

PINNACLE PERFORMANCE LIMITED

To the Distributors of the Notes:

CIMB-GK Securities Pte Ltd

Kim Eng Securities Pte. Ltd.

Phillip Securities Pte Ltd

DMG & Partners Securities Pte Ltd

OCBC Securities Private Limited

Malayan Banking Berhad, Singapore Branch

Pinnacle Notes Series 1

USD Fixed Rate First-to-Default Credit-Linked Notes due 2012 (ISIN: SG7I68931443) ("Tranche A Notes")

SGD Fixed Rate First-to-Default Credit-Linked Notes due 2012 (ISIN: SG7I69931459) ("Tranche B Notes")

(each a "Tranche" and the notes of any or all Tranches, the "Notes") issued by Pinnacle Performance Limited pursuant to its U.S.\$5,000,000,000 Structured Note Programme (the "Programme")

We refer to our notices to distributors of the Notes dated 3 November 2008, 8 December 2008, 16 April 2009 and 7 May 2009 informing you of recent credit events which have occurred in relation to the Underlying Assets for the Notes and the related loss calculations.

As previously, although we are under no obligation to provide information in respect of the Notes or the Underlying Assets beyond that specified in the Prospectus, in the present exceptional circumstances we believe it may be helpful to write to all Distributors to provide certain information relating to the Notes and the Underlying Assets.

At the date of this notice, the Underlying Assets for the Notes consist of Series 2006-28 Class II Floating Rate Notes due 2012 issued by Morgan Stanley ACES SPC acting for the account of the Series 2006-28 Segregated Portfolio (the "**Underlying Assets**"). As at the Issue Date, the credit rating assigned by Fitch to the Underlying Assets was "AA".

As mentioned in our previous notices to distributors of the Notes dated 3 November 2008, 8 December 2008, 16 April 2009 and 7 May 2009, since the Issue Date, credit events have occurred in respect of Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Glitnir banki hf., Kaupthing banki hf., Landsbanki Islands hf, Idearc Inc. and Syncora Guarantee Inc. Whilst these are not Reference Entities under the Notes, they are reference entities under the Underlying Assets. As mentioned in our notice to the distributors of the Notes dated 3 November 2008, the credit rating assigned by Fitch to the Underlying Assets was previously lowered to "B-" (Rating Watch: Negative). As a result of these credit events and recent market turmoil, the credit rating assigned by Fitch to the Underlying Assets has been further lowered to "C" with a Recovery Rating of "RR6" on 1 May 2009.

As at the date of this notice, the occurrence of these credit events has not resulted in a Mandatory Redemption Event in relation to the Notes. However, as set out in our notice to distributors of the Notes dated 7 May 2009, it is likely that a Mandatory Redemption Event may shortly occur as a result of the credit event that has occurred in respect of Syncora

Guarantee Inc. (formerly known as XL Capital Assurance Inc.). We will provide you with further information if and when that eventuates.

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 Pricing Statement relating to the Notes dated 7 August 2006 (the "**Pricing Statement**"). The Pricing Statement and certain other documents and information in relation to the Notes can be viewed on the following website: www.morganstanley.com/pinnaclenotes.

Yours faithfully



PINNACLE PERFORMANCE LIMITED

BY: Giles Le Sueur
Director

2 June 2009