of the Underlying Securities where such Loss Amounts have been determined, is USD852,050,875. The remaining threshold amount of the Underlying Securities (also sometimes referred to as the remaining subordination) after taking into account the occurrence of the Credit Event in respect of the above Reference Entity and the related loss calculations is zero (being the difference between the Lower Threshold Amount of USD816,750,000 and the Aggregate Loss Amount of USD852,050,875 (subject to a minimum of zero)). For your convenience, we have set out in Part B of the Annex below the Lower Threshold Amount for the Underlying Securities (which is extracted from the PPMS for the Underlying Securities) and the current Aggregate Loss Amount.

We would encourage distributors to provide the information contained in this notice and the Frequently Asked Questions to your customers who invested in the Notes.

Nothing in this notice shall be construed as a waiver of any rights we may have with respect to the Notes.

If you have any questions or queries regarding this notice or the Notes, please consult your own legal, tax, accountancy or other professional adviser as you may see fit.

Capitalised terms used but not otherwise defined in this notice or otherwise specified shall have the meanings ascribed thereto in the Issue Prospectus relating to the Notes dated 30 November 2006 or the PPMS. The Issue Prospectus, the PPMS and certain other documents and information in relation to the Notes can be viewed on the following website: www.morganstanley.com/octavenotes.

Yours faithfully



VICTORIA PEAK INTERNATIONAL FINANCE LIMITED

BY: **Kareem Robinson**

14 July 2010

OCTAVE NOTES SERIES 15

ANNEX TO NOTICE TO DISTRIBUTORS DATED 14 JULY 2010

Part A

Reference Entity Notional Amount, Weighted Average Final Price, Reference Value and Loss Amount for each Reference Entity referred to above

Reference Entity	Reference Entity Notional Amount (USD)	Weighted Average Final Price	Reference Value (USD)	Loss Amount (USD)
Federal Home Loan Mortgage Corporation (Subordinated)	100,000,000	68.8085 %	68,808,500	31,191,500
Federal National Mortgage Association (Subordinated)	100,000,000	86.3375 %	86,337,500	13,662,500
Glitnir banki hf.	100,000,000	3.10 %	3,100,000	96,900,000
Kaupthing banki hf. (Subordinated)	100,000,000	0.625 %	625,000	99,375,000
Landsbanki Islands hf.	100,000,000	1.75 %	1,750,000	98,250,000
Abitibi-Consolidated Inc.	100,000,000	5.75 %	5,750,000	94,250,000
Bowater Incorporated	100,000,000	14.0625 %	14,062,500	85,937,500
Chemtura Corporation	100,000,000	15 %	15,000,000	85,000,000
Syncora Guarantee Inc.	100,000,000	5.5 %	5,500,000	94,500,000
Thomson	100,000,000	69.25 %	69,250,000	30,750,000
CIT Group Inc.	100,000,000	69 %	69,000,000	31,000,000
Ambac Assurance Corporation	100,000,000	8.765625 %	8,765,625	91,234,375

Part B

Lower Threshold Amount, Aggregate Loss Amount and remaining threshold amount in respect of the Underlying Securities as at the date of this notice

Lower Threshold Amount (USD)	Aggregate Loss Amount (USD)	Remaining threshold amount (USD) (subject to a minimum of zero)
816,750,000	852,050,875	0