

PINNACLE PERFORMANCE LIMITED

To the Distributors of the Notes:

CIMB-GK Securities Pte Ltd

DMG & Partners Securities Pte Ltd

Hong Leong Finance Limited

Kim Eng Securities Pte. Ltd.

OCBC Securities Private Limited

Phillip Securities Pte Ltd

RHB Bank Berhad

UOB Kay Hian Pte Ltd

Pinnacle Notes Series 7

USD Fixed Rate First-to-Default Credit-Linked Notes with Equity Bonus Coupon due 2013 (ISIN: SG7N95936343) ("Tranche A Notes")

SGD Fixed Rate First-to-Default Credit-Linked Notes with Equity Bonus Coupon due 2013 (ISIN: SG7N96936359) ("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 notice to the distributors of the Notes dated 3 November 2008 informing you of recent credit events which have occurred in relation to the Underlying Assets for the Notes.

We are now in a position to provide you with further written information on the consequences of those credit events. 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 information relating to the Notes and the Underlying Assets.

As at the date of this notice, the Underlying Assets for the Notes consist of Series 2007-26 Floating Rate Notes due 2012 issued by Morgan Stanley ACES SPC acting for the account of the Series 2007-26 Segregated Portfolio (the "**Underlying Assets**"). The Underlying Assets are Synthetic CDO Securities referenced to 125 Reference Entities, as defined and further described in the Private Placement Memorandum Supplement of the Underlying Assets dated 5 July 2007 (the "**PPMS**").

Since the issue date of the Underlying Assets, Credit Events have occurred in respect of:

- Federal Home Loan Mortgage Corporation;
- Federal National Mortgage Association;
- Lehman Brothers Holdings Inc.;
- Washington Mutual, Inc.;
- Glitnir banki hf.;
- Kaupthing banki hf.

Whilst these are not Companies under the Notes, they are Reference Entities under the Underlying Assets. 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 Events referred to above: the Reference Entity Notional Amount which applies to each Reference Entity and, in respect of each of the Credit Events referred to above, the Weighted Average Final Price, the Reference Value and the Loss Amount.

As of the date of this notice, the occurrence of these Credit Events 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.

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, is USD326,850,000. 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 Events in respect of the above Reference Entities and the related loss calculations is USD248,150,000 (being the difference between the Lower Threshold Amount of USD575,000,000 and the Aggregate Loss Amount of USD326,850,000). 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 attach a set of Frequently Asked Questions in relation to the contents of this notice which will be posted on the following website: www.morganstanley.com/pinnaclenotes. We would encourage you to provide the information contained in this notice and the Frequently Asked Questions 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 16 May 2007 or the PPMS.

Yours faithfully



PINNACLE PERFORMANCE LIMITED

By: **Giles Le Sueur**
Director
11 December 2008

PINNACLE NOTES SERIES 7

ANNEX TO NOTICE TO DISTRIBUTORS DATED 11 DECEMBER 2008

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 National Mortgage Association (Subordinated)	100,000,000	99.90%	99,900,000	100,000
Federal Home Loan Mortgage Corporation (Subordinated)	100,000,000	98.00%	98,000,000	2,000,000
Lehman Brothers Holdings Inc.	100,000,000	8.625%	8,625,000	91,375,000
Washington Mutual, Inc.	100,000,000	57.00%	57,000,000	43,000,000
Glitnir banki hf.	100,000,000	3.00%	3,000,000	97,000,000
Kaupthing banki hf.	100,000,000	6.625%	6,625,000	93,375,000

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

Lower Threshold Amount (USD)	Aggregate Loss Amount (USD)	Remaining threshold amount (USD)
575,000,000	326,850,000	248,150,000