



PORTFOLIO MANAGER'S REPORT



Tuesday June 15, 2010 8:53 AM

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CURRENT OFFERING YIELDS - Tuesday: 06/15/2010 8:53 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)	15-Jun	15-Jun	15-Jun
3 mo	0.054%	-0.70 bp's	0.088%	0.405%		Import Price Index (MoM)	Prior: 0.9% Actual: -0.6%	
6 mo	0.147%	-0.30 bp's	0.204%	0.495%		Import Price Index (YoY)	Prior: 11.1% Actual: 8.6%	
12 mo	0.274%	-0.3 32'ds	0.478%	0.723%		Empire Manufacturing	Prior: 19.11 Actual: 19.57	
2 yr	0.734%	-0.5 32'ds	0.964%	1.238%	1.634%	DJIA	10,276.90	86.01
3 yr	1.170%		1.398%	1.819%	2.270%	NASDAQ	2,271.10	27.14
5 yr	2.042%	UNCH	2.268%	2.980%	3.142%	S & P 500	1,100.16	10.53
10 yr	3.268%	UNCH	3.481%	4.980%	4.168%			
30 yr	4.192%	-4.0 32'ds	4.746%	6.920%	4.268%			

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 Little Changed After Reports on Manufacturing, Investment Flow

June 15 (Bloomberg) -- Treasuries were little changed after reports showed manufacturing in the New York region expanded in June at a faster pace and global demand for long-term U.S. financial assets rose in April more than forecast. U.S. debt advanced earlier after Greece's credit rating was cut four steps yesterday to non-investment grade, or junk, by Moody's Investors Service, citing economic risk.

Today's Topic: Spread at Last

Let's face it; since the Fed entered the mortgage-back market, higher prices have been more conducive to "selling into strength" as opposed to purchasing. But the record low spreads of the past year have finally started to succumb to the laws of supply and demand. The attached "Mandatory Redemption" CMO has several attractive features. Highlights include:

1. It has a current coupon of 2.25% meaning very little premium at risk.
2. It has a 6-15-2020 end date that limits the risk of extension.
3. It is driven by 7.5 year seasoned 30 year mortgages with an underlying WAC of 6.90%, that also limits the risk of extension.
4. It has a 131 basis point spread for a 2.12 year average life, roughly 100 basis points more than bullet agencies.

Currently, we own and offer \$2,000,000. Please call your Capital Markets Representative if you'd like to know more.

FHR 3683 AD Mtge	YT 100-07	Mtge	YT
⁶⁶ <GO> BCC1H3XP2 CMO:MANDATORY REDEMPTION		2.25%	6/15/20
⁶⁵ <GO> FGLMC 6.5 S 6.909(259)89 WAC(WAM)AGE ASSUME		ADU: <PAGE>	NO Notes
ASSUMED collateral -NO History- factor 1.000000000000		next pay 7/15/10 (monthly)	30/360 Cashflows created 6/10/10
6/30/10 6/15/10: 100,000,000 6/15/10: 100,000,000		rcd date 6/30/10 (14 Delay)	1st Proj 7/15/10 ASSUMED collateral
YIELD TABLE			
30/360 DSCNTNG B-Median +300bp ¹⁶⁶ +200bp ²²⁵ +100bp ²⁷⁸ 0bp ³⁵⁷ -100bp ⁵³⁶ -200bp ⁶⁰⁹ -300bp ⁶⁷⁹			
Vary PRICE ¹ 32 166 PSA 225 PSA 278 PSA 357 PSA 536 PSA 609 PSA 679 PSA			
DEAL: * Information is preliminary and subject to change.			
100-7 2.182 2.161 2.141 2.110 2.030 1.993 1.956			
AvgLife 4.22 3.29 2.71 2.12 1.37 1.18 1.03 Mod Dur 3.90 3.08 2.57 2.03 1.33 1.14 1.00			
DATE Window 7/10- 6/15/20 7/10- 11/15/18 7/10- 6/15/17 7/10- 12/15/15 7/10- 1/15/14 7/10- 7/15/13 7/10- 3/15/13			
Spread ¹ +46/AL +83/AL +106/AL +130/AL +157/AL +162/AL +165/AL			
CALL Provision NOT Modelled Preliminary cashflows based upon dealer representations. PROSPECTUS UNAVAILABLE.			
Treasury Curve - BGN 9:19 6mo -1- -2- -3- -5- -7- -10- -30- + 0.15 0.28 0.73 1.21 2.03 2.71 3.25 4.18			
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 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2010 Bloomberg Finance L.P. SN 654833 15-Jun-2010 09:20:02			