HOSPITALITY INDUSTRY

Retirement Plan Review

The Principal Financial Group®
Vision. Collaboration. Action.

For Plan Sponsor use only.

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Today's Focus

Retirement Program Overview

HOSPITALITY INDUSTRY 401(K) PLAN

Defined Contribution Plan		
HOSPITALITY INDUSTRY 401(K) PLAN Contract/Plan ID Number 4-47341		
Participant Details	**12/31/2012**	**01/31/2013**
Total Plan Participants	2,151	2,151
Average Account Balance per Participant	$20,778	$21,282
Average Account Elective Deferral Contributions per Participant	$3,776	$555

Internet & Voice Response Usage	2012	2013
Internet Sessions	4541	803
Internet Users	270	106
Voice Response Sessions	368	84
Voice Response Users	50	19

Investment Demographics & Investment Review Defined Contribution Plan		
HOSPITALITY INDUSTRY 401(K) PLAN Contract/Plan ID Number 4-47341		
Total Plan Assets	**12/31/2012**	**01/31/2013**
	$19,462,446	$19,975,352

Investment Option Balances by Asset Class			
		01/31/2013	
Asset Class	**12/31/2012**	**Total**	**Percent of Total Assets**
Large U.S. Equity	$2,699,728	$2,894,234	14.5%
Small/Mid U.S. Equity	$2,498,272	$2,680,344	13.4%
International Equity	$952,204	$998,848	5.0%
Balanced/Asset Allocation	$4,843,688	$5,018,987	25.1%
Short-Term Fixed Income	$5,797,992	$5,638,992	28.2%
Fixed Income	$2,670,562	$2,743,947	13.8%

Disclosures

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

High-yield investment options are subject to greater credit risk associated with high yield bonds.

Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

Specialty investment options may experience greater volatility than funds with a broader investment strategy due to sector focus. These investment options are not intended to serve as a complete investment program by itself.

Real estate investment options are subject to some risks inherent in real estate and Real Estate Investment Trusts, such as risks associated with general and local economic conditions.

Money market investment options are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the investment option may seek to preserve the value of $1.00 per share or unit value, it is possible to lose money.

Each index-based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged result for the market segment the selected stocks or bonds represent. There is no assurance an index-based investment option will match the performance of the index tracked.

Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

Asset allocation/diversification does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risk.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

Insurance products and plan administrative services are provided by Principal Life Insurance Company, a member of the Principal Financial Group® (The Principal®), Des Moines, IA 50392.

The Principal® – Among the Leaders

A global, diversified financial services organization

The Principal Financial Group® is a leading provider of defined contribution plans[1] as well as a global investment manager who provides you and your financial professional the benefit of our extensive asset allocation flexibility.

We offer organizations, individuals and institutional clients a wide range of financial products and services, including retirement and investment services, and life insurance. For more than 70 years, retirement has been the heart of our business.

[1]Based on number of recordkeeping plans, *PLANSPONSOR* Recordkeeeping Survey *"Tying it all together, picking the best provider,"* June 2011.

The Principal Financial Group®

2012 Company Profile[1]

Founded in 1879, the Principal Financial Group® (The Principal®) is a global investment management leader. The Principal offers businesses, individuals and institutional clients a wide range of financial products and services, including retirement, asset management and insurance, through its diverse family of financial services companies.

A member of the FORTUNE 500®, the Principal Financial Group has $364.1 billion in assets under management and serves some 17.3 million customers worldwide from offices in 18 countries throughout Asia, Australia, Europe, Latin America and North America. The Principal Financial Group, Inc. is traded on the New York Stock Exchange under the ticker symbol PFG.

Financial Data

- **Total assets under management** $364.1 billion
- **Total GAAP revenues** $2.1 billion
- **Net income available to common stockholders** $201.5 million
- **Operating earnings[2]** $213.0 million
- **Operating return on average equity available to common stockholders, excluding other comprehensive income[2]** 9.9 percent

People

- 12,900 employees worldwide
- 9,900 employees in the United States

Clientele

- 17.3 million customers

Financial Strength Ratings[3] for Principal Life Insurance Company and Principal National Life Insurance Company

- **A+ (Superior)** – A.M. Best Company
  Second highest of 16 rating levels. December 2011
- **AA- (Very strong)** – Fitch
  Fourth highest of 21 rating levels. January 2012
- **Aa3 (Excellent)** – Moody's Investors Service
  Fourth highest of 21 rating levels. August 2011
- **A (Strong)** – Standard & Poor's
  Sixth highest of 21 rating levels. December 2011

Page 1 data updated March 31, 2012

Awards and Recognition

Industry Leadership

- Ranked 268th on ***FORTUNE* magazine's list of the Largest 500 Corporations** based on 2010 GAAP revenues. May 2011
- A member of the **Standard & Poor's (S&P) 500®** since July 2002.
- Ranked 481st on **The *Forbes* Global 2000 list**, which recognizes the world's biggest and most powerful companies, as measured by a composite ranking for sales, profits, assets and market value. April 2011
- Recognized as the **No. 2 recordkeeper in the number of SEP and SIMPLE plans** in *PLANSPONSOR* magazine's Recordkeeping Survey. June 2011
- Named the **No. 1 recordkeeper of defined benefit plans** by *PLANSPONSOR* magazine. February 2011
- Earned **Best in Class awards** in 129 unique categories measured in Chatham Partners survey of defined benefit, defined contribution and combo clients with more than $5 million in assets. December 2011
- Received the **DALBAR Communication Seal of Excellence** in customer communications for defined contribution statement. January 2012
- Principal Funds ranked **No. 3 on *Barron's* annual ranking** of top mutual fund companies. February 2011
- Principal Funds ranked as the **fourth largest manager of target-date lifecycle funds** in the United States by Financial Research Corporation Lifecycle Fund Analytic Report. September 2011
- **Principal Funds holds the No. 21 spot on the list of top advisor-sold mutual fund companies** in the United States, according to Strategic Insight. November 2011
- Principal Global Investors **manages assets for 10 of the 25 largest world pension plans**. The list is derived from "P&I/Towers Watson World 300: The Largest Retirement Funds" report on the largest pension plans compared to our internal records. September 2011
- Principal Global Investors **manages assets for 14 of the 25 largest U.S. pension plans**. The list is derived from the *Pensions & Investments* "P&I 1,000" report on the largest pension plans compared to our internal records. February 2011
- Principal Global Investors is the **9th largest manager of real estate assets managed on behalf of pension funds** within the Towers Watson "Global Alternatives Survey 2011" Top 50 Real Estate, data as of Dec. 31, 2010. June 2011
- Principal Global Investors is the **17th largest manager of U.S. institutional tax-exempt assets, out of 711 managers profiled**. Managers ranked by U.S. institutional, tax-exempt assets as of Dec. 31, 2010. "Largest Money Managers," *Pensions & Investments*. May 2011
- Principal Global Investors is the **9th largest subadvisor out of 25 managers profiled**. Managers ranked by total worldwide assets under management as of Dec. 31, 2010. Qualified firms include managers of U.S. institutional tax-exempt assets. "Largest Money Managers-Worldwide," *Pensions & Investments*. June 2011
- Principal Global Investors is the **33rd largest money manager out of 716 managers profiled**. Managers ranked by total worldwide institutional assets under management as of Dec. 31, 2010. Qualified firms include managers of U.S. institutional tax-exempt assets. "Largest Money Managers-Worldwide," *Pensions & Investments*. June 2011
- BrasilPrev (joint venture with Banco do Brasil) **ranked No. 1 out of 208 pension funds** by Standard and Poor's based on three-year performance, *ValorInveste.* November 2011

- CIMB-Principal was named winner of **Asset Management Company of the Year**, Southeast Asia, in the Asset Triple A Investment Awards. September 2011
- Principal Mexico earned a **Global Investment Performance certificate**, verifying ethical standards for investment performance presentation to ensure fair representation and full disclosure of investment performance. The Principal is also compliant in Chile, India and Malaysia. January 2011
- Principal Chile received **five awards among the best mutual funds in the Chilean industry,** *Diario Financiero*. April 2011
- Principal Hong Kong won a **Lipper Fund Award** in the Hong Kong Pension Funds category. March 2011
- Principal PNB India won the **ICRA 5 Star Award 2011** for its Principal Ultra Short-Term Fund. February 2011
- **Eleventh largest life insurer** (Principal Life Insurance Company) based on HIGHLINEDATA 2011.
- **No. 2 deferred compensation provider** based on number of plans, according to *PLANSPONSOR* magazine. December 2011
- **No. 3 provider of non-cancelable individual disability income insurance** based on 2010 LIMRA data of annualized new sale premium. February 2011
- **No. 4 provider of group benefits (dental, life and disability insurance)** based on 2010 LIMRA data on fully insured employer contracts in force. April 2011

Workplace Excellence

- Awarded the **2011 Secretary of Defense Employer Support Freedom Award** for exceptional support of employees serving in the Guard and Reserve. June 2011
- Recipient of the **Iowa Employer Support of the Guard and Reserve 2011 Governor's Award**. September 2011
- Named among *Working Mother* magazine's **100 Best Companies for Working Mothers** for the 10th year. September 2011
- Noted as one of the **Top 50 Companies for Executive Women** for the 10th consecutive year by the National Association of Female Executives. February 2012
- Included on *Computerworld* magazine's **100 Best Places to Work in IT** for 10 consecutive years. Rank 31st in 2011. June 2011
- Currently recognized as a **Platinum Well Workplace** by the Wellness Councils of America.

Community/Ethics Leadership

- Recipient of the **Greater Des Moines Partnership's Diversity Award** for an unprecedented third time. January 2011
- Recipient of the **Greater Des Moines Partnership's Environmental Award**. May 2011
- Principal Real Estate named **one of the greenest real estate companies in the United States**. March 2011
- The first company to sponsor a **carbon-neutral Champions Tour golf tournament**, The Principal Charity Classic. May 2011
- The 19th company to receive United Way of America's **Spirit of America Award** for corporate community involvement.

Technology Innovation

- Named to *InformationWeek* magazine's list of **Top 500 IT Innovators** for the 14th consecutive year. September 2011
- Ranked **No.10 by DALBAR** for financial professional website for Life Insurance/Annuity. February 2012
- Ranked **No. 3 by DALBAR** for plan sponsor and No. 6 for plan participant websites for defined contribution plans. February/March 2012
- Received **top 20 ranking from DALBAR** for consumer and financial professional mutual fund websites. February 2012

2011 Highlights

Retirement and Investor Services

- Full Service Accumulation (FSA) sales of $8.4 billion, up 27 percent from 2010.
- FSA serves more than 32,000 retirement plans and 3.4 million plan participants.
- Record mutual fund sales of $11.2 billion, up 20 percent from 2010, drove record net cash flow of $2.2 billion in 2011.
- Individual Annuities had record ending account value of $18.8 billion.
- Bank and Trust Services had record operating earnings of $36 million and record net income of $23 million.

Principal Global Investors

- Assets under management for the segment totaled $242.2 billion.
- Operating earnings of $74 million in 2011, up 27 percent from 2010.
- More than 470 investment professionals in offices around the world, with clients in nearly 60 countries.

Principal International

- Assets under management for the segment of $60 billion (including China), an increase of 13 percent over 2010.
- Record net cash flows of $5.5 billion and record operating earnings of $154 million in 2011.
- Joint venture partners include Banco do Brasil (Brazil), China Construction Bank (China), CIMB Group (Malaysia) and Punjab National Bank (India).
- Principal International serves more than 9.6 million customers globally (including China).

U.S. Insurance Solutions

- Individual Life had record operating earnings of $119 million in 2011.
- Individual Life sales of $186 million in 2011.
- Specialty Benefits sales of $285 million in 2011.

Principal® Financial Group

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[1] Data as of or for the three months ended March 31, 2012, unless otherwise noted. For the latest and additional information, visit www.principal.com.

[2] The company uses a number of non-GAAP financial measures that management believes are important in understanding and evaluating the normal, recurring operations of our businesses. These measures are not a substitute for GAAP financial measures. Therefore, we provide a reconciliation of the non-GAAP measures to the comparable GAAP financial measures as follows:

- Operating earnings of $213 million equal net income available to common stockholders of $201.5 million adjusted for net realized gains (losses) of $(10) million and other after-tax adjustments of $(1.5) million.
- ROE of 9.9 percent equals net income return on equity including other comprehensive income of 7.1 percent, adjusted for net realized gains (losses) of (1.2) percent, other after-tax adjustments of (1.1) percent, net unrealized capital gains (losses) of (0.7) percent, foreign currency translation of 0.0 percent and net unrecognized post-retirement benefit obligations of 0.2 percent.

[3] Ratings as of May 2, 2012.

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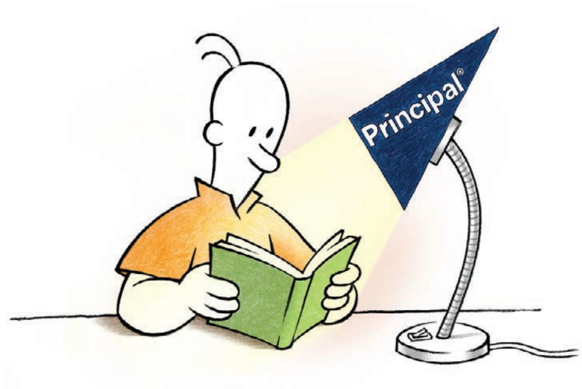
Plan design – action guided by vision

Every retirement program is different – just as every organization is different. Your retirement program has to reflect the unique needs of your organization and employee base, a competitive environment and cost constraints.

We take a consultative approach to your retirement program plan design. Our goal is to help make your job easier and your retirement program more effective.

We provide you with targeted support to help you explore various plan design solutions to respond to your needs as well as the needs of your participants.



We will continue to work with you to incorporate the latest thinking in plan design, administrative outsourcing, support for your fiduciary compliance, and much more for you retirement program.

Your Plan Provisions

Entry Requirements

- A minimum age is not required.
- Service is not required.
- Monthly entry date

Elective Deferral Contributions

- 50% of pay is the maximum
- Plan members age 50 and older may defer catch-up contributions. Catch-up contributions are in excess of the deferral limit.

Elective Deferral Contribution Changes

- Stop elective deferral contributions on any date
- Change elective deferral contributions on any date

Vesting

- 100% vested immediately

Plan Distributions

- Retirement
- Death
- Disability
- Termination of employment

In-Service Withdrawals

- Rollover Withdrawal

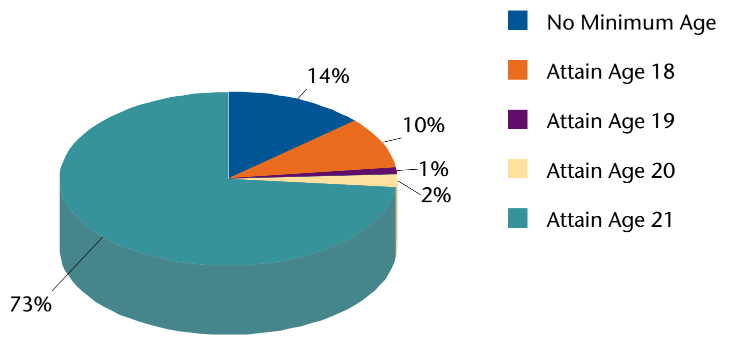
Financial Hardship Withdrawals

- Elective deferral contributions will be suspended for six months following the date of the withdrawal.

Entry Requirements

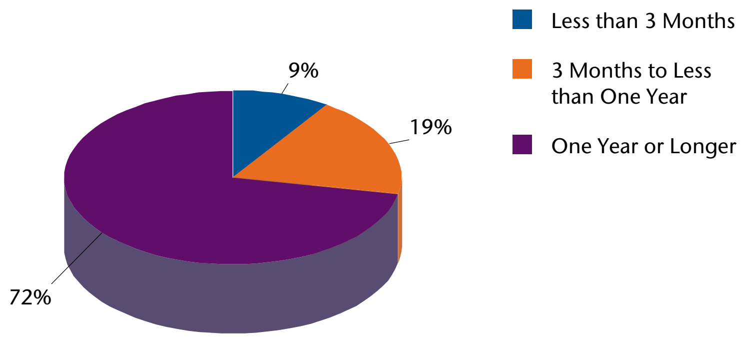
- A minimum age is not required.
- Service is not required.
- Monthly entry date

Average Age Requirements[1]



[1] Principal Financial Group study of 401(k)/PS plans within the other services industries.

Average Service Requirements[1]

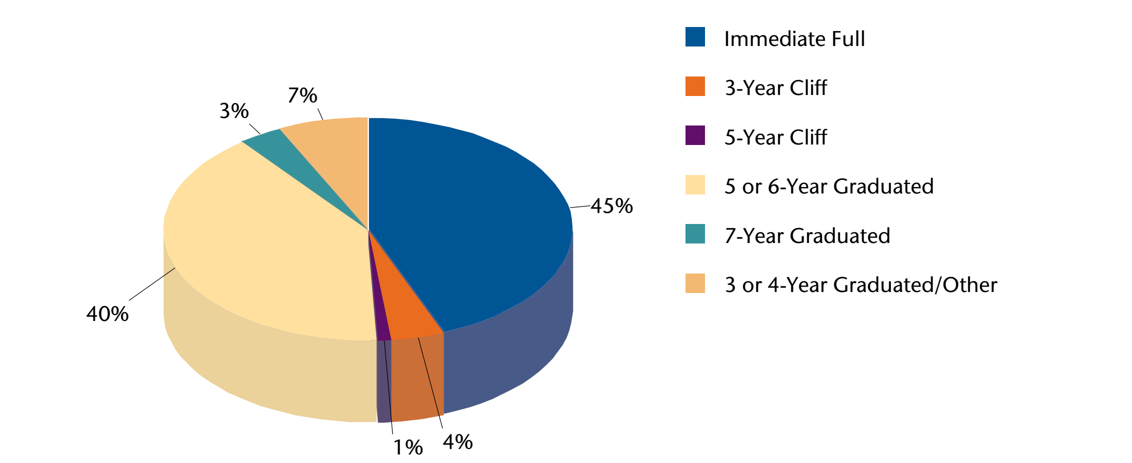


[1] Principal Financial Group study of 401(k)/PS plans within the other services industries.

Plan Vesting

- 100% vested immediately

Vesting Schedules Among Plan Sponsors[1]



[1] Principal Financial Group study of 401(k)/PS plans within the other services industries.

Plan analysis and trends - helping achieve desired outcomes

Insight you value - outcome you seek

We are dedicated to helping you provide a retirement program that does what it's supposed to: prepare your participants for retirement. By opening the door to all we've learned over the years we put our expertise to work helping you and your participants realize more successful long-term outcomes.

Our desire is to help you and your participants realize the full potential of your retirement program and achieve the long-term outcome you seek.

Plan Participants

Breakdown of Plan Participants

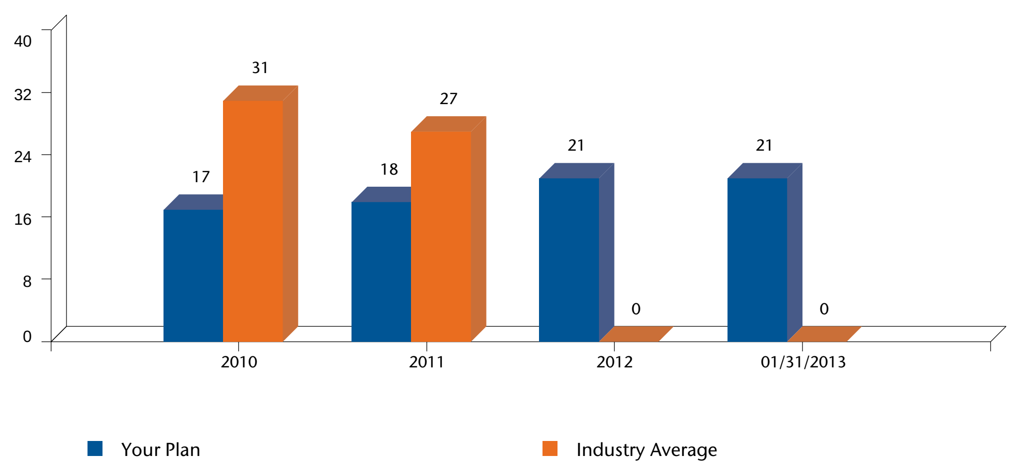
This chart shows the active, terminated, retired, and total plan participants.

Breakdown of Participants				
	2010	2011	2012	2013
Active Participants	2087	2095	2101	2102
Terminated Participants	50	47	50	49
Retired Participants (Data Available 2007 Forward)	0	0	0	0
Total Plan Participants	2137	2142	2151	2151

Average Account Balance per Active Participant

This chart shows the average account balance of active participants in your plan compared to the industry average.

Average Account Balance per Active Participant (in thousands)[1]

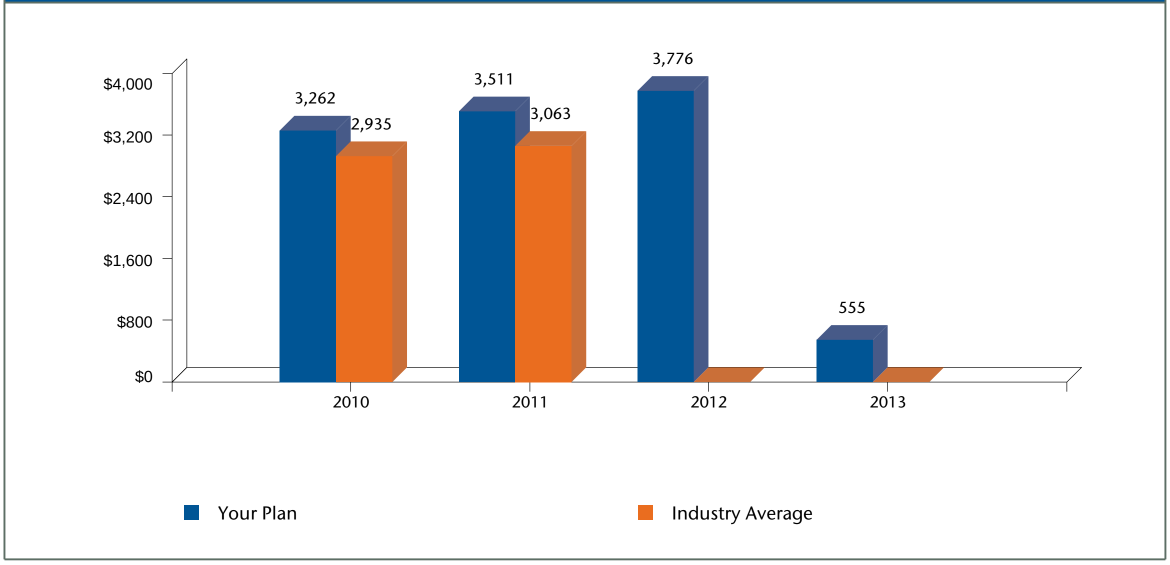


[1]Principal Financial Group study of 401(k)/PS plans within the other services industries.

Average Annual Elective Deferral Contributions per Participant

This chart shows the average annual elective deferral contributions per participant in your plan compared to the industry.

Average Annual Elective Deferral Contributions per Participant[1]

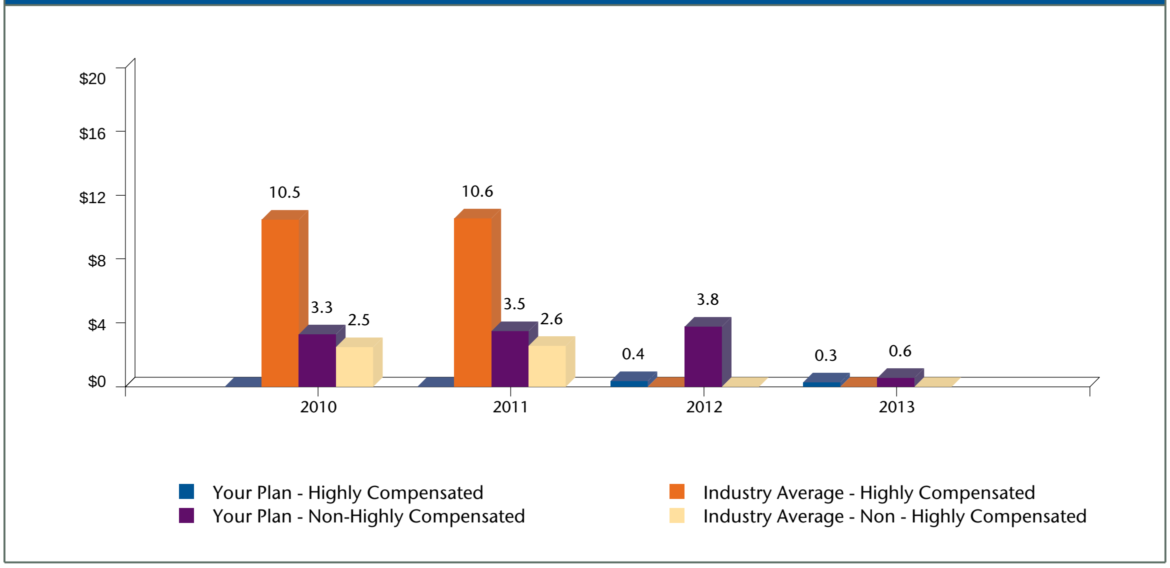


[1]Principal Financial Group study of 401(k)/PS plans within the other services industries.

Average Annual Elective Deferral Contributions per Highly/Non-Highly Compensated Participant

This chart shows the average annual elective deferral contributions per participant broken down by highly and non-highly compensated participants in your plan compared to the industry.

Average Annual Elective Deferral Contributions per Highly/Non-Highly Compensated Participant (in thousands)[1]

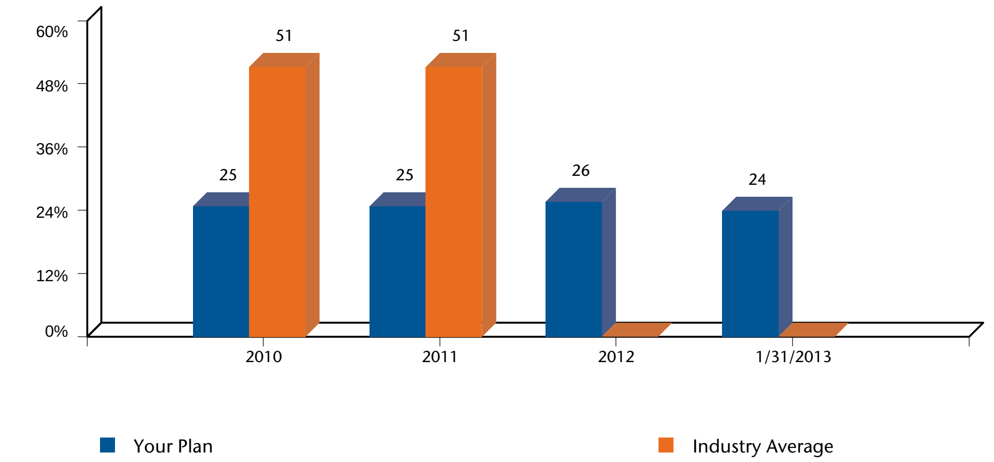


[1]Principal Financial Group study of 401(k)/PS plans within the other services industries.

Percentage of Participation

This chart shows the percentage of participation in your plan compared to the percentage of participation in the industry.

Percentage of Participation[1]



[1]Principal Financial Group study of 401(k)/PS plans within the other services industries.

Number of Participating Employees

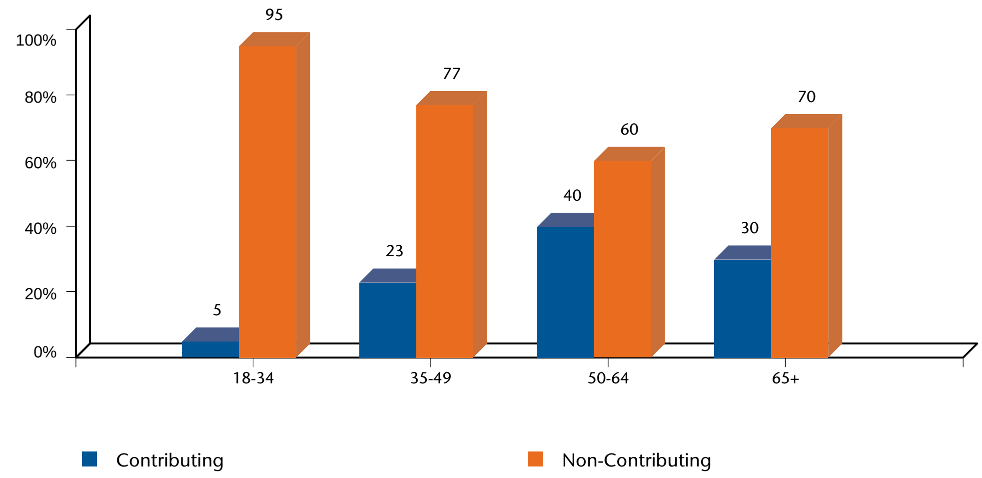
This chart shows the number of eligible employees compared to the number of employees participating in the plan.

Number of Participating Employees

Plan Participation by Age

This chart shows the percentage of contributing employees by age compared to the percentage of non-contributing employee by age in the plan.

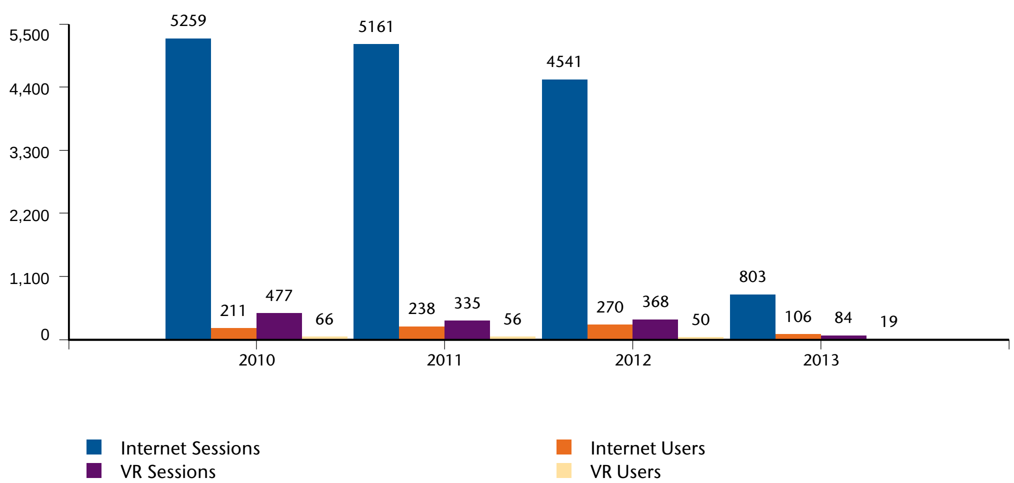
Plan Participation by Age (12/31/2012)



Internet and Voice Response Usage

This chart shows how many times the internet and voice response system has been accessed by plan participants and the total number of participants and the total number of participants that have accessed the information.

Internet and Voice Response Usage

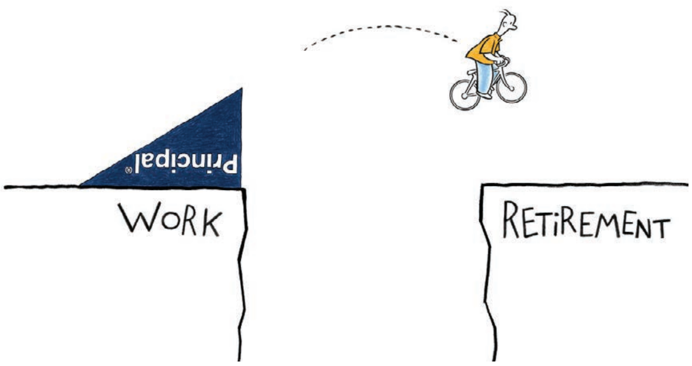


Frequently Accessed Information (Number of Times Accessed)				
	Internet-2012	Internet-2013	Voice Response-2012	Voice Response-2013
Account Balance	2,321	393	359	82
Activity Detail	269	148	N/A	N/A
Activity Summary	0	0	N/A	N/A
Benefit Estimator	0	0	N/A	N/A
Check Status	N/A	N/A	33	8
Investment Options	78	31	N/A	N/A
Investment Performance	704	350	0	0
Loan Information	0	0	2	0
Loan Quote	0	0	N/A	N/A
Personal Information	290	71	N/A	N/A
Personalized Rate of Return	2,506	668	N/A	N/A
Review Allocation of Future Contributions	126	47	1	0
Review Contribution Rates	0	0	0	0
Rollover Information	80	26	N/A	N/A
Tax Information	N/A	N/A	0	0

Top Transactions Conducted Online (Number of Times Accessed)				
	Internet-2012	Internet-2013	Voice Response-2012	Voice Response-2013
Address Change	4	2	N/A	N/A
Beneficiary Change	27	8	N/A	N/A
Change Allocation of Future Contributions	16	8	0	0
Change Contribution Rates	0	0	0	0
Investment Transfer	40	11	0	0
Rebalance	5	4	N/A	N/A
Reinvest Maturing Funds	0	0	0	0
Request Loan	0	0	N/A	N/A

Investment Demographics

Selecting and monitoring investment options is a complicated process and fulfilling your fiduciary obligations is one of your biggest challenges in managing your organization's retirement program. We offer extensive choice and flexibility, investment expertise with every step, and a level of indemnification protection so you can build an investment platform best suited to your retirement program.



Investment Option Balances						
					01/31/2013	
Investment Advisor	Investment Option Name	12/31/2010	12/31/2011	12/31/2012	Total	%
Capital Research and Mgmt Co	American Funds Growth Fund of America R3 Fund	$695,348.89	$705,217.98	$0.00	$0.00	0.00%
OppenheimerFunds, Inc.	Oppenheimer Equity Income A Fund	$0.00	$47,977.92	$0.00	$0.00	0.00%
Principal Global Investors	LargeCap S&P 500 Index Separate Account	$651,609.10	$673,679.03	$831,383.73	$880,689.49	4.40%
T.Rowe/Clearbridge Investments	LargeCap Blend II Separate Account	$724,863.31	$741,026.67	$876,503.17	$925,351.00	4.60%
Touchstone	Touchstone Sands Capital Institutional Growth Fund	$0.00	$0.00	$926,577.83	$977,948.01	4.90%
TS&W / Herndon	LargeCap Value I Separate Account	$39,018.45	$0.00	$0.00	$0.00	0.00%
Vanguard Group	Vanguard Equity-Income Fund	$0.00	$0.00	$65,263.21	$110,245.97	0.60%
AllianceBern / CCI / Brown	SmallCap Growth I Separate Account	$169,922.82	$176,739.70	$215,577.06	$240,820.77	1.20%
Goldman Sachs Asset Mgt	Goldman Sachs Small Cap Value Inst Fund	$0.00	$0.00	$0.00	$12,635.90	0.10%
Goldman Sachs/LA Capital Mgmt	MidCap Value I Separate Account	$74,702.40	$87,897.77	$73,793.66	$92,239.28	0.50%
Principal Global Investors	MidCap Blend Separate Account	$814,761.83	$915,990.34	$1,042,744.67	$1,100,528.31	5.50%
Principal Global Investors	MidCap S&P 400 Index Separate Account	$0.00	$0.00	$5,023.69	$5,582.31	0.00%
Principal Global Investors	SmallCap Blend Separate Account	$426,603.57	$0.00	$63,039.19	$68,371.21	0.30%
Principal Global Investors	SmallCap S&P 600 Index Separate Account	$0.00	$448,883.24	$532,951.43	$563,889.66	2.80%
Principal Global Investors	SmallCap Value Separate Account	$58,285.04	$56,400.22	$0.00	$0.00	0.00%
Prudential Investments, LLC	Prudential Jennison Mid Cap Growth Z Fund	$0.00	$0.00	$565,142.19	$596,276.28	3.00%
Turner / Jacobs Levy	MidCap Growth III Separate Account	$549,855.09	$555,924.54	$0.00	$0.00	0.00%
Capital Research and Mgmt Co	American Funds EuroPacific Growth R3 Fund	$101,438.64	$90,566.80	$0.00	$0.00	0.00%
Capital Research and Mgmt Co	American Funds EuroPacific Growth R6 Fund	$0.00	$0.00	$126,524.42	$132,369.65	0.70%

(continued on next page)

Investment Option Balances (continued)

Investment Advisor	Investment Option Name	12/31/2010	12/31/2011	12/31/2012	01/31/2013 Total	01/31/2013 %
Principal Global Investors/DFA	International SmallCap Separate Account	$864,313.62	$721,002.22	$823,290.23	$864,053.18	4.30%
Virtus Investment Advisers,Inc	Virtus Emerging Markets Opportunities I Fund	$0.00	$0.00	$2,389.72	$2,425.14	0.00%
Multiple Sub-Advisors	Principal LifeTime Strategic Income Separate Account	$100,573.36	$121,465.05	$157,140.43	$164,981.29	0.80%
Multiple Sub-Advisors	Principal LifeTime 2010 Separate Account	$845,720.78	$894,401.93	$1,066,713.88	$1,084,062.50	5.40%
Multiple Sub-Advisors	Principal LifeTime 2020 Separate Account	$1,272,130.95	$1,472,854.32	$1,673,464.77	$1,737,445.50	8.70%
Multiple Sub-Advisors	Principal LifeTime 2030 Separate Account	$1,030,794.02	$1,108,170.82	$1,631,630.70	$1,696,966.29	8.50%
Multiple Sub-Advisors	Principal LifeTime 2040 Separate Account	$148,742.94	$141,036.67	$241,142.98	$256,811.89	1.30%
Multiple Sub-Advisors	Principal LifeTime 2050 Separate Account	$27,368.20	$47,549.09	$73,595.23	$78,719.17	0.40%
Principal Financial Advisors	Bond Emphasis Balanced Sep Acct	$0.15	$0.15	$0.00	$0.00	0.00%
Principal Financial Advisors	Stock Emphasis Balanced Sep Acct	$0.41	$0.41	$0.00	$0.00	0.00%
Principal Global Investors	Money Market Sep Acct	$5,709,089.35	$5,736,840.04	$5,797,992.21	$5,638,992.07	28.20%
Fidelity Management & Research	Fidelity Advisor High Income Advant I Fund	$0.00	$0.00	$516,445.03	$568,720.48	2.90%
Fidelity Management & Research	Fidelity Advisor High Income Advant T Fund	$253,860.50	$324,835.80	$0.00	$0.00	0.00%
Principal Global Investors	Bond and Mortgage Sep Acct	$1,281,367.84	$1,404,879.99	$1,708,249.00	$1,693,344.13	8.50%
Principal Real Estate Inv	U.S. Property Sep Acct	$216,307.47	$274,794.51	$302,659.83	$304,962.90	1.50%
PIMCO	Core Plus Bond I Separate Account	$71,202.03	$85,198.97	$0.00	$0.00	0.00%
PIMCO	PIMCO Total Return Instl Fund	$0.00	$0.00	$143,207.82	$155,294.90	0.80%

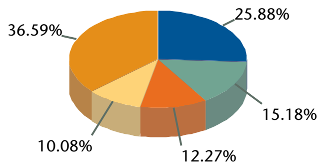
(continued on next page)

Investment Option Balances (continued)						
					01/31/2013	
Investment Advisor	Investment Option Name	12/31/2010	12/31/2011	12/31/2012	Total	%
Vanguard Group	Vanguard Inflation-Protection Securities Inv Fund	$0.00	$0.00	$0.00	$21,624.70	0.10%
	Totals	**$16,127,880.76**	**$16,833,334.18**	**$19,462,446.08**	**$19,975,351.98**	**100.00 %**

- Large U.S. Equity
- Small/Mid U.S. Equity
- International Equity
- Balanced/Asset Allocation
- Short-Term Fixed Income
- Fixed Income

Investment Option Balances by Asset Class					
				01/31/2013	
Asset Class	12/31/2010	12/31/2011	12/31/2012	Total	%
Large U.S. Equity	$2,110,839.75	$2,167,901.60	$2,699,727.94	$2,894,234.47	14.50%
Small/Mid U.S. Equity	$2,094,130.75	$2,241,835.81	$2,498,271.89	$2,680,343.72	13.40%
International Equity	$965,752.26	$811,569.02	$952,204.37	$998,847.97	5.00%
Balanced/Asset Allocation	$3,425,330.81	$3,785,478.44	$4,843,687.99	$5,018,986.64	25.10%
Short-Term Fixed Income	$5,709,089.35	$5,736,840.04	$5,797,992.21	$5,638,992.07	28.20%
Fixed Income	$1,822,737.84	$2,089,709.27	$2,670,561.68	$2,743,947.11	13.80%
Totals	**$16,127,880.76**	**$16,833,334.18**	**$19,462,446.08**	**$19,975,351.98**	**100.00%**

Investment Option Statistics

How many participants hold:		Your Plan
		
1 Investment Option		25.88%
2 Investment Options		15.18%
3 Investment Options		12.27%
4 Investment Options		10.08%
5 or more Investment Options		36.59%
Average # of investment options held:		4.1 funds

Single Investment Option Holder by Age

Funds held as a single investment

Investment Advisor		Investment Option Name	18-34	35-49	50-64	65+	Total
Principal Global Investors		LargeCap S&P 500 Index Separate Account	0	0	1	1	2
Touchstone		Touchstone Sands Capital Institutional Growth Fund	0	1	0	0	1
AllianceBern / CCI / Brown		SmallCap Growth I Separate Account	0	2	1	0	3
Principal Global Investors		MidCap Blend Separate Account	0	0	1	1	2
Principal Global Investors		SmallCap Blend Separate Account	0	1	0	0	1
Prudential Investments, LLC		Prudential Jennison Mid Cap Growth Z Fund	0	1	1	0	2
Multiple Sub-Advisors		Principal LifeTime Strategic Income Separate Account	0	2	1	1	4
Multiple Sub-Advisors		Principal LifeTime 2010 Separate Account	0	2	6	20	28
Multiple Sub-Advisors		Principal LifeTime 2020 Separate Account	0	2	34	1	37
Multiple Sub-Advisors		Principal LifeTime 2030 Separate Account	1	27	15	1	44
Multiple Sub-Advisors		Principal LifeTime 2040 Separate Account	4	17	0	0	21
Multiple Sub-Advisors		Principal LifeTime 2050 Separate Account	9	1	0	0	10

(continued on next page)

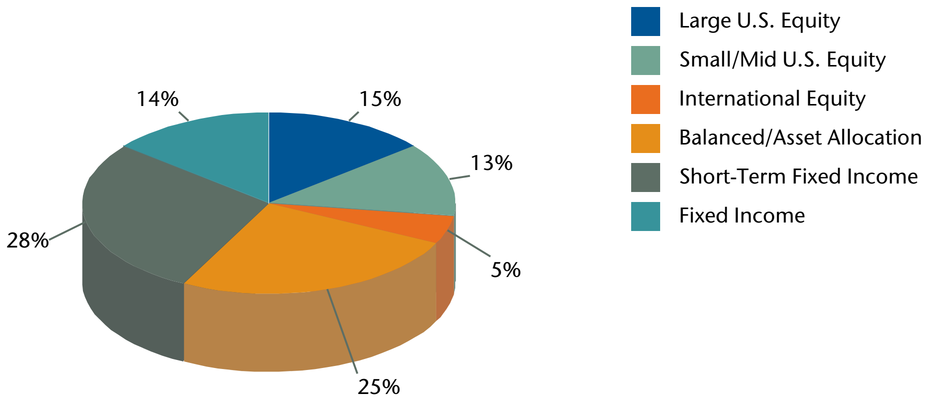
Single Investment Option Holder by Age (continued)

Funds held as a single investment

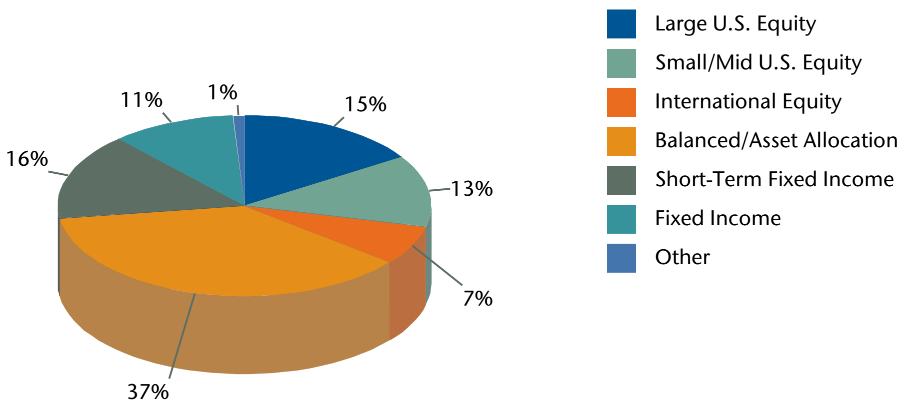
Investment Advisor	Investment Option Name	18-34	35-49	50-64	65+	Total
Principal Global Investors	Money Market Sep Acct	3	16	52	12	83
Fidelity Management & Research	Fidelity Advisor High Income Advant I Fund	0	0	1	0	1
Principal Global Investors	Bond and Mortgage Sep Acct	0	2	3	1	6
Principal Real Estate Inv	U.S. Property Sep Acct	0	1	0	0	1
Vanguard Group	Vanguard Inflation-Protection Securities Inv Fund	0	1	0	0	1
Overall		**17**	**76**	**116**	**38**	**247**

- Large U.S. Equity
- Small/Mid U.S. Equity
- Balanced/Asset Allocation
- Short-Term Fixed Income
- Fixed Income

Investment Allocation for Period Ending 01/31/2013

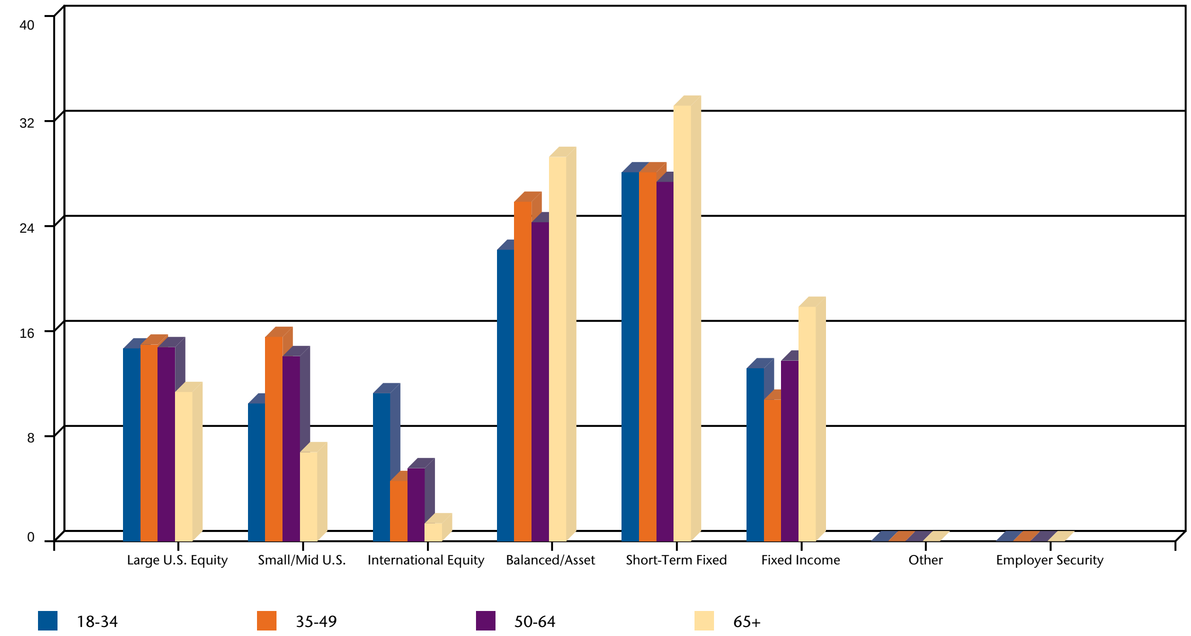


Investment Allocation & Industry Comparison for Period Ending 12/31/2011[1]



[1]Principal Financial Group study of 401(k)/PS plans within the other services industries.

Participant Investments by Age (01/31/2013)



Age	Large U.S. Equity	Small/Mid U.S. Equity	International Equity	Balanced/Asset Allocation	Short-Term Fixed Income	Fixed Income	Other	Employer Security
18-34	14.7%	10.5%	11.3%	22.2%	28.1%	13.2%	0.0%	0.0%
35-49	15.0%	15.6%	4.6%	25.9%	28.1%	10.8%	0.0%	0.0%
50-64	14.8%	14.1%	5.6%	24.3%	27.4%	13.8%	0.0%	0.0%
65+	11.4%	6.8%	1.4%	29.3%	33.2%	17.9%	0.0%	0.0%

Providing indemnification protection and supporting you as a plan fiduciary

Selecting and monitoring investment options is a complicated process and fulfilling your fiduciary obligations is one of your biggest challenges in managing your organization's retirement program.

We offer extensive choice and flexibility, investment expertise with every step, and a level of indemnification protection so you can build an investment platform best suited to your retirement program.

Understanding your Fiduciary Obligations

As a fiduciary for your retirement program, some of your responsibilities include:

- Using a prudent process and documenting all investment-related activity.
- Diversifying plan investment options with different objectives and characteristics.
- Offering your plan participants a broad range of investment options.

The due diligence process helps you make informed investment decisions because it:

- Provides a reliable, documented process for sub-advised investment options.
- Helps you manage your fiduciary obligations through our selection, monitoring and retention process.[1]
- Provides a diverse array of investment options from which you can select.

Principal Life, as an investment manager is a fiduciary with respect to the:

Initial selection	Ongoing monitoring	Retention/ replacement

of the portfolio managers for our Separate Accounts. We will indemnify the plan fiduciary as set out in our written agreement.

[1] Principal Life Insurance Company, as an investment manager, is a fiduciary with regard to the selection, monitoring and retention of the portfolio managers for its Separate Accounts. Principal Life is not a fiduciary in the broader context of operating your plan. This discussion is only about our fiduciary responsibility for our Separate Accounts. Standards and expectations for one Separate Account may be different from those for other Separate Accounts.

[2]Sub-Advised Investment Options include Separate Accounts available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths.

Economy & Markets

No person can predict what the stock market will do next. However history can be an incredible teacher and trends and patterns do emerge over time. The result isn't a magic formula but rather time-tested principles at best and educated guesses at worst.

Whether it's inflation, interest rates, or the declining dollar, we offer analysis of the impact, in terms you can understand. You can count on us to help keep you informed about the economy and markets at large.

On The Other Hand

4Q 2012 ECONOMIC COMMENTARY • PRINCIPAL GLOBAL INVESTORS

By Bob Baur and the Principal Global Investors Economic Committee

COVERING THE QUARTER ENDED DECEMBER 31, 2012 — PUBLISHED ON JANUARY 11, 2013

Bob Baur
Chief Global Economist,
Principal Global Investors

Weekly Headlines:

- **Congress scales the cliff:** In a bipartisan, late-night effort, the U.S. Congress removed the odds of a tax-hike-induced recession by extending most of the Bush-era tax cuts. No budget cuts were included in the bill, setting up another debate over spending and the debt ceiling in a couple of months.
- **Is Shinzo Abe the anti-Volker?** Abe's campaign platform was brutal in its simplicity: weaken the yen, spend money, lower real interest rates, and buy bonds, the opposite of the Volker years at the Fed. If those actions come to pass, it may mean real changes in Japan and consequences for the rest of the world. It bears watching.
- **After missing economic Armageddon:** Global economic growth should pick up in 2013. The U.S. will likely hit a higher growth gear this year as the headwinds fade and the cliff is over; the most likely surprise would be up. The Eurozone will remain in recession (or close) through mid-year, but has the potential for recovery in the second half. New Chinese General Secretary Xi Jinping will inherit an economy making progress after a policy-induced slowdown. Economic reform will be necessary to ensure growth persists.
- **Looking ahead for asset allocation*:** U.S. and selected global equities are not highly valued and should have another good year. Bond investors must be aware of the risk of interest rates rising a bit; still, some bonds will be appealing for a trade. U.S. real estate remains attractive.
- **Too soon to be too bearish on bonds:** The case for higher interest rates is easy to make: faster global growth. But, there are hurdles to jump in the U.S. and Europe, and central banks will keep a lid on rates for most of this year. 2014 should be the year for rates to rise significantly.

Scaling the Fiscal Cliff

A few hours after the deadline, the U.S. Congress passed legislation to avert the worst of the enormous tax hikes that would have occurred as the Bush tax cuts of 2001 and 2003 became history on January 1. So far, markets have been relieved about a debacle forestalled. The bill sailed through the Senate by a vote of 89 to 8, and the House with a margin of 257 to 167. The overall impact of the bill is slightly more friendly than we anticipated. Some of the features include the following:

- The tax cuts from early last decade were permanently extended for households who file with less than $450,000 of income, or

* Asset allocation/diversification does not guarantee a profit or protect against a loss.

individuals with less than $400,000. The tax cuts expire for those with higher incomes as the marginal tax rate rises from 35% to 39.6%.

- Those same upper income taxpayers will also face an increase in the tax rate on capital gains and dividends from 15% to 20%. Furthermore, not part of this bill, the new health care law will add a 3.8% tax on all investment income, plus an additional 0.9% Medicare payroll tax for households with taxable income above $250,000.
- Limits on itemized deductions will be reinstated for households and individuals with income of $300,000 and $250,000, respectively.
- The Social Security tax holiday that reduced withholding by two percentage points was not extended, so all workers will face a loss of disposable income.
- The Alternative Minimum Tax was patched for last year and indexed to inflation so it will not hit a multitude of middle income taxpayers.
- The surge in the estate tax was also corralled and limited to a rise in the top rate from 35% to 40%; the current five million dollar exemption per person was permanently extended and will be adjusted for inflation.
- There is a one-year extension of unemployment insurance benefits.
- There will be no reduction in payments to medical providers for one year as the "Medicare doc fix" was extended.
- The automatic budget cuts (sequestration) that were to go into effect (a trillion dollars over ten years, half from defense, half from discretionary spending) were delayed for two months.
- Businesses can still deduct 50% of the cost of many types of investments; the "bonus depreciation" was extended for a year.
- There were other tax expenditures that were extended, plus a change to a dairy program that might have doubled the cost of milk at retail.

Overall, this will cause an economic drag early in 2013 as the economy adjusts to higher tax rates in this legislation and the many tax hikes in the Affordable Care and Patient Protection Act (Obamacare) that take effect this year; all this suggests slower growth in the first half. And if the higher tax rates on capital and investment are not tempered with broad-based tax reform later this year or next, there will be a long-term falloff in potential U.S. growth. Further, with new spending and no budget cuts, there is no way this bill could be called deficit reduction; trillion dollar deficits are still ahead as far as the eye can see. So while it avoids the worst of the immediate economic drag, it sets up two months of policy uncertainty about spending. This says financial markets may remain volatile and gains may be tempered until the debt ceiling and spending debate is resolved hopefully in late February.

Count the positives. While the cliff was scaled in the dark of night and a day past the deadline, there are achievements. Congress resolved tax policy uncertainty and avoided a tax-induced recession; the Bush tax cuts of the last decade were extended permanently for most Americans; the Alt-Min tax horror was averted and corrected for inflation; small businesses will worry less about estate taxes; and the vast majority of Congress finally had to recognize that tax hikes are a real economic drag. Further, the delay of the sequester spending cuts, the extension of unemployment benefits, and the elevated threshold for higher tax rates were slightly better than we had expected in our baseline economic scenario.

Looking ahead, this bill should strengthen consumers' confidence that has already risen to recovery highs over the last few months. It should also reassure those businesses that delayed hiring and investment fearing a drop in consumer spending if taxes went up. All in all, with much smaller odds of a downside surprise, the outlook for 2013 has gotten a bit better.

Shinzo Abe Is No Paul Volker

Something is happening in Japan. The yen has plunged and stocks have soared both before and after the crushing defeat of the Democratic Party of Japan (DPJ) in last month's election by the Liberal Democratic Party of Japan (LDP) and Prime Minister-to-be Shinzo Abe. The LDP won 294 seats of the 480 seat Lower House of the Japanese legislature, the National Diet. With its long-time party partner, the New Komei Party, the coalition controls 325 seats and almost has carte blanche for policy action. Abe ran on a platform of major currency devaluation, ending deflation, vast public infrastructure spending, lower taxes, and deregulation. The presumed leader wasted no time in acting, meeting in unprecedented fashion with the head of the Bank of Japan (BOJ) prior to a Monetary Policy meeting. Market reaction to the campaign and election was strongly positive. What's going on?

Japan has been in a deflationary, low growth malaise for two decades after the huge real estate, stock market, and debt bubble burst in the early 1990s. The BOJ has kept monetary policy relatively tight, so even today, real yields on Japanese long bonds are about 1%, well above the 0% in Europe and -1% in the U.S. Japan did not join the money printing or currency debasement sponsored by U.S. quantitative easing or the Chinese currency peg. In response, the yen appreciated over 60% from the low in mid-2007 before the financial crisis to its recent high last October.

In the even longer term, recall that the yen has been appreciating for forty years, beginning at 358 ¥/$ in 1971, still almost 150 in 1998 to a tick below 76 late last year and now still just 87. The pressure on Japanese companies to cut costs and remain competitive in that environment was almost unbearable. Markets have been primed to want easier monetary policy and a weaker currency, so when the elections were scheduled and Abe campaigned on their platform, markets responded.

The problem was not just yen strength. With deflation in Japan and inflation among its trading partners, the real exchange rate did not appreciate nearly as much as the nominal rate. Deflation lowers costs for Japanese exporters, mitigating some of the negative impact of a rising exchange rate.

Further, the trade balance stayed in surplus even in the face of huge currency appreciation. Recall that it is a country's savings and investment decisions that drive its current account: if savings exceed investment, a surplus results and capital is exported to be invested abroad; when investment is greater than savings as in the U.S., a deficit happens. Japan has always had a very high savings rate, which has driven its current account surplus. The savings rate has fallen since the 1990s, forced by tough economic times and an aging population, but the rate of investment declined too, so the current account remained in surplus.

Besides currency strength and tight policy, Japan has endured a long period of deleveraging after the bubble of the 1980s, over-capacity in many industries, a rigid labor market, and a political system that protects the status quo. In addition, Japan has a huge pile of debt, around 200% of GDP. The election shows that the forever tolerant Japanese citizenry may have lost their patience.

Change in the air. The typical belief is that aging savers like deflation, as it protects their fixed incomes by lowering their living costs. But, with many retirement-aged Japanese still working, the old model of jobs-for-life having taken a shellacking since the 1990s, more retirement incomes dependent on stock market gains through DC plans rather than fixed with defined benefits, and huge competition from neighboring China, the population wants growth and rising incomes rather than deflation: thus, the political tsunami at the voting booth.

The Federal Reserve (the Fed), keeper of the world's reserve currency, is engaged in massive quantitative ease, creating unprecedented excess reserves in the banking system; other central banks are also. So, the BOJ may be forced to follow the footsteps of the Fed, the ECB, and the Bank of England toward more aggressive asset purchases, higher inflation targets, and negative real interest rates, or the Swiss National Bank and the People's Bank of China to a currency peg. A significantly weaker currency will indeed help many Japanese exporters, especially in emerging Asian markets. And with so many overseas assets, a lower exchange rate would raise the return from those investments translated back into yen, which could increase local capital spending, and eventually employment. So, there are reasons for local stock markets to be excited.

What about outside Japan? Besides enduring the horrible earthquake, wrenching tsunami, and nuclear accident, Japan has suffered through the rest of the world's exchange rate weakness during and after the financial crisis as its exporters lost competitiveness. The rest of the world benefited at Japan's expense. While faster growth in Japan would help the global economy, having the Prime Minister of the world's third-largest economy become the anti-Paul Volker may not be appreciated outside Japan. German auto exporters and South Korean electronics manufacturers will not embrace a newly competitive and resurgent Japan. Profit margins will be under pressure around the world if the yen weakens materially. Such a move may lead to increased protectionism as prices come under pressure; no one likes deflation.

There will be offsets to this deflationary jolt, of course. Better Japanese economic growth would lead to stronger consumer spending and more investment in the third-largest economy. The outflow of funds from Japan seeking good investments could be good for all risk assets, not just locally. More consumption and investment could lessen the country's trade surplus, helping the world rebalance. Abe is putting down a big bet that monetary policy will cure Japan's deflation ills without really addressing other issues that are also a drag on the economy: a mountain of debt, a rigid labor market, high tax rates, and regulation that protects the status quo. Still, if Abe is able to put his campaign platform into action, it could bring a major change in the world order. It bears watching.

What's Ahead after We Slid by Economic Armageddon?

For all the early gloom, 2012 was not so terrible. The world didn't end on 12-12-12, nor did the Mayan prophesy come true; neither Greece nor Germany bolted the Economic and Monetary Union (EMU), and the euro did not implode; calls for U.S. recession missed badly and Congress barely peeked over the fiscal cliff; real estate in China hasn't collapsed—growth hit a trough and local governments can still borrow; U.S. inflation is not raging; gold is well below $3,000, and oil is under $140.

Give policymakers some credit. ECB boss Draghi's open-ended commitment to the euro lessened the tail risk of an extreme event: remember "And believe me, it will be enough." While the just-passed, bipartisan U.S. tax bill is pretty ugly, it surely avoided a tax-hike-induced recession. Chinese officials have slowed house price inflation and successfully guided the economy to a lower, more sustainable plateau of growth. The worst economic disasters were avoided in 2012, and while all is not yet well, global growth should improve in 2013.

The U.S. recovery may hit a higher gear. With the major tax cuts renewed, the remaining fiscal spending issues should be less of a concern. Since the size of the U.S. federal government has already ballooned to 24% of GDP or higher, we believe any actual spending cuts or credible long-term budget reduction would be viewed very positively by business and markets rather than as a fiscal drag. The other headwind, from state and local government spending drops and layoffs, may already have ended.

Housing has been a big driver of past U.S. recoveries; not this time, but that is changing. Home prices are rising; inventories are very low; homes are at record affordability. We expect housing to add at least 0.2% percentage points to this year's growth. In addition, higher house prices add to household wealth, which has shown up in higher consumer confidence; that belief in a better future will lead to more robust consumer spending growth, at least by the second half.

Further, businesses will likely abandon their hesitancy about expanding given the more certain (though not necessarily friendly) policy environment, and both investment and hiring should pick up. The recent ADP forecast of 215,000 new jobs in December is evidence of that trend, even if exaggerated by hurricane rebuilding. 2012 layoff announcements are the lowest since 1997. Purchasing manager indices should regain better luster over the next few months.

The new tax bill will still be a headwind in the first half as income adjusts downward to the new higher tax rates that hit almost all households. But in the second half, U.S. potential growth of 2.75% should be within reach. This could set the stage for long-awaited above-trend growth in early 2014. If all this occurs, markets will begin to wonder about the Fed's new unemployment guideline of 6.5%—when that will be reached and how the Fed will react. Specific GDP forecasts are in the tables at the end of the commentary; selected statistics are shown in Table I. For this year, surprises for the economy are more likely to be on the upside.

Table I

U.S. Forecast Table	2011(A)	2012(E)	2013(E)
Real GDP	+1.8%	+2.3%	+2.1%
Domestic Final Sales	+1.8%	+2.1%	+2.1%
U.S. Auto Sales (units)	12.7M (+10.2%)	14.4M (+13.1%)	15.0M (+4.1%)
Industrial Production	+4.1%	+3.8%	+3.0%
Housing Starts	608.8 (+3.7%)	780.0 (+28.1%)	940.0 (+20.5%)
After-Tax Corporate Profits (National Income and Products Accounts Basis)	+2.2%	+15.6%	+8.0%
Federal Budget Balance (Fiscal Years)	-$1.3T (that's a T!)	-$1.1T	-$0.9T
Civilian Unemployment Rate	8.9%	8.1%	7.4%
Consumer Price Index – Overall	+3.2%	+2.1%	+2.2%
Consumer Price Index – ex Food & Energy	+1.7%	+2.1%	+2.0%
GDP Price Index	+2.1%	+2.0%	+2.0%

A – Actual E – Estimated

Sources: Bloomberg, Barclays Capital Live.

Europe, still in recession: Draghi acknowledged the ECB's role as a lender of last resort in 2012, and that calmed EU financial markets. So the tail risk of an extreme negative event in the Euro area has gone way down. Countries are trying to implement reforms and cut spending. Still, the recession that began when banks restricted credit rather than raising capital to meet the new standards continues. Fortunately, the data stopped falling and now even show slight improvement. EU-wide PMIs show contraction but are a couple of points above the lows of a few months ago. Confidence is broadly less negative, even in France and especially in Germany, where growth is still decent, consumer spending is picking up, the composite PMI shot back above 50 in December, and unemployment is still near two-decade lows. House prices are rising in Germany; and in Ireland at the fastest pace in two decades. France is our biggest concern, where data is tracking a fourth quarter contraction.

Policymakers have made progress. The outlines of an EU-wide banking union are in place, with the ECB supervising the largest 150 to 200 banks. The ECB's Outright Monetary Transactions program has brought interest rates down to nearly two-year lows. The last Greek bailout showed the German government chose to help Greece stay in the Eurozone; Chancellor Merkel even noted that some Greek debt may simply have to be written off, a real step toward burden-sharing. A Bloomberg article noted that Spain is enjoying a surge in exports and foreign investment as its labor overhaul and better cost competitiveness is bearing fruit; unit labor costs in Spain have fallen 4% over the last four years.

The EU recession will likely continue in the first quarter, but the economy could stabilize by mid-year. Europe's major trading partners, China and the U.S., have improving growth, a big plus. Financial markets recognize that tail risks have fallen, bringing lower interest rates and a boost to stocks. Rising wages and higher house and stock prices are giving a lift to domestic demand in Germany. All of this, plus gradual progress in financing conditions, provides the potential for the Eurozone to return to growth in the second half.

Reform in the Middle Kingdom? New leaders are about to take the helm in China with little fanfare and no turmoil. Xi Jinping eased into his new role as General Secretary and began with a trip to Shenzhen, reminiscent of a similar visit by Deng Xiaoping in the 1970s that gave birth to China's economic resurgence. His first move was about optics, staying mostly without a tie, banning flowers, red carpets, ostentatious displays and banquets, and official motorcades that interminably snarl traffic for ordinary Chinese. He made speeches blasting corruption, vowing to root out and severely punish self-serving officials.

Xi inherits an economy recovering from a moderate slowdown, the effect of a fight to control a burgeoning real estate bubble through tighter monetary and administrative policy. Economic data has improved over the last few months; the stock market screamed 16% higher in less than thirty days. So, we believe the bottom for growth was back in the third quarter. At the same time, the economy is moving toward being driven more by consumer demand as wages have risen at double-digit rates for a decade. In addition, the recent Party conference spent much time discussing urbanization, which will be a key impetus to economic growth over the next few years. As millions migrate to urban areas each year, there are vast needs for more real estate construction and infrastructure development. These two forces should keep growth in the 6% to 8% range for a time. Ten percent or faster rates are a thing of the past, as labor force growth drops to zero and productivity growth moderates.

Whether China can maintain strong growth in the longer term depends on the reform agenda of the new leadership, and how hard they are willing or able to push it. As Xi has noted, corruption is a problem, and whether attacking it now is mere lip service isn't known. The financial system needs to be open to market forces—interest and deposit rates determined by demand and supply, and bank loans offered on merit rather than political directions. The SOEs, state-owned enterprises, will need to be brought to heel, with basic industries opened to more competition. But for the next year or two or so, the economy seems to be on the right track.

Asset Allocation Corner*

Unless you owned stocks in global sectors of utilities, energy and telecom services, Spanish or Mongolian stocks, cotton or U.S. crude oil, your investment portfolio probably had a pretty decent return in 2012. A dismal fourth quarter (+0.7%) and December (-1.0%) couldn't keep the S&P 500 from providing a 13.4% price return for the year; good, but only average for the world. MSCI indices for Japan, Europe, and Emerging Markets outpaced the U.S., up 18.9%, 15.4%, and 15.2%, respectively.

Bonds also enjoyed positive returns. With U.S. Treasury yields flat to down and credit spreads narrowing dramatically, yield plus price gains added up. The Barclays U.S. High Yield Index had a return for the year of 15.8%. Investment-grade corporates within the Barclays indices provided a 9.8% return. Emerging market debt indices kept up their strong performance, with the Barclays Emerging Markets and EM Government indices hitting 18.0% and 12.8%, respectively.

So, what's ahead? Stocks: With key global economies likely to be improving in 2013, earnings still on an upward track, chances of known calamities clearly diminished, and central banks still enthralled with extraordinary policy easing, the cyclical bull market in U.S. equities that began in March 2009 has little reason to end right away. At valuations not far from long-term averages, stocks are not cheap, but nor are they expensive. So, we still like equity ownership, but we wouldn't overweight U.S. stocks in a global portfolio. There was no big fear-generating correction in 2012 like occurred in the two prior years; such a plunge this year could be regarded as a buying opportunity.

* Asset allocation/diversification does not guarantee a profit or protect against a loss.

European and Japanese stock markets appear to have bottomed the middle of last year and are still offered at cheap valuations; with plenty of struggles ahead in the Eurozone, and Japan having disappointed much more than once in the past, local equities in either country pose greater risks, but perhaps the potential of more return. If the prospect for better times proves true, these stock markets would be leaders. We've been quite positive on Chinese stocks for a few months as the economy was bottoming, and the Shanghai Composite has finally come around. Usually it's the equity market that leads; not this time, if the turn is for real. Emerging markets are where the economic growth will continue to be, and although there are headwinds as commodity prices are no longer hitting record highs, equity returns there should be good.

Our call to move away from defensive sectors a few months ago to more aggressive ones was the right one and we'd continue that, except for energy and materials as commodities will likely stay under pressure. Small-cap and value stocks have outperformed large-cap and growth in the last several months; that may continue given that large-cap growth has been a favorite of safe-haven equity investors. Mid-cap U.S. stocks have given excellent returns. Stocks and sectors that can capture the huge potential for fast growth in emerging market consumer spending should be key areas of focus.

Bonds and real estate: It's hard to imagine developed country, non-distressed sovereign bond yields falling to new lows, so portfolios of high quality, long duration bonds offer poor return potential. With interest rates unlikely to soar this year, selected investments with exposure to strong credits but medium duration should provide decent returns. Those investments could be in high-yield, emerging market corporates or sovereigns, and commercial mortgage-backed securities.

If global economic growth begins to accelerate, as is likely at least into next year, excess capacity and the unemployed will begin to be called back into service and interest rates will rise. So, while longer term bonds do offer more attractive yields than those of medium duration, in that better environment rising yields will lead to capital losses in bonds. So investment in any such assets should be considered a trade, and not a buy and hold.

An improving job market and a growing economy make U.S. commercial real estate an attractive investment that offers good returns. Real estate prices have already risen significantly off the low, but are still below the highest prices at the peak of 2005 or a bit after. While not for the faint of heart, well-researched and selected real estate in Europe may one day become good investments; some hedge funds are already moving into Spanish real estate.

Is Bearish on Bonds the Right Call… Finally?

For the past year, U.S. Treasury yields seemed to move from low to lower to ultra-low as fears piled high. U.S. growth worsened in the summer; the fiscal crisis in Europe regained momentum; China's economy refused to trough; and local stocks kept falling. So, the demand for safe-haven assets reached a crescendo and Treasury yields hit record lows in July. Rates have come back some, but still finished 2012 at very low levels, as shown in the table:

Interest Rates	12/31/2009	12/31/2010	12/31/2011	03/19/2012 (High)*	07/24/2012 (Low)*	12/31/2012 Current
2-year	1.14%	0.60%	0.24%	0.38%	0.22%	0.26%
10-year	3.84%	3.30%	1.88%	2.38%	1.39%	1.76%
10-2 spread	2.70%	2.70%	1.64%	2.00%	1.17%	1.50%

*Based on the 10-year U.S. Treasury Bond, over the previous 12 months.

Subsequent to those record lows, events occurred to blunt the worst of the economic fears, including:

- A new program of unlimited purchases of distressed bonds by the ECB, subject to certain conditions.
- A new bailout plan for Greece and the dispersal of funds.
- An agreement where EU regulators released funds to problem banks in Spain.
- The Chinese outlook improved significantly, and a soft landing commenced.
- The U.S. Congress scaled the fiscal cliff at the very last minute, making a 2013 recession highly unlikely.

These events have caused interest rates to move up off their lows, and the case for a further uptrend would be simple to construct. After all, the economy is growing, deflation is not expected, and while the Bernanke Fed will forcefully support the expansion, this commitment is not without limit. Further, under the Fed's new unemployment 6.5% threshold system, interest rates could rise faster than expected if investors believed unemployment would fall more quickly in the next few months.

On these thoughts, interest rates moved higher in the last few days, after Congress averted a tax-hike-induced recession. However, these first initial forays higher will likely be short-lived. U.S. taxes are going up; plus, battles of sequestration, the debt ceiling, and spending cuts loom over the next couple of months. So, investors may stay cautious and further moves up in Treasury yields will likely be limited. Congress fixed the near-term drag, but it set up two months of more policy ambiguity. So, financial markets will stay volatile, and further increases in interest rates should stay subdued until the debt ceiling debate has some resolution.

Despite this fiscal uncertainty, global economic forces described above are supportive of faster economic growth, and thus higher interest rates. Even with a better forecast, the Fed will keep a lid on rates in 2013, but should be less aggressive as the economy acquires a head of steam in 2014. Based on this thought, our forecast for interest rates at this yearend and next is as follows:

	2013	2014
Federal Funds Target	0.0-0.25%	0.0-0.25%
2-year Treasury Rate	0.50%	1.00%
10-year Treasury Rate	2.25%	3.00%
2-10 year spread	1.75%	2.00%

Information provided by Principal Global Investors

Indices at a Glance

Index	Close (as of 1/4/2013)	12 Month Low	12 Month High	% Change Week	% Change 12 month
Dow Jones Industrial Average	13,435.21	12,101.46	13,610.15	497.10	8.70%
NASDAQ	3,101.66	2,676.56	3,183.95	141.34	15.98%
S&P MidCap 400	1,056.07	891.32	1,056.07	51.74	18.46%
S&P 500	1,466.47	1,278.04	1,466.47	64.04	14.76%
S&P SmallCap 600	492.62	414.87	492.62	25.21	17.24%
MSCI EAFE (Intl.)	1,633.07	1,308.01	1,633.07	27.25	16.09%

Performance of indices reflects the unmanaged result for the market segment the selected index represents. The index is not available for direct investment.

Robert F. Baur, Ph.D. – Bob is a Managing Director and Chief Global Economist for Principal Global Investors. In this capacity, he establishes and directs global economic policy and strategy, oversees and conducts macroeconomic and quantitative research, forecasts economic trends and anticipates market movements, and advises the investment staff in making economically sound investment decisions. Bob also serves as chair of the firm's Economic Resource Group. He joined The Principal® in 1995, and prior to assuming his current role, oversaw equity, fixed income and currency trading. Bob received a Ph.D. in Economics and a Bachelor's Degree in Mathematics from Iowa State University. Bob also completed post-doctoral study in finance and economics at the University of Minnesota. Principal Global Investors and its affiliates are sub-advisors to many of the Principal Funds.

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The S&P 500 is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

The S&P MidCap 400 Index includes approximately 10% of the capitalization of U.S. equity securities. These are comprised of stocks in the middle capitalization range.

The S&P SmallCap 600 Index is a small-cap index that consists of 600 domestic stocks chosen for market size, liquidity, and industry group representation.

The Dow Jones Industrial Average is an index of 30 blue-chip U.S. stocks.

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada.

The NASDAQ Composite Index is a broad-based index that measures all NASDAQ domestic and international based common type stocks listed on the NASDAQ Stock Market.

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A mutual fund's share price and investment return will vary with market conditions, and the principal value of an investment when you sell your shares may be more or less than the original cost.

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Principal® Financial Group

Investment Review

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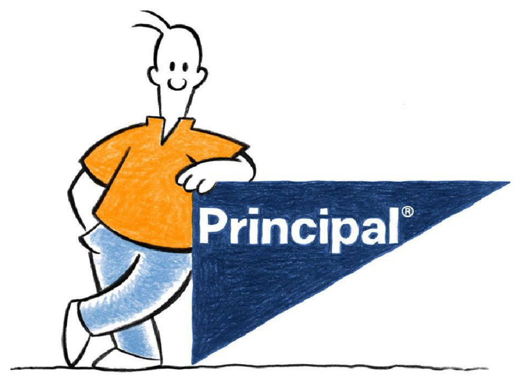

Portfolio Review

Investment Review - Allocation 01/01/2012 through 12/31/2012

Inv Manager or Sub-Advisor Investment Option	Beginning Balance	Breakdown %	Contributions/ Additions	Breakdown %	Withdrawals/ Deductions	Breakdown %	Ending Balance	Breakdown %
Large U.S. Equity								
Large Value								
OppenheimerFunds, Inc. Oppenheimer Equity Income A Fund [*]	$47,978	0.29%	$7,176	0.33%	$563	0.06%	$0	0.00%
Vanguard Group Vanguard Equity-Income Fund	$0	0.00%	$648	0.03%	$77	0.01%	$65,263	0.34%
Large Blend								
Principal Global Investors LargeCap S&P 500 Index Separate Account-R6 [A, 2, 9, 40]	$673,679	4.00%	$88,997	4.10%	$26,365	2.73%	$831,384	4.27%
T.Rowe/Clearbridge Investments LargeCap Blend II Separate Account-R6 [A, 3, 29, 31]	$741,027	4.40%	$67,030	3.09%	$34,485	3.57%	$876,503	4.50%
Large Growth								
Capital Research and Mgmt Co American Funds Growth Fund of America R3 Fund [*37]	$705,218	4.19%	$108,040	4.98%	$30,653	3.17%	$0	0.00%
Touchstone Touchstone Sands Capital Institutional Growth Fund	$0	0.00%	$8,104	0.37%	$3,061	0.32%	$926,578	4.76%
Small/Mid U.S. Equity								
Mid Cap Value								
Goldman Sachs/LA Capital Mgmt MidCap Value I Separate Account-R6 [A, 1, 18, 29]	$87,898	0.52%	$14,724	0.68%	$27,398	2.84%	$73,794	0.38%
Mid Cap Blend								
Principal Global Investors MidCap S&P 400 Index Separate Account-R6 [A, 1, 2, 11, 40]	$0	0.00%	$4,901	0.23%	$0	0.00%	$5,024	0.03%
Mid Cap Growth								
Principal Global Investors MidCap Blend Separate Account-R6 [A, 1]	$915,990	5.44%	$27,322	1.26%	$54,672	5.66%	$1,042,745	5.36%
Prudential Investments, LLC Prudential Jennison Mid Cap Growth Z Fund [1]	$0	0.00%	$5,801	0.27%	$1,157	0.12%	$565,142	2.90%
Turner / Jacobs Levy MidCap Growth III Separate Account-R6 [*A, 1, 17, 29]	$555,925	3.30%	$58,278	2.69%	$55,446	5.74%	$0	0.00%

Portfolio Review

Investment Review - Allocation 01/01/2012 through 12/31/2012

Inv Manager or Sub-Advisor Investment Option	Beginning Balance	Breakdown %	Contributions/ Additions	Breakdown %	Withdrawals/ Deductions	Breakdown %	Ending Balance	Breakdown %
Small Value								
Principal Global Investors SmallCap Value Separate Account-R6 [*A, 1]	$56,400	0.34%	$835	0.04%	$34	0.00%	$0	0.00%
Small Blend								
Principal Global Investors SmallCap Blend Separate Account-R6 [A, 1]	$0	0.00%	$13,940	0.64%	$10,852	1.12%	$63,039	0.32%
Principal Global Investors SmallCap S&P 600 Index Separate Account-R6 [A, 1, 2, 10, 40]	$448,883	2.67%	$49,190	2.27%	$17,813	1.84%	$532,951	2.74%
Small Growth								
AllianceBern / CCI / Brown SmallCap Growth I Separate Account-R6 [A, 1, 3, 26, 29, 34]	$176,740	1.05%	$21,449	0.99%	$1,087	0.11%	$215,577	1.11%
International Equity								
Diversified Emerging Markets								
Virtus Investment Advisers,Inc Virtus Emerging Markets Opportunities I Fund	$0	0.00%	$0	0.00%	$0	0.00%	$2,390	0.01%
Foreign Large Blend								
Capital Research and Mgmt Co American Funds EuroPacific Growth R3 Fund [*4, 37]	$90,567	0.54%	$21,787	1.00%	$1,144	0.12%	$0	0.00%
Capital Research and Mgmt Co American Funds EuroPacific Growth R6 Fund [4, 37]	$0	0.00%	$1,285	0.06%	$0	0.00%	$126,524	0.65%
Foreign Small/Mid Blend								
Principal Global Investors/DFA International SmallCap Separate Account-R6 [A, 1, 4, 20]	$721,002	4.28%	$79,917	3.68%	$27,261	2.82%	$823,290	4.23%
Balanced/Asset Allocation								
Retirement Income								
Multiple Sub-Advisors Principal LifeTime Strategic Income Separate Account-R6 [A, 21, 24, 32, 33, 38]	$121,465	0.72%	$32,107	1.48%	$7,272	0.75%	$157,140	0.81%

Portfolio Review

Investment Review - Allocation 01/01/2012 through 12/31/2012								
Inv Manager or Sub-Advisor Investment Option	Beginning Balance	Breakdown %	Contributions/ Additions	Breakdown %	Withdrawals/ Deductions	Breakdown %	Ending Balance	Breakdown %
Target Date 2000-2010								
Multiple Sub-Advisors Principal LifeTime 2010 Separate Account-R6 [A, 21, 24, 32, 33, 38]	$894,402	5.31%	$163,069	7.51%	$84,249	8.72%	$1,066,714	5.48%
Target Date 2016-2020								
Multiple Sub-Advisors Principal LifeTime 2020 Separate Account-R6 [A, 21, 24, 32, 33, 38]	$1,472,854	8.75%	$276,997	12.76%	$74,343	7.69%	$1,673,465	8.60%
Target Date 2026-2030								
Multiple Sub-Advisors Principal LifeTime 2030 Separate Account-R6 [A, 21, 24, 32, 33, 38]	$1,108,171	6.58%	$210,321	9.69%	$54,391	5.63%	$1,631,631	8.38%
Target Date 2036-2040								
Multiple Sub-Advisors Principal LifeTime 2040 Separate Account-R6 [A, 21, 24, 32, 33, 38]	$141,037	0.84%	$83,884	3.87%	$17,084	1.77%	$241,143	1.24%
Target Date 2046-2050								
Multiple Sub-Advisors Principal LifeTime 2050 Separate Account-R6 [A, 21, 24, 32, 33, 38]	$47,549	0.28%	$23,070	1.06%	$4,514	0.47%	$73,595	0.38%
Short-Term Fixed Income								
Money Market								
Principal Global Investors Money Market Separate Account-R6 [A, 6, 39]	$5,736,840	34.08%	$514,664	23.72%	$355,552	36.79%	$5,797,992	29.79%
Fixed Income								
High Yield Bond								
Fidelity Management & Research Fidelity Advisor High Income Advant I Fund [5, 23, 24]	$0	0.00%	$8,536	0.39%	$347	0.04%	$516,445	2.65%
Fidelity Management & Research Fidelity Advisor High Income Advantage T Fund [*5, 23, 24]	$324,836	1.93%	$91,446	4.21%	$14,007	1.45%	$0	0.00%

Portfolio Review

Investment Review - Allocation 01/01/2012 through 12/31/2012								
Inv Manager or Sub-Advisor Investment Option	Beginning Balance	Breakdown %	Contributions/ Additions	Breakdown %	Withdrawals/ Deductions	Breakdown %	Ending Balance	Breakdown %
Intermediate-Term Bond								
PIMCO Core Plus Bond I Separate Account-R6 [*A, 18, 23, 24, 40]	$85,199	0.51%	$9,643	0.44%	$996	0.10%	$0	0.00%
PIMCO PIMCO Total Return Instl Fund [23, 24]	$0	0.00%	$664	0.03%	$0	0.00%	$143,208	0.74%
Principal Global Investors Bond and Mortgage Separate Account-R6 [A, 23, 24, 40]	$1,404,880	8.35%	$147,881	6.81%	$44,466	4.60%	$1,708,249	8.78%
Owned Real Estate								
Principal Real Estate Inv U.S. Property Separate Account-R6 [A, 35]	$274,795	1.63%	$28,283	1.30%	$17,139	1.77%	$302,660	1.56%
TOTAL	$16,833,335	100%	$2,169,989	100%	$966,428	100%	$19,462,446	100%

** This investment option is closed to new contributions.*

Contributions/Additions reflect contributions, negative contributions, loan payments, etc. Withdrawal/Deductions reflect distribution requests such as terminations, death, disability, and loans. Participant and Employer level investment transfers are not included in these columns.

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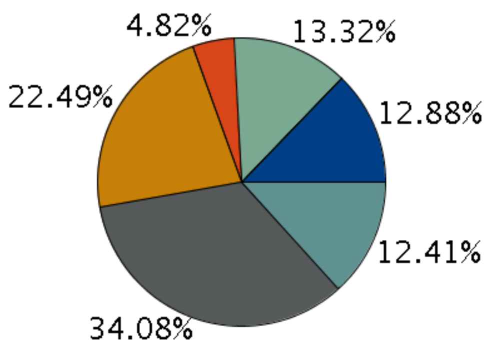
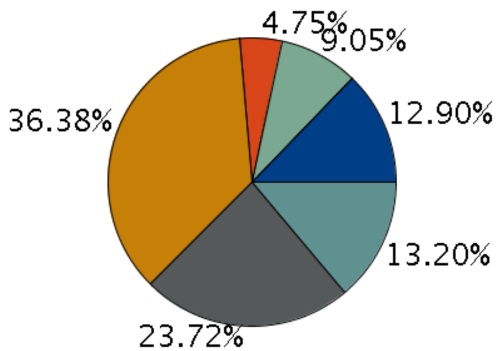
Portfolio Review

Asset Class Breakdown

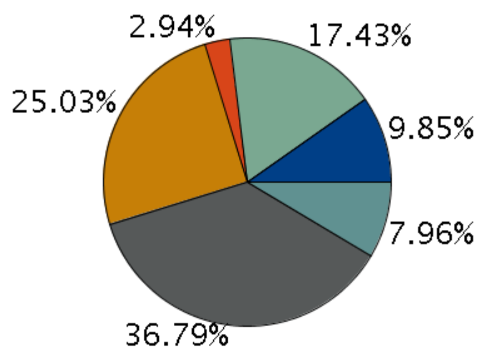
Beginning % As Of 01/01/2012



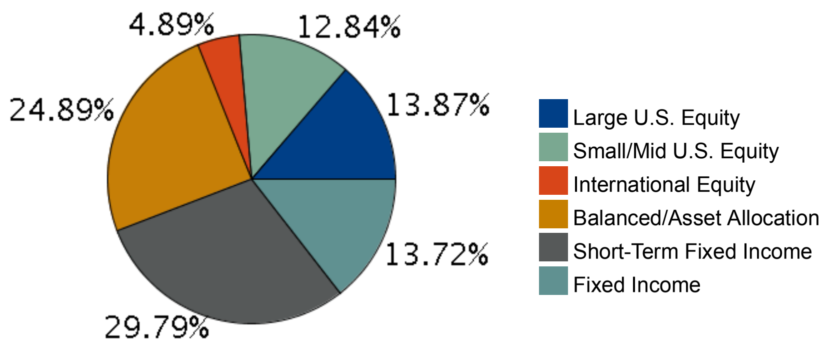
Contributions/Additions %
01/01/2012 - 12/31/2012



Withdrawals/Deductions %
01/01/2012 - 12/31/2012



Ending % As Of 12/31/2012



Style Grid

Large U.S. Equity		
Large Value	**Large Blend**	**Large Growth**
Oppenheimer Equity Income A Fund [*] Vanguard Equity-Income Fund	LargeCap S&P 500 Index Separate Account-R6 [2, 9, 40] ++ LargeCap Blend II Separate Account-R6 [3, 29, 31]	American Funds Growth Fund of America R3 Fund [*37] Touchstone Sands Capital Institutional Growth Fund

Small/Mid U.S. Equity		
Mid Cap Value	**Mid Cap Blend**	**Mid Cap Growth**
MidCap Value I Separate Account-R6 [1, 18, 29]	MidCap S&P 400 Index Separate Account-R6 [1, 2, 11, 40] ++	MidCap Blend Separate Account-R6 [1] Prudential Jennison Mid Cap Growth Z Fund [1] MidCap Growth III Separate Account-R6 [*1, 17, 29]

Style Grid

Small Value	Small Blend	Small Growth
SmallCap Value Separate Account-R6 [*1]	Goldman Sachs Small Cap Value Inst Fund [1, 37] SmallCap Blend I Separate Account-R6 [*1, 3] SmallCap Blend Separate Account-R6 [1] SmallCap S&P 600 Index Separate Account-R6 [1, 2, 10, 40] ++	SmallCap Growth I Separate Account-R6 [1, 3, 26, 29, 34] SmallCap Growth III Separate Account-R6 [*1, 18, 25]

Style Grid

International Equity	Balanced/Asset Allocation	Short-Term Fixed Income
American Funds EuroPacific Growth R3 Fund *4, 37 American Funds EuroPacific Growth R6 Fund 4, 37 American Funds International SmallCap Separate Account-R6 1, 4, 20 Principal Global Investors / Dimensional Virtus Emerging Markets Opportunities I Fund VIRTUS INVESTMENT PARTNERS	Principal LifeTime Strategic Income Separate Account-R6 21, 24, 32, 33, 38 Principal LifeTime 2010 Separate Account-R6 21, 24, 32, 33, 38 Principal LifeTime 2020 Separate Account-R6 21, 24, 32, 33, 38 Principal LifeTime 2030 Separate Account-R6 21, 24, 32, 33, 38 Principal LifeTime 2040 Separate Account-R6 21, 24, 32, 33, 38 Principal LifeTime 2050 Separate Account-R6 21, 24, 32, 33, 38 Multiple Sub-Advisors Bond Emphasis Balanced Separate Account-R6 *21, 22, 24 Stock Emphasis Balanced Separate Account-R6 *21, 22, 24	Money Market Separate Account-R6 6, 39 Principal Global Investors

Style Grid

Fixed Income

Fidelity Advisor High Income Advant I Fund [5, 23, 24]

Fidelity Advisor High Income Advantage T Fund [*5, 23, 24]

Core Plus Bond I Separate Account-R6 [*18, 23, 24, 40]

PIMCO Total Return Instl Fund [23, 24]

Bond and Mortgage Separate Account-R6 [23, 24, 40]

U.S. Property Separate Account-R6 [35]

Vanguard Inflation-Protection Securities Inv Fund [23, 24]

You are responsible for the selection of specific investment options for your retirement plan. While the investment options above provide a starting point for you to consider, we also offer additional investment options other than those illustrated above.

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Investment Performance

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown.

In situations where the net and gross total investment expense figures are different, the mutual fund or underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the Waiver Expiration Date or Contractual Cap Expiration Date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are always based on net total investment expense.

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	Average Annual Total Returns through 12/31/2012						Percentile Rankings as of 12/31/2012					
Inv Manager or Sub-Advisor Investment Option	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
Large U.S. Equity												
Large Value												
OppenheimerFunds, Inc. Oppenheimer Equity Income A Fund *	19.14	10.45	4.31	8.95	11.24	02/13/1987	7	21	2	4	1.09 / 1.09	- -
Vanguard Group Vanguard Equity-Income Fund	13.49	12.98	3.12	8.14	9.60	03/21/1988	67	2	8	10	0.31 / 0.31	- -
Russell 1000 Value Index	*17.51*	*10.86*	*0.59*	*7.38*	-		-	-	-	-		
Morningstar Category Average - Large Value	*14.57*	*9.02*	*0.32*	*6.67*	*Total Funds in Category*		*1208*	*1051*	*930*	*591*	-	
Large Blend												
Principal Global Investors LargeCap S&P 500 Index Separate Account-R6 A, 2, 9, 40	15.63	10.53	1.38	6.78	8.19	01/01/1990	43	22	35	42	0.31 / 0.31	- -
T.Rowe/Clearbridge Investments LargeCap Blend II Separate Account-R6 A, 3, 29, 31	15.23	9.02	1.23	6.39	3.11	12/29/2000	51	54	39	59	0.90 / 0.92	02/28/2013 02/28/2013
Standard & Poor's 500 Index	*16.00*	*10.87*	*1.66*	*7.10*	-		-	-	-	-		
Morningstar Category Average - Large Blend	*14.96*	*9.05*	*0.68*	*6.62*	*Total Funds in Category*		*1686*	*1506*	*1324*	*836*	-	

Investment Performance

Inv Manager or Sub-Advisor / Investment Option	Average Annual Total Returns through 12/31/2012 1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Percentile Rankings as of 12/31/2012 1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
Large Growth												
Capital Research and Mgmt Co American Funds Growth Fund of America R3 Fund *37	20.20	8.48	0.79	7.90	5.61	05/21/2002	8	65	58	28	0.98 / 0.98	- -
Touchstone Touchstone Sands Capital Institutional Growth Fund	23.75	16.92	7.10	-	8.11	01/21/2005	3	1	1	-	0.80 / 0.80	- -
Russell 1000 Growth Index	*15.26*	*11.35*	*3.12*	*7.52*	-		-	-	-	-		
Morningstar Category Average - Large Growth	*15.34*	*9.30*	*1.12*	*7.12*	*Total Funds in Category*		*1681*	*1503*	*1301*	*863*	-	
Small/Mid U.S. Equity												
Mid Cap Value												
Goldman Sachs/LA Capital Mgmt MidCap Value I Separate Account-R6 A, 1, 18, 29	17.66	11.89	3.71	9.80	7.25	07/01/1999	36	31	36	40	1.14 / 1.16	02/28/2013 02/28/2013
Russell Midcap Value Index	*18.51*	*13.39*	*3.79*	*10.63*	-		-	-	-	-		
Morningstar Category Average - Mid Cap Value	*16.60*	*10.77*	*2.87*	*9.14*	*Total Funds in Category*		*425*	*357*	*311*	*177*	-	
Mid Cap Blend												
Principal Global Investors MidCap S&P 400 Index Separate Account-R6 A, 1, 2, 11, 40	17.46	13.21	4.78	10.14	8.26	08/31/1999	38	17	13	23	0.31 / 0.31	- -
Standard & Poor's 400 MidCap Stock Index	*17.88*	*13.62*	*5.15*	*10.53*	-		-	-	-	-		
Morningstar Category Average - Mid Cap Blend	*16.15*	*10.83*	*2.27*	*8.93*	*Total Funds in Category*		*412*	*352*	*309*	*195*	-	
Mid Cap Growth												
Principal Global Investors MidCap Blend Separate Account-R6 A, 1	19.11	16.71	6.84	11.43	11.42	01/01/1991	9	4	3	9	0.81 / 0.81	- -
Prudential Investments, LLC Prudential Jennison Mid Cap Growth Z Fund 1	16.24	12.72	5.27	12.77	9.79	12/31/1996	27	27	12	1	0.76 / 0.76	- -
Turner / Jacobs Levy MidCap Growth III Separate Account-R6 *A, 1, 17, 29	9.22	9.88	-0.24	9.27	3.49	10/28/1999	90	67	74	46	1.11 / 1.13	02/28/2013 02/28/2013
Russell Midcap Growth Index	*15.81*	*12.91*	*3.23*	*10.32*	-		-	-	-	-		
Russell Midcap Index	*17.28*	*13.15*	*3.57*	*10.65*	-		-	-	-	-		
Morningstar Category Average - Mid Cap Growth	*14.07*	*11.08*	*1.73*	*8.98*	*Total Funds in Category*		*737*	*671*	*591*	*431*	-	

Investment Performance

	Average Annual Total Returns through 12/31/2012						Percentile Rankings as of 12/31/2012					
Inv Manager or Sub-Advisor **Investment Option**	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
Small Blend												
Goldman Sachs Asset Mgt Goldman Sachs Small Cap Value Inst Fund [1, 37]	16.54	14.08	6.85	10.70	8.73	08/15/1997	33	15	6	18	0.96 / 1.04	12/29/2012 12/29/2013
Principal Global Investors SmallCap Blend Separate Account-R6 [A, 1]	14.93	11.95	1.64	8.80	10.28	01/01/1991	57	49	76	63	0.91 / 0.91	- -
Principal Global Investors SmallCap S&P 600 Index Separate Account-R6 A, 1, 2, 10, 40	15.95	13.63	4.86	10.12	8.35	08/31/1999	41	22	23	27	0.31 / 0.31	- -
Russell 2000 Index	*16.35*	*12.25*	*3.56*	*9.72*	-		-	-	-	-		
Standard & Poor's 600 Stock Index	*16.33*	*14.07*	*5.14*	*10.45*	-		-	-	-	-		
Morningstar Category Average - Small Blend	*15.46*	*11.88*	*3.09*	*9.29*	*Total Funds in Category*		*662*	*607*	*527*	*330*	-	
Small Growth												
AllianceBern / CCI / Brown SmallCap Growth I Separate Account-R6 [A, 1, 3, 26, 29, 34]	14.44	15.97	4.03	10.52	2.79	12/29/2000	39	7	29	18	1.23 / 1.25	02/28/2013 02/28/2013
Russell 2000 Growth Index	*14.59*	*12.82*	*3.49*	*9.80*	-		-	-	-	-		
Morningstar Category Average - Small Growth	*13.15*	*11.74*	*2.55*	*9.14*	*Total Funds in Category*		*743*	*658*	*570*	*384*	-	
International Equity												
Diversified Emerging Markets												
Virtus Investment Advisers,Inc Virtus Emerging Markets Opportunities I Fund	19.88	14.25	3.68	17.65	8.44	10/20/1997	35	1	2	14	1.42 / 1.42	- -
MSCI - Emerging Markets NDTR D Index	*18.22*	*4.66*	*-0.92*	*16.52*	-		-	-	-	-		
Morningstar Category Average - Diversified Emerging Markets	*18.15*	*4.26*	*-2.16*	*15.44*	*Total Funds in Category*		*552*	*358*	*250*	*150*	-	

Investment Performance

Inv Manager or Sub-Advisor Investment Option	Average Annual Total Returns through 12/31/2012 1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Percentile Rankings as of 12/31/2012 1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
Foreign Large Blend												
Capital Research and Mgmt Co American Funds EuroPacific Growth R3 Fund [*4, 37]	18.89	3.76	-1.68	9.69	7.29	05/21/2002	35	54	17	17	1.14 / 1.14	- -
Capital Research and Mgmt Co American Funds EuroPacific Growth R6 Fund [4, 37]	19.64	4.42	-1.16	10.18	12.73	05/01/2009	26	37	11	11	0.50 / 0.50	- -
MSCI ACWI Ex USA Index	*16.83*	*3.87*	*-2.89*	*9.74*	-		-	-	-	-		
Morningstar Category Average - Foreign Large Blend	*18.29*	*3.89*	*-3.60*	*7.92*	*Total Funds in Category*		*786*	*713*	*589*	*325*	-	
Foreign Small/Mid Blend												
Principal Global Investors/DFA International SmallCap Separate Account-R6 [A, 1, 4, 20]	18.60	9.30	-1.82	12.97	11.40	01/01/1995	64	34	51	26	1.46 / 1.46	- -
MSCI World Ex US Small Cap Index	*17.48*	*7.19*	*-0.70*	*12.04*	-		-	-	-	-		
Morningstar Category Average - Foreign Small/Mid Blend	*18.99*	*7.16*	*-1.47*	*11.88*	*Total Funds in Category*		*68*	*58*	*38*	*24*	-	
Balanced/Asset Allocation												
Retirement Income												
Multiple Sub-Advisors Principal LifeTime Strategic Income Separate Account-R6 [A, 21, 24, 32, 33, 38]	9.29	7.85	2.86	5.41	4.74	03/30/2001	46	14	43	25	0.78 / 0.78	- -
Principal LifeTime Strategic Income Blended Index	*7.05*	*7.31*	*5.03*	*6.67*	-		-	-	-	-		
Morningstar Category Average - Retirement Income	*9.01*	*6.77*	*2.94*	*4.99*	*Total Funds in Category*		*281*	*257*	*187*	*21*	-	
Target Date 2000-2010												
Multiple Sub-Advisors Principal LifeTime 2010 Separate Account-R6 [A, 21, 24, 32, 33, 38]	11.86	8.71	2.21	6.08	5.03	03/30/2001	11	1	56	16	0.85 / 0.85	- -
Principal LifeTime 2010 Blended Index	*9.41*	*8.37*	*3.39*	*6.51*	-		-	-	-	-		
Morningstar Category Average - Target Date 2000-2010	*9.61*	*7.03*	*2.54*	*5.66*	*Total Funds in Category*		*145*	*139*	*117*	*14*	-	

Investment Performance

	Average Annual Total Returns through 12/31/2012						Percentile Rankings as of 12/31/2012					
Inv Manager or Sub-Advisor **Investment Option**	**1 yr.**	**3 yr.**	**5 yr.**	**10 yr.**	**Since Inception**	**Inception Date**	**1 yr.**	**3 yr.**	**5 yr.**	**10 yr.**	**Total Inv. Exp. Net / Gross**	**Contractual Cap/Waiver Expire Date**
Target Date 2016-2020												
Multiple Sub-Advisors Principal LifeTime 2020 Separate Account-R6 [A, 21, 24, 32, 33, 38]	14.53	9.05	1.78	6.73	5.39	03/30/2001	3	9	59	15	0.90 / 0.90	- -
Principal LifeTime 2020 Blended Index	*12.87*	*8.48*	*2.46*	*6.77*	-		-	-	-	-		
Morningstar Category Average - Target Date 2016-2020	*11.68*	*7.85*	*1.89*	*6.17*	*Total Funds in Category*		*208*	*179*	*132*	*21*	-	
Target Date 2026-2030												
Multiple Sub-Advisors Principal LifeTime 2030 Separate Account-R6 [A, 21, 24, 32, 33, 38]	15.48	9.14	1.25	6.93	5.24	03/30/2001	13	13	45	20	0.92 / 0.92	- -
Principal LifeTime 2030 Blended Index	*13.85*	*8.68*	*1.87*	*6.90*	-		-	-	-	-		
Morningstar Category Average - Target Date 2026-2030	*13.59*	*8.13*	*1.00*	*6.63*	*Total Funds in Category*		*208*	*179*	*132*	*16*	-	
Target Date 2036-2040												
Multiple Sub-Advisors Principal LifeTime 2040 Separate Account-R6 [A, 21, 24, 32, 33, 38]	16.47	9.13	0.75	6.93	5.22	03/30/2001	11	18	39	40	0.94 / 0.94	- -
Principal LifeTime 2040 Blended Index	*14.78*	*8.76*	*1.38*	*7.07*	-		-	-	-	-		
Morningstar Category Average - Target Date 2036-2040	*14.64*	*8.23*	*0.57*	*6.80*	*Total Funds in Category*		*204*	*175*	*125*	*16*	-	
Target Date 2046-2050												
Multiple Sub-Advisors Principal LifeTime 2050 Separate Account-R6 [A, 21, 24, 32, 33, 38]	17.23	9.17	0.52	7.11	4.87	03/30/2001	8	16	49	20	0.95 / 0.95	- -
Principal LifeTime 2050 Blended Index	*15.49*	*8.74*	*1.10*	*7.37*	-		-	-	-	-		
Morningstar Category Average - Target Date 2046-2050	*15.07*	*8.28*	*0.54*	*6.76*	*Total Funds in Category*		*177*	*139*	*79*	*6*	-	

Investment Performance

	Average Annual Total Returns through 12/31/2012						Percentile Rankings as of 12/31/2012					
Inv Manager or Sub-Advisor **Investment Option**	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
Short-Term Fixed Income												
Money Market												
Principal Global Investors Money Market Separate Account-R6 [A, 6, 39]	-0.26	-0.08	0.47	1.60	5.20	12/10/1980	-	-	-	-	0.56 / 0.56	- -
SEC 7-Day Yield as of 12/31/2012 is -0.35% [***]	-	-	-	-	-		-	-	-	-		
Barclays Treasury Bellwethers 3 Month Index	*0.12*	*0.13*	*0.57*	*1.82*	-		-	-	-	-		
Morningstar Category Average - Money Market	*0.03*	*0.03*	*0.46*	*1.53*	*Total Funds in Category*		*960*	*911*	*839*	*624*	-	
Fixed Income												
High Yield Bond												
Fidelity Management & Research Fidelity Advisor High Income Advant I Fund [5, 23, 24]	18.20	11.81	7.76	11.59	8.01	07/03/1995	8	8	63	1	0.78 / 0.78	- -
Fidelity Management & Research Fidelity Advisor High Income Advantage T Fund [*5, 23, 24]	18.05	11.57	7.51	11.33	9.72	01/01/1987	10	14	69	2	1.02 / 1.02	- -
Merrill Lynch U.S. High Yield Master II Index	*15.59*	*11.60*	*10.01*	*10.39*	-		-	-	-	-		
Morningstar Category Average - High Yield Bond	*14.67*	*10.49*	*8.02*	*8.86*	*Total Funds in Category*		*598*	*517*	*459*	*322*	-	
Intermediate-Term Bond												
PIMCO PIMCO Total Return Instl Fund [23, 24]	10.36	7.75	8.34	6.82	8.35	05/11/1987	12	25	7	7	0.46 / 0.46	- -
PIMCO Core Plus Bond I Separate Account-R6 [*A, 18, 23, 24, 40]	8.58	6.29	-	-	7.45	09/30/2008	27	68	-	-	0.73 / 0.73	- -
Principal Global Investors Bond and Mortgage Separate Account-R6 [A, 23, 24, 40]	7.58	8.65	6.25	5.18	8.27	02/01/1983	38	13	44	46	0.71 / 0.71	- -
Barclays Aggregate Bond Index	*4.21*	*6.19*	*5.95*	*5.18*	-		-	-	-	-		
Barclays U.S. Government/Credit 5-10 Year Index	*7.21*	*9.13*	*7.78*	*6.31*	-		-	-	-	-		
Morningstar Category Average - Intermediate-Term Bond	*7.01*	*6.96*	*6.07*	*5.11*	*Total Funds in Category*		*1165*	*1001*	*874*	*612*	-	

Investment Performance

	Average Annual Total Returns through 12/31/2012						Percentile Rankings as of 12/31/2012					
Inv Manager or Sub-Advisor Investment Option	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
Inflation-Protected Bond												
Vanguard Group Vanguard Inflation-Protection Securities Inv Fund 23, 24	6.78	8.68	6.68	6.39	7.50	06/29/2000	28	20	34	27	0.20 / 0.20	- -
Barclays US Treas TIPS Index	*6.98*	*8.90*	*7.04*	*6.65*	-		-	-	-	-		
Morningstar Category Average - Inflation-Protected Bond	*6.45*	*7.96*	*6.01*	*6.09*	*Total Funds in Category*		*198*	*159*	*149*	*35*	-	
Owned Real Estate												
Principal Real Estate Inv U.S. Property Separate Account-R6 [A, 35]	11.47	14.23	-2.42	5.26	6.16	01/01/1982	-	-	-	-	1.15 / 1.15	- -
NFI-ODCE Equal-Weight	*9.93*	*13.32*	*-2.33*	*5.38*	-		-	-	-	-		

Please see important disclosures at the end of this presentation.

Calendar Year Performance

For performance information, including most recent month-end performance, visit www.principal.com, contact your representative of The Principal, or call our Participant Call Center at 1-800-547-7754.

	Calendar Year Performance										
Inv Manager or Sub-Advisor **Investment Option**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**Inception Date**
Large U.S. Equity											
Large Value											
OppenheimerFunds, Inc. Oppenheimer Equity Income A Fund	-	-	-	-	-	-	-	-	-	-	02/13/1987
Vanguard Group Vanguard Equity-Income Fund	13.49	10.60	14.88	17.10	-30.95	4.86	20.62	4.37	13.57	25.14	03/21/1988
Russell 1000 Value Index	*17.51*	*0.39*	*15.51*	*19.69*	*-36.85*	*-0.17*	*22.25*	*7.05*	*16.49*	*30.03*	-
Morningstar Category Average - Large Value	*14.57*	*-0.75*	*13.66*	*24.13*	*-37.09*	*1.42*	*18.15*	*5.95*	*12.97*	*28.44*	
Total Funds in Category	*1208*	*1258*	*1240*	*1272*	*1433*	*1432*	*1371*	*1296*	*1220*	*1050*	
Large Blend											
Principal Global Investors LargeCap S&P 500 Index Separate Account-R6 [A, 2, 9, 40]	15.63	1.82	14.68	26.09	-37.10	5.18	15.46	4.58	10.49	28.18	01/01/1990
T.Rowe/Clearbridge Investments LargeCap Blend II Separate Account-R6 [A, 3, 29, 31]	15.23	-0.65	13.19	29.38	-36.59	5.60	15.75	4.62	10.25	23.93	12/29/2000
Standard & Poor's 500 Index	*16.00*	*2.11*	*15.06*	*26.46*	*-37.00*	*5.49*	*15.79*	*4.91*	*10.88*	*28.68*	-
Morningstar Category Average - Large Blend	*14.96*	*-1.27*	*14.01*	*28.17*	*-37.79*	*6.16*	*14.17*	*5.88*	*10.02*	*27.05*	
Total Funds in Category	*1686*	*1786*	*2010*	*2027*	*2086*	*2090*	*1980*	*1743*	*1611*	*1526*	
Large Growth											
Capital Research and Mgmt Co American Funds Growth Fund of America R3 Fund [37]	-	-	-	-	-	-	-	-	-	-	05/21/2002
Touchstone Touchstone Sands Capital Institutional Growth Fund	23.75	2.28	26.26	71.08	-48.45	18.74	-5.85	-	-	-	01/21/2005
Russell 1000 Growth Index	*15.26*	*2.64*	*16.71*	*37.21*	*-38.44*	*11.81*	*9.07*	*5.26*	*6.30*	*29.75*	-
Morningstar Category Average - Large Growth	*15.34*	*-2.46*	*15.53*	*35.68*	*-40.67*	*13.35*	*7.05*	*6.71*	*7.81*	*28.66*	
Total Funds in Category	*1681*	*1683*	*1718*	*1796*	*1809*	*1748*	*1642*	*1495*	*1400*	*1311*	

	Calendar Year Performance										
Inv Manager or Sub-Advisor Investment Option	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	Inception Date
Small/Mid U.S. Equity											
Mid Cap Value											
Goldman Sachs/LA Capital Mgmt MidCap Value I Separate Account-R6 [A, 1, 18, 29]	17.66	-4.09	24.11	33.62	-35.88	2.32	15.63	12.31	24.19	28.57	07/01/1999
Russell Midcap Value Index	*18.51*	*-1.38*	*24.75*	*34.21*	*-38.44*	*-1.42*	*20.22*	*12.65*	*23.71*	*38.07*	-
Morningstar Category Average - Mid Cap Value	*16.60*	*-3.96*	*21.92*	*35.41*	*-36.77*	*0.83*	*15.87*	*8.82*	*17.85*	*33.85*	
Total Funds in Category	*425*	*422*	*420*	*416*	*442*	*405*	*375*	*310*	*320*	*331*	
Mid Cap Blend											
Principal Global Investors MidCap S&P 400 Index Separate Account-R6 [A, 1, 2, 11, 40]	17.46	-2.05	26.12	36.69	-36.32	7.66	10.04	12.20	16.00	34.87	08/31/1999
Standard & Poor's 400 MidCap Stock Index	*17.88*	*-1.73*	*26.64*	*37.38*	*-36.23*	*7.98*	*10.32*	*12.56*	*16.48*	*35.62*	-
Morningstar Category Average - Mid Cap Blend	*16.15*	*-3.81*	*22.52*	*37.39*	*-39.18*	*4.85*	*14.03*	*9.25*	*16.30*	*36.28*	
Total Funds in Category	*412*	*424*	*433*	*451*	*512*	*494*	*464*	*459*	*426*	*421*	
Mid Cap Growth											
Principal Global Investors MidCap Blend Separate Account-R6 [A, 1]	19.11	7.89	23.70	32.95	-34.12	9.22	13.97	9.02	17.57	32.86	01/01/1991
Prudential Investments, LLC Prudential Jennison Mid Cap Growth Z Fund [1]	16.24	2.42	20.32	41.04	-36.01	16.42	9.74	17.51	19.56	43.33	12/31/1996
Turner / Jacobs Levy MidCap Growth III Separate Account-R6 [A, 1, 17, 29]	-	-	-	-	-	-	-	-	-	-	10/28/1999
Russell Midcap Growth Index	*15.81*	*-1.65*	*26.38*	*46.29*	*-44.32*	*11.43*	*10.66*	*12.10*	*15.48*	*42.71*	-
Russell Midcap Index	*17.28*	*-1.55*	*25.48*	*40.48*	*-41.46*	*5.60*	*15.26*	*12.65*	*20.22*	*40.06*	-
Morningstar Category Average - Mid Cap Growth	*14.07*	*-3.96*	*24.61*	*39.11*	*-43.77*	*15.09*	*9.00*	*9.84*	*13.23*	*35.96*	
Total Funds in Category	*737*	*751*	*759*	*812*	*934*	*967*	*994*	*936*	*903*	*890*	

Inv Manager or Sub-Advisor Investment Option	Calendar Year Performance										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	Inception Date
Small Blend											
Goldman Sachs Asset Mgt Goldman Sachs Small Cap Value Inst Fund [1, 37]	16.54	0.81	26.37	28.34	-26.91	-5.33	17.78	3.61	19.43	43.85	08/15/1997
Principal Global Investors SmallCap Blend Separate Account-R6 [A, 1]	14.93	-1.75	24.23	22.28	-36.78	1.77	14.38	9.98	17.30	42.69	01/01/1991
Principal Global Investors SmallCap S&P 600 Index Separate Account-R6 [A, 1, 2, 10, 40]	15.95	0.56	25.83	25.36	-31.08	-0.51	14.84	7.29	22.08	38.27	08/31/1999
Russell 2000 Index	*16.35*	*-4.18*	*26.85*	*27.17*	*-33.79*	*-1.57*	*18.37*	*4.55*	*18.33*	*47.25*	-
Standard & Poor's 600 Stock Index	*16.33*	*1.02*	*26.31*	*25.57*	*-31.07*	*-0.30*	*15.12*	*7.68*	*22.65*	*38.79*	-
Morningstar Category Average - Small Blend	*15.46*	*-4.07*	*25.61*	*31.80*	*-36.56*	*-1.10*	*15.03*	*6.75*	*18.94*	*43.41*	
Total Funds in Category	*662*	*650*	*649*	*649*	*670*	*645*	*608*	*563*	*521*	*446*	
Small Growth											
AllianceBern / CCI / Brown SmallCap Growth I Separate Account-R6 [A, 1, 3, 26, 29, 34]	14.44	0.38	35.78	42.69	-45.25	13.79	10.26	5.40	14.47	47.36	12/29/2000
Russell 2000 Growth Index	*14.59*	*-2.91*	*29.09*	*34.47*	*-38.54*	*7.05*	*13.35*	*4.15*	*14.31*	*48.54*	-
Morningstar Category Average - Small Growth	*13.15*	*-3.55*	*26.98*	*35.46*	*-41.55*	*7.59*	*10.81*	*6.02*	*12.41*	*45.54*	
Total Funds in Category	*743*	*764*	*758*	*778*	*834*	*829*	*763*	*723*	*711*	*696*	
International Equity											
Diversified Emerging Markets											
Virtus Investment Advisers,Inc Virtus Emerging Markets Opportunities I Fund	19.88	-2.92	28.15	48.52	-45.90	37.39	29.60	31.23	20.04	51.11	10/20/1997
MSCI - Emerging Markets NDTR D Index	*18.22*	*-18.42*	*18.88*	*78.51*	*-53.33*	*39.42*	*32.14*	*34.00*	*25.55*	*55.82*	-
Morningstar Category Average - Diversified Emerging Markets	*18.15*	*-19.86*	*19.26*	*73.81*	*-54.44*	*36.68*	*32.06*	*31.54*	*23.54*	*55.19*	
Total Funds in Category	*552*	*458*	*386*	*367*	*312*	*274*	*242*	*212*	*202*	*196*	

Inv Manager or Sub-Advisor Investment Option	Calendar Year Performance 2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	Inception Date
Foreign Large Blend											
Capital Research and Mgmt Co American Funds EuroPacific Growth R3 Fund [4, 37]	-	-	-	-	-	-	-	-	-	-	05/21/2002
Capital Research and Mgmt Co American Funds EuroPacific Growth R6 Fund [4, 37]	19.64	-13.31	9.76	39.35	-40.53	18.96	21.87	21.12	19.69	32.91	05/01/2009
MSCI ACWI Ex USA Index	*16.83*	*-13.71*	*11.15*	*41.45*	*-45.53*	*16.65*	*26.65*	*16.62*	*20.91*	*40.83*	-
Morningstar Category Average - Foreign Large Blend	*18.29*	*-13.97*	*10.24*	*31.24*	*-43.99*	*12.71*	*24.77*	*14.72*	*17.39*	*33.58*	
Total Funds in Category	*786*	*817*	*829*	*823*	*778*	*743*	*657*	*608*	*551*	*504*	
Foreign Small/Mid Blend											
Principal Global Investors/DFA International SmallCap Separate Account-R6 [A, 1, 4, 20]	18.60	-13.42	27.16	35.71	-48.52	9.53	29.87	29.20	30.47	54.76	01/01/1995
MSCI World Ex US Small Cap Index	*17.48*	*-15.81*	*24.51*	*50.82*	*-48.03*	*3.28*	*19.46*	*25.04*	*29.40*	*61.81*	-
Morningstar Category Average - Foreign Small/Mid Blend	*18.99*	*-14.41*	*21.01*	*42.79*	*-45.45*	*5.64*	*27.35*	*23.57*	*28.74*	*54.37*	
Total Funds in Category	*68*	*64*	*59*	*54*	*45*	*29*	*27*	*24*	*24*	*24*	
Balanced/Asset Allocation											
Retirement Income											
Multiple Sub-Advisors Principal LifeTime Strategic Income Separate Account-R6 [A, 21, 24, 32, 33, 38]	9.29	3.39	11.01	18.34	-22.42	1.57	8.95	3.96	10.92	15.29	03/30/2001
Principal LifeTime Strategic Income Blended Index	*7.05*	*5.97*	*8.92*	*11.80*	*-6.49*	*7.10*	*6.90*	*3.48*	*6.15*	*10.74*	-
Morningstar Category Average - Retirement Income	*9.01*	*1.60*	*8.94*	*18.36*	*-18.06*	*4.46*	*7.34*	*3.30*	*6.46*	*13.04*	
Total Funds in Category	*281*	*260*	*162*	*134*	*122*	*107*	*84*	*57*	*40*	*21*	
Target Date 2000-2010											
Multiple Sub-Advisors Principal LifeTime 2010 Separate Account-R6 [A, 21, 24, 32, 33, 38]	11.86	1.00	13.73	24.72	-30.38	3.44	11.84	5.40	11.62	18.79	03/30/2001
Principal LifeTime 2010 Blended Index	*9.41*	*4.50*	*11.32*	*18.41*	*-20.76*	*7.02*	*8.73*	*4.11*	*7.92*	*14.89*	-
Morningstar Category Average - Target Date 2000-2010	*9.61*	*0.91*	*10.68*	*22.42*	*-22.46*	*5.22*	*8.58*	*3.68*	*6.82*	*13.67*	
Total Funds in Category	*145*	*167*	*179*	*201*	*304*	*266*	*188*	*126*	*88*	*43*	

Inv Manager or Sub-Advisor **Investment Option**	Calendar Year Performance 2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	Inception Date
Target Date 2016-2020											
Multiple Sub-Advisors Principal LifeTime 2020 Separate Account-R6 A, 21, 24, 32, 33, 38	14.53	-1.27	14.68	27.25	-33.81	5.08	14.03	7.49	12.19	21.58	03/30/2001
Principal LifeTime 2020 Blended Index	*12.87*	*0.63*	*12.40*	*21.91*	*-26.44*	*7.00*	*11.30*	*5.12*	*9.54*	*17.64*	-
Morningstar Category Average - Target Date 2016-2020	*11.68*	*-0.22*	*12.27*	*24.25*	*-29.46*	*6.02*	*11.95*	*5.80*	*9.61*	*21.84*	
Total Funds in Category	*208*	*205*	*203*	*212*	*186*	*134*	*91*	*62*	*42*	*24*	
Target Date 2026-2030											
Multiple Sub-Advisors Principal LifeTime 2030 Separate Account-R6 A, 21, 24, 32, 33, 38	15.48	-2.38	15.34	28.62	-36.36	6.08	15.13	8.20	12.68	23.33	03/30/2001
Principal LifeTime 2030 Blended Index	*13.85*	*-0.25*	*13.04*	*24.25*	*-30.22*	*6.94*	*12.72*	*5.65*	*10.42*	*20.51*	-
Morningstar Category Average - Target Date 2026-2030	*13.59*	*-2.26*	*13.47*	*28.87*	*-36.04*	*6.50*	*13.60*	*6.81*	*10.95*	*23.89*	
Total Funds in Category	*208*	*205*	*200*	*200*	*169*	*130*	*87*	*58*	*36*	*18*	
Target Date 2036-2040											
Multiple Sub-Advisors Principal LifeTime 2040 Separate Account-R6 A, 21, 24, 32, 33, 38	16.47	-3.54	15.66	29.26	-38.20	6.80	15.43	8.65	12.86	24.49	03/30/2001
Principal LifeTime 2040 Blended Index	*14.78*	*-1.22*	*13.48*	*25.98*	*-32.87*	*6.88*	*14.26*	*6.21*	*11.37*	*23.42*	-
Morningstar Category Average - Target Date 2036-2040	*14.64*	*-3.49*	*14.37*	*30.90*	*-37.94*	*6.21*	*14.67*	*7.41*	*11.71*	*26.65*	
Total Funds in Category	*204*	*202*	*194*	*193*	*151*	*111*	*77*	*53*	*36*	*18*	
Target Date 2046-2050											
Multiple Sub-Advisors Principal LifeTime 2050 Separate Account-R6 A, 21, 24, 32, 33, 38	17.23	-4.17	15.83	29.56	-39.14	6.96	15.96	9.17	13.15	26.44	03/30/2001
Principal LifeTime 2050 Blended Index	*15.49*	*-2.14*	*13.77*	*27.10*	*-34.23*	*6.89*	*15.81*	*6.79*	*12.29*	*25.94*	-
Morningstar Category Average - Target Date 2046-2050	*15.07*	*-3.82*	*14.53*	*32.02*	*-38.67*	*5.91*	*15.51*	*8.76*	*12.60*	*25.73*	
Total Funds in Category	*177*	*168*	*150*	*139*	*86*	*28*	*16*	*7*	*6*	*6*	
Short-Term Fixed Income											
Money Market											
Principal Global Investors Money Market Separate Account-R6 A, 6, 39	-0.26	0.00	0.03	0.19	2.42	4.86	4.55	2.72	0.87	0.76	12/10/1980
Barclays Treasury Bellwethers 3 Month Index	*0.12*	*0.11*	*0.15*	*0.23*	*2.24*	*5.11*	*4.87*	*3.07*	*1.30*	*1.14*	-
Morningstar Category Average - Money Market	*0.03*	*0.02*	*0.04*	*0.17*	*2.00*	*4.63*	*4.42*	*2.59*	*0.78*	*0.60*	
Total Funds in Category	*960*	*1016*	*986*	*1005*	*1054*	*1015*	*1001*	*960*	*965*	*932*	

	Calendar Year Performance										
Inv Manager or Sub-Advisor **Investment Option**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**Inception Date**
Fixed Income											
High Yield Bond											
Fidelity Management & Research Fidelity Advisor High Income Advant I Fund [5, 23, 24]	18.20	0.08	18.18	69.98	-38.85	2.43	15.95	4.85	15.01	43.93	07/03/1995
Fidelity Management & Research Fidelity Advisor High Income Advantage T Fund [5, 23, 24]	-	-	-	-	-	-	-	-	-	-	01/01/1987
Merrill Lynch U.S. High Yield Master II Index	*15.59*	*4.38*	*15.19*	*57.51*	*-26.39*	*2.24*	*11.72*	*2.74*	*10.87*	*28.15*	-
Morningstar Category Average - High Yield Bond	*14.67*	*2.83*	*14.24*	*46.70*	*-26.41*	*1.47*	*10.14*	*2.59*	*9.99*	*24.36*	
Total Funds in Category	*598*	*573*	*574*	*543*	*559*	*542*	*549*	*518*	*493*	*455*	
Intermediate-Term Bond											
PIMCO PIMCO Total Return Instl Fund [23, 24]	10.36	4.16	8.83	13.83	4.82	9.07	3.99	2.89	5.14	5.56	05/11/1987
PIMCO Core Plus Bond I Separate Account-R6 [A, 18, 23, 24, 40]	-	-	-	-	-	-	-	-	-	-	09/30/2008
Principal Global Investors Bond and Mortgage Separate Account-R6 [A, 23, 24, 40]	7.58	6.84	11.59	21.61	-13.20	3.67	4.56	2.48	4.85	5.04	02/01/1983
Barclays Aggregate Bond Index	*4.21*	*7.84*	*6.54*	*5.93*	*5.24*	*6.97*	*4.33*	*2.43*	*4.34*	*4.10*	-
Barclays U.S. Government/Credit 5-10 Year Index	*7.21*	*10.79*	*9.42*	*6.50*	*5.06*	*7.55*	*3.81*	*1.83*	*5.30*	*5.97*	-
Morningstar Category Average - Intermediate-Term Bond	*7.01*	*5.86*	*7.72*	*13.97*	*-4.70*	*4.70*	*4.15*	*1.80*	*3.91*	*5.10*	
Total Funds in Category	*1165*	*1195*	*1164*	*1123*	*1135*	*1097*	*1092*	*1043*	*1035*	*952*	
Inflation-Protected Bond											
Vanguard Group Vanguard Inflation-Protection Securities Inv Fund [23, 24]	6.78	13.24	6.17	10.80	-2.85	11.59	0.43	2.59	8.27	8.00	06/29/2000
Barclays US Treas TIPS Index	*6.98*	*13.56*	*6.31*	*11.41*	*-2.35*	*11.64*	*0.41*	*2.84*	*8.46*	*8.40*	-
Morningstar Category Average - Inflation-Protected Bond	*6.45*	*10.93*	*5.94*	*10.88*	*-4.08*	*9.86*	*0.09*	*2.09*	*7.48*	*7.15*	
Total Funds in Category	*198*	*193*	*162*	*158*	*160*	*156*	*140*	*109*	*69*	*44*	
Owned Real Estate											
Principal Real Estate Inv U.S. Property Separate Account-R6 [A, 35]	11.47	15.34	15.93	-31.59	-13.23	13.42	15.14	18.61	12.52	8.26	01/01/1982
NFI-ODCE Equal-Weight	*9.93*	*15.00*	*15.10*	*-31.30*	-	-	-	-	-	-	-

Please see important disclosures at the end of this presentation.

Calendar Year Percentile Ranks

For performance information, including most recent month-end performance, visit www.principal.com, contact your representative of The Principal, or call our Participant Call Center at 1-800-547-7754.

	Calendar Year Percentile Ranks										
Inv Manager or Sub-Advisor **Investment Option**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**Inception Date**
Large U.S. Equity											
Large Value											
OppenheimerFunds, Inc. Oppenheimer Equity Income A Fund	-	-	-	-	-	-	-	-	-	-	02/13/1987
Vanguard Group Vanguard Equity-Income Fund	67	2	29	85	11	25	19	67	40	76	03/21/1988
Large Blend											
Principal Global Investors LargeCap S&P 500 Index Separate Account-R6 [A, 2, 9, 40]	43	20	36	59	40	55	29	64	43	33	01/01/1990
T.Rowe/Clearbridge Investments LargeCap Blend II Separate Account-R6 [A, 3, 29, 31]	51	48	61	36	32	47	21	62	48	76	12/29/2000
Large Growth											
Capital Research and Mgmt Co American Funds Growth Fund of America R3 Fund [37]	-	-	-	-	-	-	-	-	-	-	05/21/2002
Touchstone Touchstone Sands Capital Institutional Growth Fund	3	12	2	1	93	21	99	-	-	-	01/21/2005
Small/Mid U.S. Equity											
Mid Cap Value											
Goldman Sachs/LA Capital Mgmt MidCap Value I Separate Account-R6 [A, 1, 18, 29]	36	47	28	53	40	39	50	18	8	74	07/01/1999
Mid Cap Blend											
Principal Global Investors MidCap S&P 400 Index Separate Account-R6 [A, 1, 2, 11, 40]	38	34	20	37	32	31	73	22	49	46	08/31/1999

Inv Manager or Sub-Advisor Investment Option	Calendar Year Percentile Ranks 2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	Inception Date
Mid Cap Growth											
Principal Global Investors MidCap Blend Separate Account-R6 [A, 1]	9	2	48	61	21	21	43	52	33	62	01/01/1991
Prudential Investments, LLC Prudential Jennison Mid Cap Growth Z Fund [1]	27	12	78	46	9	42	42	6	8	17	12/31/1996
Turner / Jacobs Levy MidCap Growth III Separate Account-R6 [A, 1, 17, 29]	-	-	-	-	-	-	-	-	-	-	10/28/1999
Small Blend											
Goldman Sachs Asset Mgt Goldman Sachs Small Cap Value Inst Fund [1, 37]	33	9	41	54	15	43	44	79	66	33	08/15/1997
Principal Global Investors SmallCap Blend Separate Account-R6 [A, 1]	57	29	60	86	58	26	57	21	63	49	01/01/1991
Principal Global Investors SmallCap S&P 600 Index Separate Account-R6 [A, 1, 2, 10, 40]	41	12	48	76	16	38	51	43	22	69	08/31/1999
Small Growth											
AllianceBern / CCI / Brown SmallCap Growth I Separate Account-R6 [A, 1, 3, 26, 29, 34]	39	20	6	23	79	20	51	54	38	34	12/29/2000
	International Equity										
Diversified Emerging Markets											
Virtus Investment Advisers,Inc Virtus Emerging Markets Opportunities I Fund	35	1	5	96	3	46	70	56	74	70	10/20/1997
Foreign Large Blend											
Capital Research and Mgmt Co American Funds EuroPacific Growth R3 Fund [4, 37]	-	-	-	-	-	-	-	-	-	-	05/21/2002
Capital Research and Mgmt Co American Funds EuroPacific Growth R6 Fund [4, 37]	26	40	54	-	-	-	-	-	-	-	05/01/2009
Foreign Small/Mid Blend											
Principal Global Investors/DFA International SmallCap Separate Account-R6 [A, 1, 4, 20]	64	30	1	68	61	18	39	26	52	39	01/01/1995

Inv Manager or Sub-Advisor Investment Option	Calendar Year Percentile Ranks										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	Inception Date
Balanced/Asset Allocation											
Retirement Income											
Multiple Sub-Advisors Principal LifeTime Strategic Income Separate Account-R6 [A, 21, 24, 32, 33, 38]	46	19	12	46	69	90	19	22	3	12	03/30/2001
Target Date 2000-2010											
Multiple Sub-Advisors Principal LifeTime 2010 Separate Account-R6 [A, 21, 24, 32, 33, 38]	11	42	1	27	91	84	18	7	2	6	03/30/2001
Target Date 2016-2020											
Multiple Sub-Advisors Principal LifeTime 2020 Separate Account-R6 [A, 21, 24, 32, 33, 38]	3	66	3	34	70	67	14	4	12	37	03/30/2001
Target Date 2026-2030											
Multiple Sub-Advisors Principal LifeTime 2030 Separate Account-R6 [A, 21, 24, 32, 33, 38]	13	45	12	50	50	58	23	4	18	53	03/30/2001
Target Date 2036-2040											
Multiple Sub-Advisors Principal LifeTime 2040 Separate Account-R6 [A, 21, 24, 32, 33, 38]	11	39	22	60	53	41	36	5	30	67	03/30/2001
Target Date 2046-2050											
Multiple Sub-Advisors Principal LifeTime 2050 Separate Account-R6 [A, 21, 24, 32, 33, 38]	8	46	20	69	53	34	14	17	20	1	03/30/2001
Short-Term Fixed Income											
Money Market											
Principal Global Investors Money Market Separate Account-R6 [A, 6, 39]	-	-	-	-	-	-	-	-	-	-	12/10/1980

	Calendar Year Percentile Ranks										
Inv Manager or Sub-Advisor **Investment Option**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**Inception Date**
Fixed Income											
High Yield Bond											
Fidelity Management & Research Fidelity Advisor High Income Advant I Fund [5, 23, 24]	8	88	5	2	95	33	1	5	4	1	07/03/1995
Fidelity Management & Research Fidelity Advisor High Income Advantage T Fund [5, 23, 24]	-	-	-	-	-	-	-	-	-	-	01/01/1987
Intermediate-Term Bond											
PIMCO PIMCO Total Return Instl Fund [23, 24]	12	87	26	46	11	1	47	5	12	29	05/11/1987
PIMCO Core Plus Bond I Separate Account-R6 [A, 18, 23, 24, 40]	-	-	-	-	-	-	-	-	-	-	09/30/2008
Principal Global Investors Bond and Mortgage Separate Account-R6 [A, 23, 24, 40]	38	33	4	11	89	80	24	15	18	36	02/01/1983
Inflation-Protected Bond											
Vanguard Group Vanguard Inflation-Protection Securities Inv Fund [23, 24]	28	10	37	35	57	10	21	22	22	30	06/29/2000
Owned Real Estate											
Principal Real Estate Inv U.S. Property Separate Account-R6 [A, 35]	-	-	-	-	-	-	-	-	-	-	01/01/1982

Please see important disclosures at the end of this presentation.

Scores: Sub-Advised Investment Options as of 12/31/2012

Inv Manager or Sub-Advisor Investment Option	Qualitative Investment Advisor(s) Score	Qualitative Investment Advisor(s) Grade	Qualitative Investment Advisor(s) Cautionary Status	Quantitative Investment Option Score	Quantitative Investment Option Grade	Quantitative Investment Option Cautionary Status	Comments
Large U.S. Equity							
Large Blend							
Principal Global Investors LargeCap S&P 500 Index Separate Account-R6 [A, 2, 9, 40]	1.00	Favorable		2.00	Favorable		
T.Rowe/Clearbridge Investments LargeCap Blend II Separate Account-R6 [A, 3, 29, 31]	2.01	Favorable		2.71	Neutral		Clearbridge was added as a sub-advisor in October 2009.
Small/Mid U.S. Equity							
Mid Cap Value							
Goldman Sachs/LA Capital Mgmt MidCap Value I Separate Account-R6 [A, 1, 18, 29]	1.77	Favorable		2.29	Favorable		
Mid Cap Blend							
Principal Global Investors MidCap S&P 400 Index Separate Account-R6 [A, 1, 2, 11, 40]	1.00	Favorable		2.00	Favorable		
Mid Cap Growth							
Principal Global Investors MidCap Blend Separate Account-R6 [A, 1]	2.03	Favorable		1.04	Favorable		
Turner / Jacobs Levy MidCap Growth III Separate Account-R6 [*A, 1, 17, 29]	1.97	Favorable		3.32	Less Favorable	WL	Option placed on Quantitative Watch List on 12/31/2012 due to under-performance. Jacobs Levy was added as a sub-advisor in May 2009.
Small Blend							
Principal Global Investors SmallCap Blend Separate Account-R6 [A, 1]	2.06	Favorable		2.66	Neutral		As of 12/31/2012 Quantitative Grade changed to Neutral as three-year information ratio and three-year percentile ranking decreased.
Principal Global Investors SmallCap S&P 600 Index Separate Account-R6 [A, 1, 2, 10, 40]	1.00	Favorable		2.00	Favorable		
Small Growth							
AllianceBern / CCI / Brown SmallCap Growth I Separate Account-R6 [A, 1, 3, 26, 29, 34]	1.91	Favorable		1.46	Favorable		CCI was added as a sub-advisor in May 2009. Brown Advisory was added as a sub-advisor in September 2010.

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Scores: Sub-Advised Investment Options as of 12/31/2012

	Qualitative			Quantitative			
	Investment Advisor(s)			Investment Option			
Inv Manager or Sub-Advisor Investment Option	Score	Grade	Cautionary Status	Score	Grade	Cautionary Status	Comments
International Equity							
Foreign Small/Mid Blend							
Principal Global Investors/DFA International SmallCap Separate Account-R6 [A, 1, 4, 20]	1.92	Favorable		2.09	Favorable		
Short-Term Fixed Income							
Money Market							
Principal Global Investors Money Market Separate Account-R6 [A, 6, 39]	1.71	Favorable		1.68	Favorable		
Fixed Income							
Intermediate-Term Bond							
PIMCO Core Plus Bond I Separate Account-R6 [*A, 18, 23, 24, 40]	1.79	Favorable		2.54	Neutral		
Principal Global Investors Bond and Mortgage Separate Account-R6 [A, 23, 24, 40]	1.82	Favorable		1.76	Favorable		
Owned Real Estate							
Principal Real Estate Inv U.S. Property Separate Account-R6 [A, 13, 35]	1.71	Favorable		2.00	Favorable		

Please see important disclosures at the end of this presentation.

WL denotes applicable Watch List status.

PR denotes Probation status.

Balanced/Asset Allocation investment options will not be scored using our methodology. Instead, our review for these investment strategies focuses on the structure and consistency of the underlying asset allocation models and the capital market assumptions used to support them. Therefore, no Balanced/Asset Allocation options are displayed here. However, Sub-Advised Balanced/Asset Allocation investment options are still subject to the oversight of our due diligence process.

The Money Market investment option sub-advised by Principal Global Investors utilizes the iMoneyNet peer group rather than a Morningstar peer group in the calculation of quantitative score.

Due to the unique composition of the Principal U.S. Property Separate Account among our Sub-Advised Investment Options, the quantitative score displayed is based solely on its risk adjusted performance relative to an index because a suitable peer group is not available to properly score this investment option. Returns of this index for this quarter are not available for several weeks after each quarter end, therefore the quantitative score for this option is for the previous quarter. The quantitative score is weighted as follows: 20% based on three-year performance, 60% based on five-year performance and 20% based on ten-year performance.

Sub-Advised Investment Option Quantitative Scores - Last Four Quarters

Inv Manager or Sub-Advisor Investment Option	12/31/2012 Investment Option Score	12/31/2012 Investment Option Grade	09/30/2012 Investment Option Score	09/30/2012 Investment Option Grade	06/30/2012 Investment Option Score	06/30/2012 Investment Option Grade	03/31/2012 Investment Option Score	03/31/2012 Investment Option Grade
Large U.S. Equity								
Large Blend								
Principal Global Investors LargeCap S&P 500 Index Separate Account-R6 [A, 2, 9, 40]	2.00	Favorable	2.00	Favorable	2.00	Favorable	2.00	Favorable
T.Rowe/Clearbridge Investments LargeCap Blend II Separate Account-R6 [A, 3, 29, 31]	2.71	Neutral	2.66	Neutral	2.79	Neutral	2.46	Favorable
Small/Mid U.S. Equity								
Mid Cap Value								
Goldman Sachs/LA Capital Mgmt MidCap Value I Separate Account-R6 [A, 1, 18, 29]	2.29	Favorable	2.03	Favorable	1.98	Favorable	2.30	Favorable
Mid Cap Blend								
Principal Global Investors MidCap S&P 400 Index Separate Account-R6 [A, 1, 2, 11, 40]	2.00	Favorable	2.00	Favorable	2.00	Favorable	2.00	Favorable
Mid Cap Growth								
Principal Global Investors MidCap Blend Separate Account-R6 [A, 1]	1.04	Favorable	1.08	Favorable	1.11	Favorable	1.35	Favorable
Turner / Jacobs Levy MidCap Growth III Separate Account-R6 [*A, 1, 17, 29]	3.32	Less Favorable	3.01	Less Favorable	2.42	Favorable	2.07	Favorable
Small Blend								
Principal Global Investors SmallCap Blend Separate Account-R6 [A, 1]	2.66	Neutral	2.32	Favorable	2.66	Neutral	2.92	Neutral
Principal Global Investors SmallCap S&P 600 Index Separate Account-R6 [A, 1, 2, 10, 40]	2.00	Favorable	2.00	Favorable	2.00	Favorable	2.00	Favorable
Small Growth								
AllianceBern / CCI / Brown SmallCap Growth I Separate Account-R6 [A, 1, 3, 26, 29, 34]	1.46	Favorable	1.39	Favorable	1.22	Favorable	1.21	Favorable
International Equity								
Foreign Small/Mid Blend								
Principal Global Investors/DFA International SmallCap Separate Account-R6 [A, 1, 4, 20]	2.09	Favorable	2.25	Favorable	2.36	Favorable	2.23	Favorable

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Sub-Advised Investment Option Quantitative Scores - Last Four Quarters

Inv Manager or Sub-Advisor Investment Option	12/31/2012 Investment Option		09/30/2012 Investment Option		06/30/2012 Investment Option		03/31/2012 Investment Option	
	Score	Grade	Score	Grade	Score	Grade	Score	Grade
Short-Term Fixed Income								
Money Market								
Principal Global Investors Money Market Separate Account-R6 [A, 6, 39]	1.68	Favorable	1.68	Favorable	1.68	Favorable	1.38	Favorable
Fixed Income								
Intermediate-Term Bond								
PIMCO Core Plus Bond I Separate Account-R6 [*A, 18, 23, 24, 40]	2.54	Neutral	2.63	Neutral	2.78	Neutral	2.75	Neutral
Principal Global Investors Bond and Mortgage Separate Account-R6 [A, 23, 24, 40]	1.76	Favorable	1.95	Favorable	2.01	Favorable	2.08	Favorable
Owned Real Estate								
Principal Real Estate Inv U.S. Property Separate Account-R6 [A, 13, 35]	2.00	Favorable	2.00	Favorable	2.00	Favorable	2.60	Neutral

Please see important disclosures at the end of this presentation.

Balanced/Asset Allocation investment options will not be scored using our methodology. Instead, our review for these investment strategies focuses on the structure and consistency of the underlying asset allocation models and the capital market assumptions used to support them. Therefore, no Balanced/Asset Allocation options are displayed here. However, Sub-Advised Balanced/Asset Allocation investment options are still subject to the oversight of our due diligence process.

The Money Market investment option sub-advised by Principal Global Investors utilizes the iMoneyNet peer group rather than a Morningstar peer group in the calculation of quantitative score.

Due to the unique composition of the Principal U.S. Property Separate Account among our Sub-Advised Investment Options, the quantitative score displayed is based solely on its risk adjusted performance relative to an index because a suitable peer group is not available to properly score this investment option. Returns of this index for this quarter are not available for several weeks after each quarter end, therefore the quantitative score for this option is for the previous quarter. The quantitative score is weighted as follows: 20% based on three-year performance, 60% based on five-year performance and 20% based on ten-year performance.

Sub-Advised Investment Option Scoring Criteria

As part of the due diligence process of Principal Life Insurance Company (Principal Life), we provide a rigorous and disciplined framework for identifying, selecting and monitoring premier investment management firms as sub-advisors for each asset class and investment style for our Sub-Advised Investment Options[1]. This innovative approach gives plan sponsors and participants access to investment options and investment managers that are typically only available to large, institutional retirement plans. It also helps control consistency in investment mandates and conduct seamless manager transitions when necessary.

We also conduct a comprehensive and continuous review of all investment managers of our Sub-Advised Investment Options using advanced analytical tools and research from independent third-party firms, in addition to the research provided by our due diligence team, which averages more than 13 years[2] of industry experience.

As part of this continuous review, we evaluate and score each Sub-Advised Investment Option quarterly as we review the underlying investment manager(s)[3], using both qualitative and quantitative analysis.

Through this methodology, Principal Life scores Sub-Advised Investment Options on a scale of 1.0 – 4.0 (with 1.0 being the best possible score). The quantitative and qualitative scores, grades, and explanations are as follows:

Score	Grade	Explanation
1.00 - 2.50	Favorable	Meeting or exceeding our expectations
2.51 – 3.00	Neutral	Not exceeding expectations but still in good standing
3.01 – 4.00	Less Favorable	Significantly below our expectations

Qualitative Score

To ensure an investment manager retains the same organizational and investment characteristics on which Principal Life based its selection, we continue to evaluate their ability to add value in the future based on the firm's organization, investment philosophy and process, and people/resources. These factors are perhaps the most critical aspect of our monitoring process. The Qualitative Score is comprised of the following elements and weightings:

Qualitative Score		
30% Organization	50% Investment Philosophy and Process	20% People

For multi-manager investment options, the Qualitative Score is based on a weighted average of scores for all managers using end-of-quarter market values.

Quantitative Score

We also score each Sub-Advised Investment Option on a quantitative basis, focusing on elements that can be measured objectively and compared to certain benchmarks or peer groups, using historical performance. By analyzing historical performance, we can determine whether the investment option has delivered top-tier investment results and the manager(s) have demonstrated skill in the process of delivering that performance. The Quantitative Score is comprised of the following elements and weightings:

Quantitative Score				
35% Risk-Adjusted Passive Index Performance		50% Peer Performance		15% Consistency
50% Three-year Returns	50% Five-year Returns	50% Three-year Returns	50% Five-year Returns	100% Three-year Returns

When evaluating the Quantitative Score, please keep in mind the following:

- We typically score a Sub-Advised Investment Option's gross performance based on its three- and five-year risk-adjusted excess returns relative to a passive index (i.e. Information Ratio) and on a net basis for the three-year consistency of performance relative to that same index[4]. For example, if an option is a large-growth investment option, we will typically use the Russell 1000 Growth Index for comparison.
- We score a Sub-Advised Investment Option's performance net of expenses (typically using the Institutional share class of Principal Funds) based on three- and five-year Morningstar percentile rankings within an appropriate peer group. For example, if an option is a large-growth oriented, we will typically compare it to the Morningstar Large Growth Category.
- If a Sub-Advised Investment Option has at least a three-year performance record, but not a five-year performance record, we will weight 50% of the historical performance score based on three-year performance and 50% based on inception-to-date performance. If an investment option does not have at least a three-year performance record, we will weight 100% of the historical performance score based on inception-to-date performance. However, an investment option must at least have 12 months of performance to be scored.

[1] Sub-Advised Investment Options include the Principal Stable Value Fund, Principal Funds, the Principal Trust[SM] Target Date Collective Investment Funds, and the Principal Life Separate Accounts available through a group annuity contract with Principal Life Insurance Company, Des Moines, IA 50392. References to Principal Life's responsibility to retain and/or replace the portfolio managers are specific to the Principal Life Separate Accounts.
[2] As of December 31, 2011
[3] The term "manager" or "investment manager" used in this material may also refer to an investment advisor or sub-advisor of an underlying mutual fund.
[4] Gross performance returns are not indicative of the returns for any specific rate level or share class available to the public. Performance and expenses for other share classes or rate levels may differ.

Decisive Courses of Action

When the due diligence process uncovers a significant issue or event, we may apply Cautionary Status in the form of Watch List, which means we believe there is an increased level of concern about a particular issue or event that, if left unresolved, could endanger the investment manager's status on our platform for the specific investment option:

- **Qualitative Watch List –** A Sub-Advised Investment Option may be placed on the Watch List due to an issue affecting the investment manager(s), such as replacement of the portfolio management team, a sudden change in investment process, or significant compliance and ethical concerns at the firm or strategy level.
- **Quantitative Watch List –** A Sub-Advised Investment Option may be placed on the Watch List when long-term performance is significantly below our expectations. For active investment strategies, an investment option is placed on the Watch List if its grade is "Less Favorable" for two of three consecutive quarters. However, for newly hired investment managers, they will be given approximately two to three years before the investment option is placed on the Watch List for performance reasons to prevent unnecessary action immediately after hiring a new investment manager.

A Sub-Advised Investment Option can be placed on the Watch List for no more than 12 months. If the due diligence process determines removal from the Quantitative Watch List is appropriate, the investment option may be placed in the Cautionary Status of Probation until the performance of the relevant manager(s) improves. Please see the Glossary of Terms for more information about the factors that trigger Probation.

Why is this important?

Your fiduciary obligation centers on documenting a process to choose your retirement plan's investment options. Our due diligence process can help you make informed decisions and help you manage your fiduciary responsibilities because it is a reliable, documented process for selecting and monitoring Sub-Advised Investment Options.

The rigorous selection and monitoring process of our due diligence is also backed by a level of indemnification protection for plan sponsors and their financial professionals.

- Principal Life acts prudently in making available a platform of Sub-Advised Investment Options to Qualified Retirement Plan fiduciaries for the fiduciary to select one or more Sub-Advised Investment Option for their plan.
- Principal Life provides ongoing monitoring for those Sub-Advised Investment Options.

Because these actions described above do not give Principal Life any authority or control over the management of plan assets or constitute the provision of investment advice, they are not fiduciary activities. That said, Principal Life performs these services in a prudent, diligent and professional manner and stands behind its actions as if it were a fiduciary under ERISA section 3(21).

- Principal Life serves as an investment manager as outlined in ERISA 3(38) with respect to assets held in its Separate Accounts.

Retirement plan sponsors and their financial professionals have a lot of responsibilities—especially when it comes to selecting and monitoring investment options. The Principal® can help.

Mutual Fund Network Quantitative Scores as of 12/31/2012

Inv Manager or Sub-Advisor Investment Option	Quantitative	
	Score	Grade
Large U.S. Equity		
Large Value		
OppenheimerFunds, Inc. Oppenheimer Equity Income A Fund [*]	1.44	Favorable
Vanguard Group Vanguard Equity-Income Fund	1.71	Favorable
Large Growth		
Capital Research and Mgmt Co American Funds Growth Fund of America R3 Fund [*37]	3.23	Less Favorable
Touchstone Touchstone Sands Capital Institutional Growth Fund	1.15	Favorable
Small/Mid U.S. Equity		
Mid Cap Growth		
Prudential Investments, LLC Prudential Jennison Mid Cap Growth Z Fund [1]	2.45	Favorable
Small Blend		
Goldman Sachs Asset Mgt Goldman Sachs Small Cap Value Inst Fund [1, 37]	1.24	Favorable
International Equity		
Diversified Emerging Markets		
Virtus Investment Advisers,Inc Virtus Emerging Markets Opportunities I Fund	1.02	Favorable
Foreign Large Blend		
Capital Research and Mgmt Co American Funds EuroPacific Growth R3 Fund [*4, 37]	1.73	Favorable
Capital Research and Mgmt Co American Funds EuroPacific Growth R6 Fund [4, 37]	1.56	Favorable

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Mutual Fund Network Quantitative Scores as of 12/31/2012

Inv Manager or Sub-Advisor Investment Option	Quantitative	
	Score	Grade
Fixed Income		
High Yield Bond		
Fidelity Management & Research Fidelity Advisor High Income Advant I Fund [5, 23, 24]	2.25	Favorable
Fidelity Management & Research Fidelity Advisor High Income Advantage T Fund [*5, 23, 24]	2.34	Favorable
Intermediate-Term Bond		
PIMCO PIMCO Total Return Instl Fund [23, 24]	2.09	Favorable
Inflation-Protected Bond		
Vanguard Group Vanguard Inflation-Protection Securities Inv Fund [23, 24]	2.39	Favorable

Please see important disclosures at the end of this presentation.

Balanced/Asset Allocation investment options will not be scored using our quantitative methodology. Instead, these investment strategies focus on the structure and consistency of the underlying asset allocation models and the capital market assumptions used to support them. Therefore, no Balanced/Asset Allocation investment options are displayed here.

Effective April 30, 2011, Mutual Fund Network investment options are compared to Morningstar's Category Index. Historical quantitative scores prior to this change have not been restated.

Mutual Fund Network Scores - Last Four Quarters

Inv Manager or Sub-Advisor Investment Option	12/31/2012		09/30/2012		06/30/2012		03/31/2012	
	Score	Grade	Score	Grade	Score	Grade	Score	Grade
Large U.S. Equity								
Large Value								
OppenheimerFunds, Inc. Oppenheimer Equity Income A Fund [*]	1.44	Favorable	1.38	Favorable	1.78	Favorable	1.13	Favorable
Vanguard Group Vanguard Equity-Income Fund	1.71	Favorable	1.18	Favorable	1.22	Favorable	1.40	Favorable
Large Growth								
Capital Research and Mgmt Co American Funds Growth Fund of America R3 Fund [*37]	3.23	Less Favorable	3.53	Less Favorable	3.73	Less Favorable	3.64	Less Favorable
Touchstone Touchstone Sands Capital Institutional Growth Fund	1.15	Favorable	1.05	Favorable	1.02	Favorable	1.02	Favorable
Small/Mid U.S. Equity								
Mid Cap Growth								
Prudential Investments, LLC Prudential Jennison Mid Cap Growth Z Fund [1]	2.45	Favorable	1.39	Favorable	1.36	Favorable	1.98	Favorable
Small Blend								
Goldman Sachs Asset Mgt Goldman Sachs Small Cap Value Inst Fund [1, 37]	1.24	Favorable	1.07	Favorable	1.17	Favorable	1.45	Favorable
International Equity								
Diversified Emerging Markets								
Virtus Investment Advisers,Inc Virtus Emerging Markets Opportunities I Fund	1.02	Favorable	1.03	Favorable	1.06	Favorable	1.19	Favorable
Foreign Large Blend								
Capital Research and Mgmt Co American Funds EuroPacific Growth R3 Fund [*4, 37]	1.73	Favorable	1.64	Favorable	1.58	Favorable	2.16	Favorable
Capital Research and Mgmt Co American Funds EuroPacific Growth R6 Fund [4, 37]	1.56	Favorable	1.49	Favorable	1.46	Favorable	2.03	Favorable

For Financial Professional and Plan Sponsor use only. Not for distribution to any plan participants. Past performance is no guarantee of future results.

Mutual Fund Network Scores - Last Four Quarters

Inv Manager or Sub-Advisor / Investment Option	12/31/2012		09/30/2012		06/30/2012		03/31/2012	
	Score	Grade	Score	Grade	Score	Grade	Score	Grade
Fixed Income								
High Yield Bond								
Fidelity Management & Research Fidelity Advisor High Income Advant I Fund [5, 23, 24]	2.25	Favorable	2.41	Favorable	2.14	Favorable	2.06	Favorable
Fidelity Management & Research Fidelity Advisor High Income Advantage T Fund [*5, 23, 24]	2.34	Favorable	2.48	Favorable	2.20	Favorable	2.11	Favorable
Intermediate-Term Bond								
PIMCO PIMCO Total Return Instl Fund [23, 24]	2.09	Favorable	2.08	Favorable	2.10	Favorable	2.01	Favorable
Inflation-Protected Bond								
Vanguard Group Vanguard Inflation-Protection Securities Inv Fund [23, 24]	2.39	Favorable	2.18	Favorable	2.22	Favorable	2.56	Neutral

Please see important disclosures at the end of this presentation.

Balanced/Asset Allocation investment options will not be scored using our quantitative methodology. Instead, these investment strategies focus on the structure and consistency of the underlying asset allocation models and the capital market assumptions used to support them. Therefore, no Balanced/Asset Allocation investment options are displayed here.

Effective April 30, 2011, Mutual Fund Network investment options are compared to Morningstar's Category Index. Historical quantitative scores prior to this change have not been restated.

Mutual Fund Network Scoring Criteria

The rigorous monitoring of the proprietary due diligence process extends to the investment options of the Mutual Fund Network with the quantitative scoring analysis. While this analysis is not intended to be investment advice, it is another way The Principal can provide support to help you with your fiduciary obligation to monitor your retirement plan's investment choices.

The Mutual Fund Network Scoring Criteria is based on the elements of a fund that can be measured objectively and compared to certain benchmarks and peer groups, such as historical performance. The purpose of analyzing historic performance is to measure whether the fund has delivered acceptable and consistent performance results over time. Keep in mind that past performance is no guarantee of future results.

Actively managed mutual funds strive to deliver excess return relative to their benchmarks. These mutual funds are also compared against a universe of similarly categorized mutual funds by Morningstar. Performance is measured over longer time horizons to capture both up and down market cycles and provide more accurate representations of fund manager skill. Finally, risk-adjusted performance is measured to gauge a fund's risk-reward profile.

As a retirement plan sponsor, you have a lot of responsibility – from increasing participation to tracking investment performance. We can help ease some of your burden when you select investment options from our Mutual Fund network. While not as rigorous as the due diligence monitoring process for our Sub-Advised Investment Options, the Mutual Fund Network Scoring Criteria will help you:

- Monitor Mutual Funds and identify any adverse changes in their performance results
- Review the performance score of each investment option on a quarterly basis

Mutual Fund Network Evaluation Criteria:

We make available mutual funds within various asset classes and investment styles. Our goal is to meet the following evaluation criteria.

Based on our quantitative methodology, we score each Mutual Fund Network investment option every quarter. Our methodology scores funds using third-party tools such as Zephyr, Morningstar, etc. We use the analytics from these third-party tools to compute a score reflected in a scale of 1.0–4.0 (with 1.0 being the best). The scores and explanations are as follows:

Score	Grade	Explanation
1.00 - 2.50	Favorable	Mutual Fund performance is meeting or exceeding our expectations
2.51 – 3.00	Neutral	Mutual Fund performance is not exceeding expectations but still in good standing
3.01 – 4.00	Less Favorable	Mutual Fund performance is significantly below our expectations

Methodology

The purpose of analyzing historical performance is to determine whether a fund has delivered acceptable investment results. We score a fund's gross performance based on three- and five-year risk-adjusted excess returns relative to an index (i.e. information ratio), three- and five-year risk-adjusted peer performance (i.e. information ratio compared to the Morningstar peer group), three- and five-year Morningstar percentile rankings within an appropriate peer group, and three-year consistency of performance relative to an index[1]. If an investment manager has at least a three-year performance record, but not a five-year performance record, we will weight 100% of the historical performance score based on three-year performance. An investment manager must have at least three years of performance to be scored.

For example, if ABC Investment Option is a large growth investment option, we'll typically compare it to the Russell 1000 Growth Index. We'll then compare it to the Morningstar Large Growth Category for a peer group comparison.

Quantitative Score

Quantitative Score				
35% Risk-Adjusted Passive Index Performance		50% Peer Performance		15% Consistency
50% Three-year Returns	50% Five-year Returns	50% Three-year Returns	50% Five-year Returns	100% Three-year Returns

Course of Action

Investment performance is by nature cyclical through time. As such, plan sponsors can use the Mutual Fund Network Scores to help them monitor the funds they make available and make decisions accordingly.

Other Considerations

While the Mutual Fund Network Scores are based on a quantitative process, the plan sponsor is encouraged to conduct additional reviews and evaluations of the investment options under the Mutual Fund Network. You may want to check with your financial professional to determine if any additional factors should be considered.

Principal Life Insurance Company is not a fiduciary in the broader context of operating your retirement plan or in any manner not specifically assumed in writing.

If an investment manager has at least a three-year performance record, but not a five-year performance record, we will weight 100% of the historical performance score based on three-year performance. An investment manager must at least have 3 years of performance to be scored.

[1]Gross returns are not indicative of the returns for any specific rate level or share class available to the public. Performance and expenses for other share classes or rate levels may differ.

Balanced/Asset Allocation investment options will not be scored using our quantitative methodology. Instead, these investment strategies focus on the structure and consistency of the underlying asset allocation models and the capital market assumptions used to support them.

Disclosures

[A] Sub-advised Investment Options include Separate Accounts available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the fact sheet for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks inherent in real estate (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.

** This investment option is closed to new contributions.*

**** The 7-Day Yield % more closely reflects the current earnings of this money market investment option than the total return displayed.*

++ Investment options sub-advised by Principal Global Investors.

A mutual fund's share price and investment return will vary with market conditions, and the principal value of an investment when you sell your shares may be more or less than the original cost.

Percentile rankings are based on total returns in accordance with the appropriate Morningstar peer group.

Returns shown for periods of less than one year are not annualized. All returns displayed here are after Total Investment Expense of the investment option.

Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company. Securities are offered through Princor Financial Services Corporation, 1.800.547.7754, member SIPC and/or independent broker/dealers. Securities sold by a Princor® Registered Representative are offered through Princor. Princor and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks inherent in real estate (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.

Investors should carefully consider a mutual fund's investment objectives, risks, charges, and expenses prior to investing. A prospectus, or summary prospectus if available, containing this and other information can be obtained by contacting a financial professional, visiting principal.com, or calling 1-800-547-7754. Read the prospectus carefully before investing.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754 or by visiting principal.com.

Past performance is not a guarantee of future results.

Disclosures

Investment options are subject to investment risk. Shares or unit values will fluctuate and investments, when redeemed, may be worth more or less than their original cost. This does not apply, however, to the guaranteed portions of group annuity contracts issued by Principal Life that constitute guaranteed benefit policies as defined in ERISA §401(b)(2)(B).

This report includes investment options that contain information from a variety of sources. A primary source is Morningstar which provides holdings information, operations data, and rankings or statistics proprietary to Morningstar. Morningstar is generally the source of information on mutual funds unaffiliated with the Principal.

For a Mutual Fund investment option, Total Investment Expense gross equals the sum of (a) the total fund operating expenses plus (b) if the mutual fund invests in other mutual funds, the weighted-average management fee of those other mutual funds, as listed in the most recent prospectus. The actual Total Investment Expense may change if the mutual fund investment option's allocation of assets to other mutual funds changes.

For a Separate Account investment option, Total Investment Expense gross equals the sum of these expenses: (a) the amount of money, expressed as a percentage, deducted for the costs of managing a separate account and where applicable, fees for plan administrative services and agent compensation, plus (b) if the separate account invests in an underlying mutual fund, the total fund operating expenses of the underlying mutual fund, plus (c) if an underlying mutual fund invests in other mutual funds, the weighted-average management fee of those other mutual funds, as listed in the most recent prospectus. The actual Total Investment Expense may change if an underlying mutual fund's allocation of assets to other mutual funds changes.

Any operating expenses of a mutual fund or underlying mutual fund that are part of net Total Investment Expense are obtained from the mutual fund's most recent prospectus. The operating expenses shown as part of Total Investment Expense include voluntary expense limits and fee credit. These expense reductions are not reflected in the fund's prospectus.

Stable Value funds are not available for Not For Profit clients.

Compliance number: t12033003s

1. Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

2. Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.

3. This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

Disclosures

4. International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

5. High yield investment options are subject to greater credit risk and volatility that is associated with high yield bonds.

6. This investment option is not guaranteed by the Federal Deposit Insurance Corporation (FDIC), or any other government agency. Although this investment option seeks to preserve the value of an investment, it is possible to lose money by investing in this portfolio.

9. S&P 500 is a trademark of The McGraw-Hill Companies, Inc., and has been licensed for use by Principal Life Insurance Company and Principal Management Corporation. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.

10. S&P SmallCap 600 is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use by Principal Life Insurance Company and Principal Management Corporation. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.

11. S&P MidCap 400 is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use by Principal Life Insurance Company and Principal Management Corporation. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.

13. Due to the unique composition of this portfolio, the quantitative score displayed is based solely on its risk adjusted-performance relative to an index because a suitable peer group is not available to properly score this investment option.

16. Balanced/Asset Allocation investment options will not be scored using our current methodology. Instead, our review for these investment strategies focuses on the structure and consistency of the underlying asset allocation models and the capital market assumptions used to support them. Today, all of the Balanced/Asset Allocation options available on our investment platform meet our due diligence standards.

17. This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holder investing in the Separate Account. For further information on the underlying mutual fund see the prospectus of the fund.

18. This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

20. Effective November 13, 2006, Dimensional Fund Advisors (DFA) was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

21. Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

Disclosures

22. Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks.

23. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

24. Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

25. Effective January 21, 2009, this portfolio is sub-advised by Columbus Circle Investors. Prior to January 21, 2009, the portfolio was sub-advised by Mazama Capital Management and Columbus Circle Investors. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

26. This investment option maintains a voluntary waiver which is reflected in the value displayed for Total Investment Expense - Net. This waiver may be discontinued at any time.

29. This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.

31. Effective October 1, 2009, ClearBridge Advisors was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

32. Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks. Additionally there is no guarantee this investment option will provide adequate income at or through retirement.

33. The Investment Advisor will display "Multiple Sub-Advisors" for certain target-date, target-risk and specialty investment options where the assets are directed by the Investment Manager to multiple underlying investment options. These underlying investment options may use multiple sub-advisors who are responsible for the day-to-day management responsibilities.

34. Effective September 20, 2010, Brown Advisory was added as an additional sub-advisor. Effective May 1, 2009, Columbus Circle Investors was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

35. This investment option is subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. If you elect to contribute funds into the U.S. Property Separate Account, withdrawals may be delayed for up to 3 years.

37. For Mutual Fund Network investment options, returns for all time periods, except the Since Inception time frame, may include the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Since Inception returns display the actual return of this share class and do not reflect the adjusted returns of the oldest share class. Please see the fund's prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

Disclosures

38. This Separate Account invests directly in the Institutional class shares of a Principal LifeTime Fund. The mutual fund operating expenses for each Principal LifeTime Fund are reflected in the Total Investment Expense of the Separate Accounts well as the operating expenses of the underlying funds in which the Principal LifeTime Fund invests. Based on the asset allocation of the Principal LifeTime Funds as in the prospectus dated February 29, 2012, the weighted average operating expenses of the underlying funds are: Principal LifeTime Strategic Income, 0.58%; Principal LifeTime 2010, 0.65%; Principal LifeTime 2015, 0.67%; Principal LifeTime 2020, 0.70%; Principal LifeTime 2025, 0.71%; Principal LifeTime 2030, 0.72%; Principal LifeTime 2035, 0.73%; Principal LifeTime 2040, 0.74%; Principal LifeTime 2045, 0.75%; Principal LifeTime 2050, 0.75%; Principal LifeTime 2055, 0.75%. For further information on all mutual fund expenses, see the prospectus of the underlying Principal LifeTime Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account.

39. The net return experienced may be negative if the costs to maintain and operate the Money Market Separate Account exceed returns. Participants may also see negative returns if plan expenses, if applicable, are netted or deducted from their accounts.

40. The risks associated with derivative investments include that the underlying security, interest rate, market index, or other financial asset will not move in the direction the Investment Adviser and/or Sub-Advisor anticipated, the possibility that there may be no liquid secondary market, the risk that adverse price movements in an instrument can result in a loss substantially greater than a fund's initial investment, the possibility that the counterparty may fail to perform its obligations; and the inability to close out certain hedged positions to avoid adverse tax consequences.

Benchmark Descriptions

Barclays Aggregate Bond Index represents securities that are domestic, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Barclays Treasury Bellwethers 3 Month Index is composed of public obligations of the U. S. Treasury with a maturity of three months.

Barclays U.S. Government/Credit 5-10 Year Index tracks the return of the U.S. Government/Credit with a maturity window of 5-10 years.

Barclays US Treas TIPS Index consists of inflation-protected securities issued by the U.S. Treasury.

Blended Real Asset Index through September 30, 2011, is as follows: 75% NFI-ODCE Equal-Weight and 25% MSCI US REIT Index. The NFI-ODCE Equal-Weight is the NCREIF Fund Index-Open End Diversified Core Equity. It is a fund-level equal-weighted, time-weighted return index and includes property investments at ownership share, cash balances and Leverage. The return series is net of the average fee charged by accounts that make up the index. The MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance. Effective October 1, 2011, the Blended Real Asset Index is comprised of 100% Consumer Price Index (CPI) plus 1.5%. Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.

Merrill Lynch U.S. High Yield Master II Index measures the performance of high yield bonds.

Disclosures

MSCI - Emerging Markets NDTR D Index measures equity market performance in the global emerging markets. It consists of 26 emerging market countries in Europe, Latin America and the Pacific Basin.

MSCI ACWI Ex USA Index is a free float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the US.

MSCI World Ex US Small Cap Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. It offers an exhaustive representation of the Small Cap segment by targeting companies that are in the Investable Market Index but not in the Standard Index in a particular market.

NFI-ODCE Equal-Weight is the NCREIF Fund Index - Open End Diversified Core Equity. It is a fund-level equal-weighted, time-weighted return index and includes property investments at ownership share, cash balances and leverage. The return series is net of the average fee charged by accounts that make up the index.

Principal LifeTime 2010 Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime 2010 portfolio. The index weightings adjust over time as the portfolio changes to become gradually more conservative. The weightings as of March 31, 2012 are 32.40% Russell 3000 Index, 11.60% MSCI EAFE Index, and 56.00% Barclays Aggregate Index.

Principal LifeTime 2020 Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime 2020 portfolio. The index weightings adjust over time as the portfolio changes to become gradually more conservative. The weightings as of March 31, 2012 are 47.45% Russell 3000 Index, 17.55% MSCI EAFE Index, and 35.00% Barclays Aggregate Index.

Principal LifeTime 2030 Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime 2030 portfolio. The index weightings adjust over time as the portfolio changes to become gradually more conservative. The weightings as of March 31, 2012 are 56.25% Russell 3000 Index, 21.00% MSCI EAFE Index, and 22.75% Barclays Aggregate Index.

Principal LifeTime 2040 Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime 2040 portfolio. The index weightings adjust over time as the portfolio changes to become gradually more conservative. The weightings as of March 31, 2012 are 62.80% Russell 3000 Index, 25.00% MSCI EAFE Index, and 12.20% Barclays Aggregate Index.

Principal LifeTime 2050 Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime 2050 portfolio. The index weightings adjust over time as the portfolio changes to become gradually more conservative. The weightings as of March 31, 2012 are 65.90% Russell 3000 Index, 27.60% MSCI EAFE Index, and 6.50% Barclays Aggregate Index.

Principal LifeTime Strategic Income Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime Strategic Income portfolio. The weightings as of March 31, 2012 are 19.40% Russell 3000 Index, 5.60% MSCI EAFE Index, and 75.00% Barclays Aggregate Index.

Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Disclosures

Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratio and higher forecasted growth values.

Russell 2000 Index consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 10% of the Russell 3000 total market capitalization.

Russell Midcap Growth Index is a market-weighted total return index that measures the performance of companies within the Russell Midcap Index having higher price-to-book ratios and higher forecasted growth values.

Russell Midcap Index includes firms 201 through 1000, based on market capitalization, from the Russell 3000 Index.

Russell Midcap Value Index is a market-weighted total return index that measures the performance of companies within the Russell Midcap index having lower price-to-book ratios and lower forecasted growth values.

Standard & Poor's 400 MidCap Stock Index includes approximately 10% of the capitalization of U.S. equity securities. These are comprised of stocks in the middle capitalization range.

Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

Standard & Poor's 600 Stock Index is a small cap index that consists of 600 domestic stocks chosen for market size, liquidity, and industry group representation.

Glossary of Terms

7 Day Yield - The 7-Day Yield % more closely reflects the current earnings of this money market investment option than the total return displayed.

Category Average Return - Morningstar takes the average return of the funds that exist in a category for the time period and divide by the number of funds that exist for that time period. For calendar year category average returns, Morningstar includes funds that have merged, liquidated, or changed categories when calculating category averages.

Total Investment Expense Gross - The maximum expense ratio that can be applied to an investment option. This includes expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the investment option, except brokerage costs.

Morningstar Category - The Morningstar Category identifies investment options based on their actual investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years).

Percentile Rankings - Each investment's total returns are compared to other investments in the same Morningstar category for various time periods. Total returns are ranked on a scale from 1 to 100 where 1 represents the highest-returning 1% of investments and 100 represents the lowest returning investments.

Scores - Comments - Provides additional information on Sub-Advised Investment Options that may be relevant to the sub-advisor, investment option, or both.

Scores - Qualitative Grade - Qualitative rating that is assigned to Sub-Advised investment managers based on organization, investment philosophy and process and resources. Scale is Favorable, Neutral, and Less Favorable.

Scores - Qualitative Score - Numerical qualitative rating that is assigned to Sub-Advised investment managers based on organization, investment philosophy and process and resources. Scale is 1.0 – 4.0 (with 1.0 being the best).

Scores - Qualitative Cautionary Status - If a Sub-Advised investment manager is on the Watch List for qualitative reasons, this will be indicated by WL, a cautionary status of a Sub-Advised Investment Option which is meant to communicate an increased level of concern.

Scores - Quantitative Grade - Numerical quantitative rating that is assigned to investment option based on risk-adjusted index performance, peer performance and consistency. Scale is Favorable, Neutral, and Less Favorable. See Performance Review sections for greater detail about computation methodology and additional factors.

Scores - Quantitative Score - Numerical quantitative rating that is assigned to investment option based on risk-adjusted index performance, peer performance and consistency. Scale is 1.0 – 4.0 (with 1.0 being the best). See Performance Review sections for greater detail about computation methodology and additional factors.

Scores - Quantitative Cautionary Status - If a Sub-Advised Investment Option is on the Watch List for quantitative reasons, this will be indicated by WL. If a Sub-Advised Investment Option is placed on Probation for quantitative reasons, this will be indicated by PR, a cautionary status of a Sub-Advised Investment Option when long-term performance is below expectations and requires additional monitoring.

Glossary of Terms

Information Ratio - The information ratio is a risk-adjusted measure commonly used to evaluate an active manager's investment skill. It is defined as the manager's excess return divided by the variability or standard deviation of the excess return. Information ratio is an excellent tool for evaluating a manager's level of skill because it simultaneously considers both the level of excess return as well as consistency in which the excess return was delivered to investors. Managers should strive for a positive information ratio, with higher numbers representing better results.

Consistency Ratio - A measure of how consistently the manager is able to exhibit positive excess returns. To calculate the consistency ratio, the number of months the manager had positive excess returns is divided by the total number of months. The higher the number, the better.

Up-Market Capture Ratio - A statistical measure of an investment option's performance relative to a comparative index in months in which that index has risen. An up-market capture ratio of greater than 100 would indicate that the investment option performed better than the comparative index during months in which the index had risen over a specified time period.

Down-Market Capture Ratio - A statistical measure of an investment option's performance relative to a comparative index in months in which that index has fallen. A down-market capture ratio of greater than 100 would indicate that the investment option performed worse than the comparative index during months in which the index had fallen over a specified time period.

Morningstar Category - The Morningstar Category identifies investment options based on their actual investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years).

Cautionary Status - Our due diligence process has uncovered a concern with the investment option that requires further monitoring. For quantitative, or performance-related, concerns there are two levels of Cautionary Status: Watch List and Probation. For qualitative concerns, only Watch List status is applicable.

Probation - Probation may be assigned to an investment option for the following reasons:

- An investment option has been removed from the Quantitative Watch List because the due diligence process has determined that the manager(s) has made improvements in the short-term that have the potential to be sustainable over the long term. However, long-term performance is still below our expectations and requires additional monitoring.
- An investment option has been removed from the Quantitative Watch List because the due diligence process has determined that the underperformance that led to Watch List status is explainable in light of the process used by the manager(s) based on the market environment at that time. However, long-term performance is still below our expectations and requires additional monitoring.
- A manager(s) is removed from an investment option due to performance reasons but the investment option's long-term performance is still below our expectations and requires additional monitoring. In this situation, the due diligence process recognizes that while removal of the underperforming manager(s) has the potential to improve performance, the long-term performance history still reflects the manager(s) that have led to the underperformance.

The status of Probation is conferred on an investment option for an indefinite period of time. However, the due diligence process can remove a manager at any time, including while on Probation. Probation status is lifted only after the investment option scores "Favorable" for one quarter based on the quantitative scoring criteria of the due diligence process, which focuses on three- and five-year results.

Glossary of Terms

Investment Advisor - May include Registered Investment Advisers as defined in the Advisers Act of 1940, Investment Advisers as defined in the Investment Company Act of 1940, as well as a company employed by the investment option's advisor to handle the investment option's day-to-day management. In these instances, the portfolio manager generally works for the fund's subadvisor, and not the advisor. See definition of Multiple Sub-Advisor appearing elsewhere in this presentation for greater detail about Sub-Advisors.

Plan Level
Rate of Return

To help you manage your fiduciary duties Principal Life Insurance Company is providing you with plan-level rates of return for your retirement plan. Plan level rates of return are based on the retirement plan's specific account activity. The plan level rate of return calculation takes into consideration contributions, transfers, withdrawals and expenses, as well as changes in value or earnings credited at the time of the calculation. Rates of return can be calculated at broad asset class, investment option, and overall plan level.

The plan level rate of return is calculated using a commonly-used formula called "the Modified Dietz Method." This formula evaluates returns using time-weighted analysis, which takes into consideration the timing of all cash flows into and out of the plan.

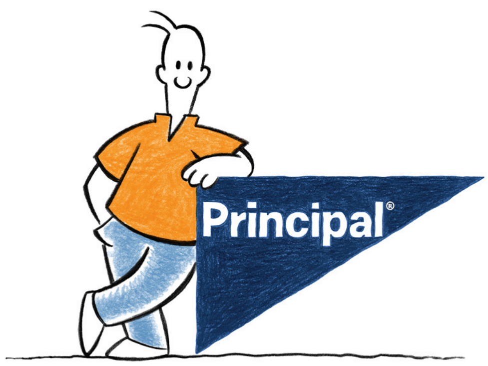
The basic formula is Net Earnings divided by Weighted Average Account Balance. Net Earnings are earnings after all expenses:

<u>Ending Balance - Beginning Balance - Net Transactions</u>
(Beginning Balance + Each Cash Flow * ((Calendar Days in Period – number of days since the beginning of the period in which cash flow occurred)/calendar days in period))

Note: Under certain circumstances, returns calculated using the Modified Dietz Method may be less reasonable because low beginning account balances, large cash flows, time invested, and extreme market fluctuations can have material effects on the return. In such cases, an * will appear by the return indicating to use caution when evaluating the plans rate of return.

Plan level rate of return is currently available for 1-month, 3-month, Year-to-date, 1-year, 3 year and 5 year time periods.

Plan Level Rates of Return displayed are net of the investment fees (which could include operating expenses and management fees), and plan level expenses, if applicable. Plan Level expenses include ongoing maintenance and administration of the plan.



The information presented in the chart below displays Plan Level Rate of Return based on each broad asset class represented by the investment options with an account balance in your retirement plan. This return is calculated for the time periods displayed in the columns below. To see which investment options are included in each broad asset class, please review the Investment Performance section of this report. Additionally, a benchmark is being shown that corresponds to each broad asset class represented. An industry standard weighted benchmark is being display to help with the overall plan level rate of return comparison.

Plan Level Rate of Return Comparison Summary through 12/31/2012				
Asset Classes/Benchmarks		**Year To Date**	**1 Year**	**3 Year**
Large U.S. Equity		14.33	14.33	7.67
Russell 1000 Index		16.42	16.42	11.12
Small/Mid U.S. Equity		14.79	14.79	11.99
Russell 2500 Index		17.88	17.88	13.34
International Equity		18.10	18.10	7.90
MSCI - EAFE Index NDTR D		17.32	17.32	3.56
Balanced/Asset Allocation		13.97	13.97	8.44
60% S&P 500/40% Barclays Aggregate Bond		11.31	11.31	9.32
Short-Term Fixed Income #		-0.12	-0.12	-0.56
Barclays Treasury Bellwethers 3 Month Index		0.12	0.12	0.13
Fixed Income		8.42	8.42	8.29
Barclays Aggregate Bond Index		4.21	4.21	6.19
		Year To Date	**1 Year**	**3 Year**
Total Plan Level Rate Of Return		8.89	8.89	5.48
60/40 Weighted Benchmark Rate of Return		11.31	11.31	9.32

60/40 Weighted Benchmark is comprised of 60% S&P 500 Index and 40% Barclays Capital Aggregate Bond Index.

Total Plan Level Rate of Return is calculated using your retirement plan's specific account activity during the time period being measured. Account activity includes contributions, transfers, withdrawals and expenses. Please see prior page for additional information on plan level rate of return calculation. The calculated returns may be less reasonable because of low beginning account balances, large cash flows, time invested, and extreme market fluctuations.

Short-Term Fixed Income includes the Money Market investment option, if applicable. Money markets 7-Day Simple Yield % more closely reflects earnings than the total return displayed.

Disclosures

A mutual fund's share price and investment return will vary with market conditions, and the principal value of an investment when you sell your shares may be more or less than the original cost.

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Securities are offered through Princor Financial Services Corporation, 800-547-7754, member SIPC and/or independent broker/dealers. Securities sold by a Princor® Registered Representative are offered through Princor. Princor and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths.

Before investing in mutual funds, investors should carefully consider the investment objectives, risks, charges and expenses of the funds. This and other information is contained in the free prospectus, which can be obtained from your local representative or by contacting us at 1-800-547-7754. Please read the prospectus carefully before investing.

Benchmark Descriptions

MSCI - EAFE Index NDTR D is listed for foreign stock funds (EAFE refers to Europe, Australia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes.

Russell 1000 Index consists of the 1000 largest companies within the Russell 3000 index. Also known as the Market-Oriented Index, because it represents the group of stocks from which most active money managers choose.

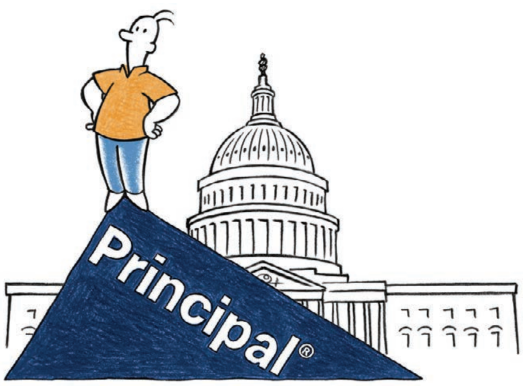
Barclays Aggregate Bond Index represents securities that are domestic, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Barclays Treasury Bellwethers 3 Month Index is composed of public obligations of the U. S. Treasury with a maturity of three months.

Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as smid cap.

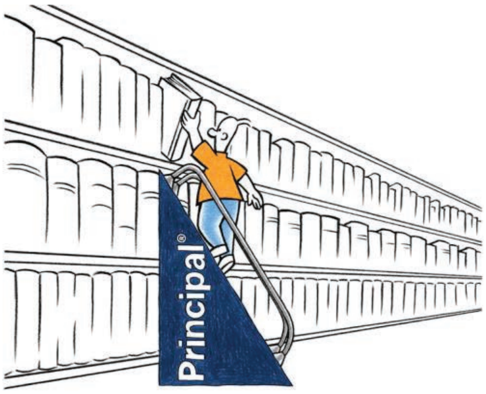
Compliance Update

The Principal Financial Group® has extensive experience helping you as the plan sponsor and your financial professional navigate the complexities of legislative and regulatory changes. Our goal is to make it easier for you to manage your retirement plan and for your employees to save for retirement.



We do this by:

- Monitoring and helping shape new legislation and regulations.
- Quickly analyzing legislation and regulations, and interpreting their potential impact.
- Reviewing the impact on plan documents and our administrative services.
- Communicating proposed changes and assisting with these changes.



Compliance Update

Compliance news that may affect your retirement program.

January 2013, In This Issue . . .

- **DOL Proposes Amendments to the Abandoned Plan Program**

  The Department of Labor (DOL) is proposing to modify its Abandoned Plan Program

- **Puerto Rico Plan Deadline Extension**

  The Puerto Rico Treasury Department announced deadline extensions for certain plan amendments & filings.

- **IRS News-2012 Cumulative List**

  The Internal Revenue Service (IRS) released its 2012 list of plan wording changes need to meet plan qualification requirements.

- **Form 5500 Notice Elimination**

  The IRS will discontinue certain notices regarding Form 5500 filings.

Abandoned Plan Program

The Department of Labor (DOL) is proposing to modify its Abandoned Plan Program to make it easier for Chapter 7 bankruptcy trustees of individual account retirement plans to distribute plan assets.

Background

The Abandoned Plan Program was introduced in 2006 to assist banks, insurers, mutual fund companies, or any custodians of retirement plans in becoming a qualified termination administrator (QTA) to facilitate the distribution of assets. Generally a QTA may determine that a plan has become abandoned if there are no contributions to or distributions from the plan for a period of 12 consecutive months and the plan sponsor is unresponsive or facts and circumstances suggest that the plan may become abandoned. The program simplifies procedures for terminating the plan, allowing participants access to benefits, and giving the QTA responsibilities for such tasks. Currently, the program only applies to financial institutions holding assets of the abandoned plans.

The DOL indicated abandoned plan applications increased from 70 in 2007 to 331 in 2010. The proposed changes will help to more effectively handle distribution of assets and contain backlog.

Proposed Expansion of Program

The intention of the proposed amendment is to assist workers and appropriate payees of bankrupt companies in gaining access to their retirement assets by including companies in liquidation under Chapter 7 of the U.S. Bankruptcy Code. It is also designed to assist bankruptcy trustees in fulfilling their fiduciary obligations under the Employee Retirement Income Security Act of 1974 (ERISA.) Participants in retirement plans should also see a decrease in excessive and unnecessary fees.

Additional Information

The proposed changes also make some other technical updates to improve the current Program, including the following:

- Eliminating the requirement that the QTA state whether they are/were the subject of an investigation, examination, or enforcement by the DOL, the IRS, or the SEC concerning their conduct as a fiduciary or party in interest with respect to any ERISA covered plan.
- Permitting administrators to transfer the accounts of decedents to an appropriate bank account or a state's unclaimed property fund, regardless of the size of the account (currently the limit is $1,000 on such transfers).
- Identifying the location of instructions for completing and filing the Special Terminal Report for Abandoned Plans.

Puerto Rico Qualified Plans Granted Extension

The Puerto Rico Treasury Department extended the period a Puerto Rico (PR) tax qualified plan (PR-Only or Dual-Qualified Plan) has to comply with 2011 Puerto Rico Internal Revenue Code (PR IRC) and request retroactive qualification under the Puerto Rico Internal Revenue Code of 1994.

The extension was announced in Circular Letter No. 12-09 (CL 12-09) and requires, respectively, compliance on the later of June 30, 2013 or the last day of the first plan year beginning on or after January 1, 2012 for 2011 PR IRC Code. The plan sponsor has until the later of September 30, 2013 or the deadline to file the income tax return of the employer for the first taxable year commencing after December 31, 2011 to file for retroactive qualification.

2012 IRS Cumulative List

The Internal Revenue Service (IRS) released IRS Notice 2012-76 that gives the IRS 2012 cumulative list of changes for qualified plans to be used primarily by single employer individually designed defined contribution and defined benefit plans that are required to be updated in Cycle C (the employer's EIN ends in 3 or 8), as well as §414(d) governmental plans choosing Cycle C. Once updated, these plans can be submitted for a favorable determination letter during the period beginning February 1, 2013 and ending January 31, 2014.

Background

In 2007, the IRS announced it will annually publish a list identifying statutory, regulatory and guidance changes to be taken into account when plan sponsors submit requests for advisory opinions and determination letters. The list is for those who are submitting for periods beginning on or after February 1 of the year following issuance. Please note, all qualification requirements (except any guidance issued or laws enacted after October 1, 2012) must be met by a plan and not just those listed on the annual cumulative list.

Summary of 2012 List

Provisions found in the following legislation are included in the cumulative list:

- Changes in the Pension Protection Act of 2006 (PPA 2006)
- Katrina Recovery and Iraq Accountability Appropriations Act, 2007
- The Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act)
- Worker, Retiree, and Employer Recovery Act of 2008 (WRERA)
- Small Business Jobs Act of 2010 (SBJA)
- Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (PRA 2010)
- Moving Ahead for Progress in the 21st Century Act (MAP-21), Pub. L. 112-141

More Information

IRS Notice 2012-76 can be found on the IRS website: http://www.irs.gov/pub/irs-drop/n-12-76.pdf

Form 5500 Proposed Notices Eliminated

The Internal Revenue Service will discontinue sending specific notices to filers beginning January 1, 2013 in an effort to reduce the number of notices, the cost of processing, and continue to comply with notice and system standards. The affected notices include:

- CP 213N, *Proposed Penalty Notice for Late Filing of Form 5500, Annual Return/Report of Employee Benefit Plan*
- CP213I, *Proposed Penalty Notice for Incomplete Filing of Form 5500*

CP283, *Penalty Charged on Your Form 5500 Return*, will continue to be sent if a Form 5500 is filed late or is incomplete.

WE'LL GIVE YOU AN EDGE®

Principal Life Insurance Company, Des Moines, Iowa 50392-0001, www.principal.com

Prepared by Retirement and Investor Services – Compliance.

Retirement plan review meeting attendees

You may wish to file this verification for your records.

Name	Title	Date Reviewed