MUTUAL OF OMAHA RETIREMENT SERVICES

First Quarter 2010

Market & Economic Conditions

Major Indices	1Q 2010 Returns
S&P 500	5.4%
Dow Jones	4.8%
NASDAQ	5.7%
Russell 1000-Growth	4.7%
Russell 1000-Value	6.8%
Russell 2000	8.9%
MSCI EAFE	2.5%
BarCap Aggregate	2.0%
BarCap 2% Issue Constrained High Yield	4.5%

The exuberance that closed 2009 spilled over into the first quarter of 2010 driving equity markets higher. The U.S. market achieved strong first quarter results across the market cap and style spectrums. Following a 3-4 percent pullback in January in virtually every equity style group, strong performance for the remainder of the quarter, particularly in March, propelled returns higher. Contrary to the previous quarter, riskier assets dominated the domestic equity landscape in the first quarter.

Mid cap and small cap stocks earned nearly twice the returns of their large cap counterparts (S&P Mid Cap 400: +9.1%, Russell 2000: +8.9%, vs. S&P 500: +5.4%). Value-oriented stocks outperformed growth stocks (Russell 1000 Value: +6.8%; Russell 1000 Growth +4.7%), which was a sharp reversal from the previous quarter where growth outperformed value by nearly 400 basis points. For the quarter, Industrials (+12.5%) was the strongest performing sector within the S&P 500.

Performance for the quarter within the international equity markets was much more muted than in the U.S. (MSCI EAFE: +0.9%). Greece's 13.2% decline, spurred by its debt crisis, reverberated across Europe with nearly all European countries posting declines. Emerging markets posted a 2.5% return, a respectable showing but below the heady returns of the previous three quarters. Pullbacks in China (-1.6%) and Brazil (-0.1%) contributed to the more modest first quarter return. The emerging market standouts were Thailand and Hungary, both up 13%, as well as Indonesia, Columbia and Israel which were each up 10%.

Within fixed income, risk appetite was generally strong in the first quarter, particularly in March, and the sectors furthest out on the risk spectrum performed the best for the quarter. The Barclays Capital US Aggregate Index rose 1.8% for the first quarter, with the corporate sector gaining 2.3%. The high yield market continued to generate strong results (BarCap 2% Issue Constrained High Yield: +4.5%) for the quarter, contributing to a 56% return for the last twelve months. TIPS were the laggards with a muted 0.6% quarterly return, as inflation remained benign and supply weighed on this sector.

Building on their advances from 2009, REIT's (NAREIT Equity REIT Index: +10.12%) again outpaced the general market during the first quarter. After devastating losses in 2008 and early 2009, the index now has advanced 106.9% in the last year. However, even after factoring in the tremendous rebound, the index has still produced an average annual return of –10.57% over the trailing three-year period, highlighting just how severe the downtown was.

Mutual of Omaha Retirement Program Product (0.00% Class as of 03/31/10)

- Continuing the trend from calendar year 2009, every investment option available in the product produced a gain for the quarter, ranging from +0.53% (Artio International Equity Fund II) to +12.84% (AllianceBernstein Small/Mid Cap Value Fund).

- Consistent with the theme of long-term investing, for the actively managed stand-alone equity investment options that have at least a 10-year performance record, 84% have outperformed their benchmark over that time period. Nearer term, active management has not fared as well, with only 36% of those same funds outperforming the passive benchmark for the quarter.

- Mutual Directions continues to offer investors the potential for increased returns for incremental increases in risk. For the quarter, the more aggressive Mutual Directions 5 (+4.89%) outperformed the more conservative Mutual Directions 1 (+1.55%) by 3.34%.

- For the quarter, fixed income returns of more aggressive actively managed funds performed better than their high quality (more conservative) counterparts. As a result, the Metropolitan West Total Return Bond Fund (+3.74%) and PIMCO Total Return Fund (+2.79%) outperformed the Bond Index Fund (+1.47%), which tracks the more conservative benchmark. High yield bonds performed even stronger, as evidenced by the returns of BlackRock High Yield Bond Portfolio (+7.01%) and Goldman Sachs High Yield Fund (+3.98%).

- Domestic equity investments produced strong returns across the board during the quarter, with mid cap stocks (Mid Cap Stock Index Fund: +8.93%) and small cap stocks (Small Cap Stock Index Fund: +8.75%) outperforming large cap stocks (Stock Market Index Fund: +5.36%). Value stocks (Value Stock Index Fund: +6.59%) significantly outperformed growth stocks (Growth Stock Index Fund: +4.55%).

- As strong as the broad stock market has performed over the last 12 months, REIT funds have produced even more robust returns. For the 1-year period, Cohen & Steers Institutional Realty Shares has returned an impressive 109.86%, which is more than 26% greater than the second highest performer over that period (AllianceBernstein Small/Mid Cap Value Fund: +83.84%). This is a sharp contrast to the prior 1-year period (4/1/08 – 3/31/09) when the Fund lost more than half of its value.

Over the past year, the equity markets have posted monumental returns. Since the market trough on 3/9/09, through the end of the first quarter of this year, the Russell 2000 is up just over 100%, the S&P 500 returned 76.8%

and the NASDAQ gained nearly 90%. Despite this recovery, all three indices remained below their respective 2007 highs as of the end of the first quarter. In fact the S&P 500's value of 1,169 (as of 3/31/10) still remains 25% lower than its all time high of 1,565 reached on 10/09/07. While the stock market performance over the last year has been encouraging, the outlook warrants caution in light of the economic and fiscal challenges that lie ahead. Callan continues to recommend prudent asset allocation, disciplined rebalancing and risk assessment based on an investor's future capital needs. Ongoing due diligence and an adherence to a well-developed investment policy remains a prudent long-term course for investors.