



PORTFOLIO MANAGER'S REPORT



Thursday June 10, 2010 8:55 AM

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CURRENT OFFERING YIELDS - Thursday: 06/10/2010 8:55 AM

TODAY'S ECONOMIC DATA

Trsy (Last Price)	Change (From Yest)	Agcy NC (Bullets)	Muni - TEY (A1; GO; BQ)	CMO (Avg Life)	MBS (Avg Life)	10-Jun	Trade Balance
3 mo	0.074%	-1.60 bp's	0.127%	0.359%		10-Jun	Prior: -\$40.4B Actual: -\$40.3B
6 mo	0.168%	-0.10 bp's	0.235%	0.450%		10-Jun	Initial Jobless Claims
12 mo	0.310%	+0.1 32'ds	0.498%	0.662%		10-Jun	Prior: 453K Actual: 456K
2 yr	0.758%	-2.5 32'ds	0.952%	1.192%	1.658%	1.708%	Continuing Claims
3 yr	1.190%		1.372%	1.773%	2.190%	2.290%	Prior: 4666K Actual: 4462K
5 yr	2.055%	-6.0 32'ds	2.213%	2.935%	2.905%	3.205%	DJIA
10 yr	3.259%	-6.0 32'ds	3.404%	4.905%	4.209%	4.259%	NASDAQ
30 yr	4.180%	-23.5 32'ds	4.682%	6.889%			S & P 500

Source: Bloomberg Fair Value Curve or Last Price (Treasury only); ALL yields and spreads are "representative", not actual. Spreads change as the market changes, actual offerings may be higher or lower than

TODAY'S NEWS

Treasuries Fall Before 30-Year Sale on Signs of Global Economic Recovery

June 10 (Bloomberg) -- Treasuries fell as a drop in U.S. continuing claims for unemployment benefits and signs of global economic strength reduced demand for safety. The drop pushed yields on 10-year notes up from almost a one-year low on eased concern Europe's sovereign-debt crisis will slow the worldwide recovery. The 30-year bond declined on speculation demand at today's \$13 billion sale of the security may be weak.

Today's Topic: Riding the Curve

Our EFTI, published here on Tuesday, shows no upward pressure in rates at all and very little change in the very steep shape of the yield curve. Along with the Weekly LEI we talked about yesterday, a continuing pattern of very low rates should continue for sometime. Thus, we continue to believe it is safe, for now, to continue to ride the yield curve with medium duration bonds, funded with the cheapest deposits you can find.

For the more conservative, consider mixing in the FHLB floater at LIBOR + 50 (capped at 4.00%) pictured below.

Here is a medium duration bond we think will work. No, the yield is not high by historical standards, but funding costs aren't either.

GRAB Mtge YT

PRLM GW-6081 EC 2.5% LEGAL MTY N/A ADU <PAGE>

BCC1GTZ17 CMO: EXCHANGEABLE NO Notes 88 <Go>

FGCI 4 N 4.420(115)4 MAC/ARM/AGE ASSUME

ASSUMED collateral	6/30/10: 100,000,000	next pay	7/15/10 (monthly)	30/360 Cashflows
-NO History-	6/15/10: 100,000,000	rcd date	6/30/10 (14 Delay)	created 5/27/10
	factor 1.000000000000	accrual	6/ 1/10- 6/30/10	1stPrd: 7/15/10
				ASSUMED collateral

6/30/10 YIELD TABLE

B. Median	+300bp101	+200bp118	+100bp149	0bp278	-100bp812	-200bp1432	-300bp1534
Wary PRICE	101 PSA	118 PSA	149 PSA	278 PSA	812 PSA	1432 PSA	1534 PSA

DEAL: * Information is preliminary and subject to change.

101-77_e 2.186 2.178 2.164 2.103 1.823 1.485 1.428

AvgLife	4.42	4.32	4.13	3.49	2.02	1.34	1.26
Mod Dur	4.09	3.99	3.83	3.27	1.94	1.30	1.23
DATE Window	7/10- 1/15/20	7/10- 1/15/20	7/10- 1/15/20	7/10- 1/15/20	7/10- 1/15/20	7/10- 10/15/19	7/10- 9/15/18
Spread	+44/AL	+47/AL	+53/AL	+73/AL	+109/AL	+103/AL	+100/AL

NON-CALLABLE Preliminary cashflows based upon dealer representations. "PRO-SUP" UNAVAILABLE.

Treasury Curve = BGN 16:29
6mo -1- -2- -3- -5- -7- -10- -30-
0.17 0.31 0.72 1.18 1.97 2.63 3.18 4.11

Format# 1-YT

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
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For more information on this security or other issues concerning your investment portfolio, contact your Country Club Bank Capital Markets Group investment officer.