21, 2010, and which imposes a new regulatory framework over the U.S. financial services industry and the consumer credit markets in general, and proposed regulations by the SEC that, if enacted, would significantly alter the manner in which asset-backed securities, including securities similar to the Securities, are issued and structured and increase the reporting obligations of the issuers of such securities. Given the broad scope and sweeping nature of these changes and the fact that final implementing rules and regulations have not yet been enacted, the potential impact of these actions on the Issuer, any of the Securities or any holders of Securities is unknown, and no assurance can be made that the impact of such changes would not have a material adverse effect on the prospects of the Issuer or the value or marketability of the Securities. In particular, if existing transactions are not exempted from any such new rules or regulations, the costs of compliance with such rules and regulations could have a material adverse effect on the Issuer and the holders of Securities. If the Issuer were unable to comply with such rules and regulations (because of excessive cost, unavailability of information or otherwise), an Event of Default could result. Liquidation of the Collateral as a result of an Event of Default could have a material adverse effect on the holders of Securities, particularly the Subordinated Securities. Furthermore, no assurance can be made that the United States federal government or any U.S. regulatory body (or other authority or regulatory body) will not continue to take further legislative or regulatory action in response to the economic crisis or otherwise, and the effect of such actions, if any, cannot be known or predicted.

The Financial Accounting Standards Board has adopted changes to the accounting standards for structured products. These changes, or any future changes, may affect the accounting for entities such as the issuing entity, could under certain circumstances require an investor or its owner generally to consolidate the assets of the issuing entity in its financial statements and record third parties' investments in the trust fund as liabilities of that investor or owner or could otherwise adversely affect the manner in which the investor or its owner must report an investment in Securities for financial reporting purposes.

The European Union has also taken a number of actions in response to the financial crisis. European reforms related to the regulation of securitization markets include risk retention and due diligence requirements under a new Article 122a of the Banking Consolidation Directive ("Article 122a"). Article 122a applies to credit institutions in the European Union (for example, banks) that invest in or hold positions in securitizations (including CLO transactions). Among other provisions, Article 122a restricts investments by EU-regulated credit institutions (and, in some cases, consolidated group entities) in securitizations that fail to comply with certain requirements concerning retention by the originator, sponsor or original lender of the securitized assets of a portion of the securitization's credit risk. The Issuer has not taken, and does not intend to take, any steps to comply with the requirements of Article 122a. The fact that the offering of the Securities has not been structured to comply with Article 122a is likely to limit the ability of EU-regulated credit institutions to purchase Securities, which may adversely affect the liquidity of the Securities in the secondary market.

Insolvency Considerations Under U.S. Federal Bankruptcy Law. Various laws enacted for the protection of debtors or creditors may apply to the Collateral Obligations under U.S. federal bankruptcy law. If a court were to find that the obligor of a Collateral Obligation did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting the Collateral Obligation and, after giving effect to such indebtedness, the obligor (i) was insolvent, (ii) was engaged in a business for which its remaining assets constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they matured, the court could invalidate, in whole or in part, the indebtedness as a fraudulent conveyance, subordinate the indebtedness to existing or future creditors of the obligor or recover amounts previously paid by the obligor in satisfaction of the indebtedness. There can be no assurance as to what standard a court would apply in order to determine whether the obligor was "insolvent." In addition, in the event of the insolvency of an obligor of a Collateral Obligation, payments made on the Collateral Obligation could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year and one day) before insolvency.

A U.S. bankruptcy court would be able to recapture payments that are determined to be "avoidable" (whether as a preference or otherwise) either from the initial recipient (such as the Issuer) or from subsequent transferees of such payments (such as the holders of the Securities). To the extent that any such payments are recaptured from the Issuer, the resulting loss will be borne by the holders of the Securities beginning with the Subordinated Securities as the most junior Classes. A court in a bankruptcy or insolvency proceeding would be able to direct the recapture of payments from a holder of Securities only to the extent that it has jurisdiction over the holder or its assets. Moreover, it is likely that avoidable payments could not be recaptured directly from a holder that has given value in