



PORTFOLIO MANAGER'S REPORT



Tuesday July 20, 2010 8:47 AM

Kansas City Office: (800) 288-5489

Oklahoma City Office: (866) 288-8823

Tulsa Office: (800) 288-1956

CURRENT OFFERING YIELDS - Tuesday: 07/20/2010 8:47 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)			
3 mo	0.141%	-1.10 bp's	0.146%	0.480%			20-Jul	Housing Starts	
6 mo	0.188%	-1.00 bp's	0.209%	0.511%			20-Jul	Building Permits	
12 mo	0.244%	UNCH	0.383%	0.662%			20-Jul	ABC Consumer Confidence	
2 yr	0.576%	+ 0.5 32'ds	0.765%	1.162%	1.476%	1.526%		Prior: 593K Actual: 549K	
3 yr	0.938%		1.147%	1.723%	1.938%	2.038%		Prior: 574K Actual: 586K	
5 yr	1.660%	+ 3.0 32'ds	1.911%	2.844%	2.510%	2.810%		Prior: -44 Actual: ---	
10 yr	2.925%	+ 3.0 32'ds	3.221%	4.738%	3.875%	3.925%	DJIA	10,036.52	-117.91
30 yr	3.969%	+ 8.0 32'ds	4.582%	6.950%			NASDAQ	2,165.51	-32.72
							S & P 500	1,060.74	-10.51

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 Gain as U.S. Housing Starts Drop to Lowest Level Since October

July 20 (Bloomberg) -- Treasuries rose, pushing two-year note yields to a record low level, as government data showing that U.S. housing starts fell last month to the least since October added to signs economic growth is fading. Ten-year note yields decreased to a two-week low. Commerce Department data showed housing starts at an annualized rate of 549,000 in June, below the median forecast in a Bloomberg News survey of 75 economists for a pace of 577,000. Futures on the Standard & Poor's 500 Index fell 0.8 percent.

Worried About Higher Rates and Tired of Earning 25 bps in Fed Funds? Here is Your Solution!

Do you think the 0 to 25 basis point fed funds target rate is going to spark inflation causing higher rates, two, three, four, or even five years down the road? Are you tired of earning 25 basis points, or less, in fed funds? Here is an opportunity that will yield 1.84% over fed funds and, at the same, time will allow you to take advantage of higher rates when they come.

What is this great opportunity, you ask? They are hybrid ARMS. For those of you who are not familiar, hybrid ARMS have a fixed coupon to the first reset date (usually 3 to 5 years out, but can be shorter) and then adjust on an annual basis. The coupon is adjusted based on the type of ARM. Most reset to 1 year CMT (constant maturity treasury) or 12 month LIBOR plus a margin of 150 to 225 basis points.

We suggest buying ARMS with a reset date that corresponds with when you think the short end of the curve will be higher, which will ensure your coupon resets higher. However there is no need to worry if you're wrong and rates haven't risen at the first reset date. The margin, 150 to 225 bps, will ensure your coupon will adjust close to prevailing market yields for one year paper, if not higher!

Another great attribute of ARMS is that home owners often prepay in a rising rate environment due to their concern over paying a higher interest rate at reset time. As the ARM investor, you'll be the lucky recipient of faster cash flows in a rising rate environment.

Below is a 5/1 GNMA Hybrid ARM for your consideration....We own 3.75MM.

It is a GNMA, 3.5% coupon. The first reset is in 5 years (10/2015) and the coupon will reset to 1 year CMT plus 150 bps. The yield to the first reset is 2.09%. It has a lifetime cap of 9.50% and an annual coupon adjustment cap of 2% after the first reset. This investment will provide great cash flow, which will allow you to use your returned dollars to invest when rates are higher. This investment is also zero risk based capital, which we all like!!! Please call your CCB representative to discuss this opportunity for your portfolio!

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PROJECTED CASH FLOWS

PAGE 3 OF 5
 BGN
 Delay 49(19)
 Prepayment 15.0 CPR
 PPL
 CFR
 PSA
 SMM

Download: 22<60>
 G2FT POOL 82584 3.50%
 Show Cashflow Settle 7/22/10
 Net 3.1 Gross 4.173 Balloon or Lockout? N
 Orig Balance 3,750,000.00 Jul10
 Curr Balance 3,750,000.00 1.00000000
 Term 30: 0 Rem WAM 29: 11 IO 0: 0 Plan 0 LevelPay

Note: Cashflows are "as if" and do not use actual factors.

YEAR	Date	Principal Balance	Interest	Regular Principal	Prepaid Principal	Net Flow
1	7/20/11	3,132,767.82	121,037.38	59,800.59	557,431.59	738,269.56
2	7/20/12	2,614,351.35	101,068.28	52,992.70	465,423.77	619,484.75
3	7/20/13n	2,179,218.89	84,301.00	46,959.84	388,172.62	519,433.46
4	7/20/14n	1,814,249.26	70,231.76	41,613.79	323,355.85	435,201.40
5	7/20/15	1,508,360.99	58,435.03	36,876.34	269,011.93	364,323.30
6	7/20/16	1,246,154.49	30,737.02	39,151.37	223,055.12	292,943.51
7	7/20/17	1,026,133.53	19,984.00	36,171.26	183,849.71	240,004.97
8	7/20/18	843,391.09	16,442.34	31,498.86	151,243.57	199,184.78
9	7/20/19n	691,783.13	13,502.20	27,430.02	124,177.94	165,110.16
10	7/20/20	566,158.55	11,064.29	23,886.77	101,737.81	136,688.87
11	7/20/21	462,201.03	9,045.36	20,801.21	83,156.31	113,002.88
12	7/20/22	376,295.80	7,375.68	18,114.23	67,790.99	93,280.90

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