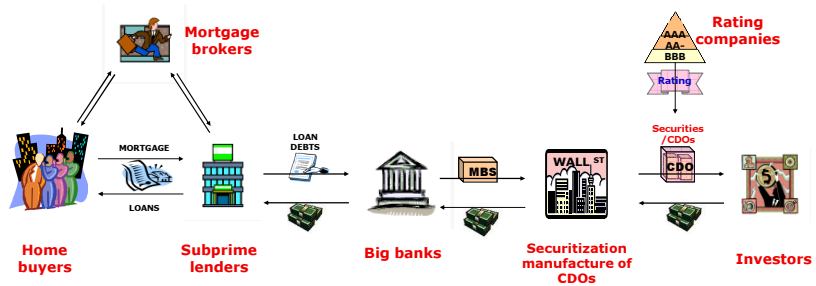


Subprime Money Trail

- How subprime mortgage can end up in your investments



Source: Bloomberg Markets, July 2007

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Financial Alchemy

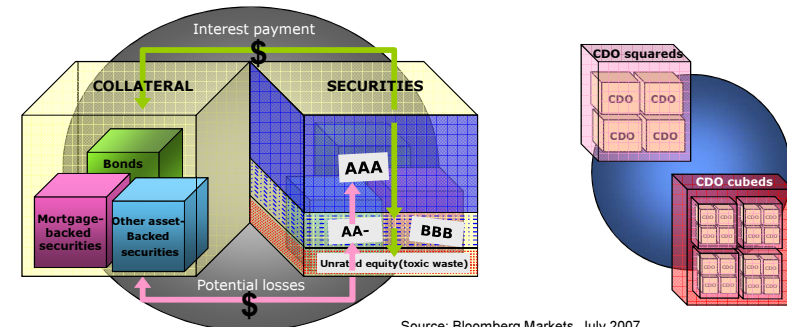
- Wall Street has a way to transform risky debt into CDOs rated AAA or Aaa.

1. The CDO

A CDO is a company typically incorporated offshore that buys collateral such as bonds, mortgage-backed securities and loans and sells debt securities with varying degrees of risk

2. Multiply CDOs

A CDO with collateral consisting of pieces of other CDOs is called a CDO squared. When a CDO is built of CDO squareds, it's called a CDO cubed.



Source: Bloomberg Markets, July 2007

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