

## PINNACLE PERFORMANCE LIMITED

To the Distributors of the Notes:

Hong Leong Finance Limited

UOB Kay Hian Pte Ltd

RHB Bank Berhad

DBS Vickers Securities (Singapore) Pte Ltd

OCBC Securities Private Limited

### Pinnacle Notes Series 2

**USD Fixed Rate First-to-Default Credit-Linked Notes due 2012 (ISIN: SG7J65932211) ("Tranche A Notes")**

**SGD Fixed Rate First-to-Default Credit-Linked Notes due 2012 (ISIN: SG7J66932228) ("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 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 this further written information in relation to the Notes.

As at the date of this notice, the Underlying Assets for the Notes consist of Series 2006-32 Class II Floating Rate Notes due 2012 issued by Morgan Stanley ACES SPC acting for the account of the Series 2006-32 Segregated Portfolio (the "**Underlying Assets**"). The Underlying Assets are Synthetic CDO Securities referenced to 100 Reference Entities, as defined and further described in the Private Placement Memorandum Supplement of the Underlying Assets dated 20 November 2006 (the "**PPMS**").

As set out in our notice to distributors dated 7 May 2009, a Credit Event has occurred in respect of Syncora Guarantee Inc. (formerly known as XL Capital Assurance Inc.). Whilst this is not a Company under the Notes, it is a Reference Entity under the Underlying Assets.

We are now in a position to provide you with further written information on the consequences of this Credit Event.

As of the date of this notice, the occurrence of the Credit Event referred to above has not resulted in a Mandatory Redemption Event in relation to the Notes. The Issuer can give no assurance as to whether a Mandatory Redemption Event will or will not occur in relation to the Notes in the future.

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 Assets following the occurrence of the Credit Event 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 Assets and, in respect of each of the Credit Events that have occurred since the issue date of the Underlying Assets where such amounts have been determined (including the Credit Event in relation to Syncora Guarantee Inc. 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 Assets since the issue date of the Underlying Assets where such Loss Amounts have been determined, is USD336,979,000. The remaining threshold amount of the Underlying Assets (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 USD93,021,000 (being the difference between the Lower Threshold Amount of USD430,000,000 and the Aggregate Loss Amount of USD336,979,000). For your convenience, we have set out in Part B of the Annex below the Lower Threshold Amount for the Underlying Assets (which is extracted from the PPMS for the Underlying Assets) and the current Aggregate Loss Amount.

We would encourage you to provide the information contained in this notice to your customers who invested in 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 Pricing Statement relating to the Notes dated 6 October 2006 (the "**Pricing Statement**") or the PPMS. The Pricing Statement, the PPMS and certain other documents and information in relation to the Notes can be viewed on the following website: [www.morganstanley.com/pinnaclenotes](http://www.morganstanley.com/pinnaclenotes).

Yours faithfully



**PINNACLE PERFORMANCE LIMITED**

By: **Giles Le Sueur**  
**Director**

2 July 2009

**PINNACLE NOTES SERIES 2**

**ANNEX TO NOTICE TO DISTRIBUTORS DATED 2 JULY 2009**

**Part A**

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

| <b>Reference Entity</b>                               | <b>Reference Entity Notional Amount (USD)</b> | <b>Weighted Average Final Price</b> | <b>Reference Value (USD)</b> | <b>Loss Amount (USD)</b> |
|---|---|-------------------------------------|------------------------------|--------------------------|
| Federal National Mortgage Association (Subordinated)  | 100,000,000                                   | 86.3375%                            | 86,337,500                   | 13,662,500               |
| Federal Home Loan Mortgage Corporation (Subordinated) | 100,000,000                                   | 68.8085%                            | 68,808,500                   | 31,191,500               |
| 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               |
| Syncora Guarantee Inc.                                | 100,000,000                                   | 5.5%                                | 5,500,000                    | 94,500,000               |

**Part B**

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

| <b>Lower Threshold Amount (USD)</b> | <b>Aggregate Loss Amount (USD)</b> | <b>Remaining threshold amount (USD)</b> |
|-------------------------------------|------------------------------------|---|
| 430,000,000                         | 336,979,000                        | 93,021,000                              |