HOSPITALITY INDUSTRY

Retirement Plan Review

June 28, 2012

The Principal Financial Group®
Vision. Collaboration. Action.

For Plan Sponsor use only.

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Today's Focus

Principal® Financial Group

Retirement Program Overview

HOSPITALITY INDUSTRY 401(K) PLAN

Presented June 28, 2012

Defined Contribution Plan		
HOSPITALITY INDUSTRY 401(K) PLAN Contract/Plan ID Number 4-47341		
Participant Details	**12/31/2011**	**05/31/2012**
Total Plan Participants	2,143	2,140
Average Account Balance per Participant	$17,948	$18,784
Average Account Elective Deferral Contributions per Participant	$3,511	$1,758

Internet & Voice Response Usage	**2011**	**2012**
Internet Sessions	5161	2072
Internet Users	238	162
Voice Response Sessions	335	136
Voice Response Users	56	26

Investment Demographics & Investment Review Defined Contribution Plan		
HOSPITALITY INDUSTRY 401(K) PLAN Contract/Plan ID Number 4-47341		
Total Plan Assets	**12/31/2011**	**05/31/2012**
	$16,833,334	$17,621,923

Investment Option Balances by Asset Class			
		05/31/2012	
Asset Class	**12/31/2011**	**Total**	**Percent of Total Assets**
Large U.S. Equity	$2,167,902	$2,361,209	13.4%
Small/Mid U.S. Equity	$2,241,836	$2,320,103	13.2%
International Equity	$811,569	$764,742	4.3%
Balanced/Asset Allocation	$3,785,478	$4,114,161	23.4%
Short-Term Fixed Income	$5,736,840	$5,764,664	32.7%
Fixed Income	$2,089,709	$2,297,043	13.0%

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 $335 billion in assets under management and serves some 18 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** $335 billion
- **Total GAAP revenues** $8.7 billion
- **Net income available to common stockholders** $682 million
- **Operating earnings[2]** $878.1 million
- **Operating return on average equity available to common stockholders, excluding other comprehensive income[2]** 9.9 percent

People

- 13,500 employees worldwide
- 10,200 employees in the United States

Clientele

- 18 million customers

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

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/ Watson Wyatt 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 12 months ended Dec. 31, 2011, 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 $878.1 million equal net income available to common stockholders of $682.0 million adjusted for net realized gains (losses) of $(148.3) million and other after-tax adjustments of $(47.8) million.
- ROE of 9.9 percent equals net income return on equity including other comprehensive income of 7.5 percent, adjusted for net realized gains (losses) of (1.7) percent, other after-tax adjustments of (0.5) percent, net unrealized capital gains (losses) of (0.4) percent, foreign currency translation of 0.0 percent and net unrecognized post-retirement benefit obligations of 0.2 percent.

[3] Ratings as of Jan. 30, 2012.

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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.

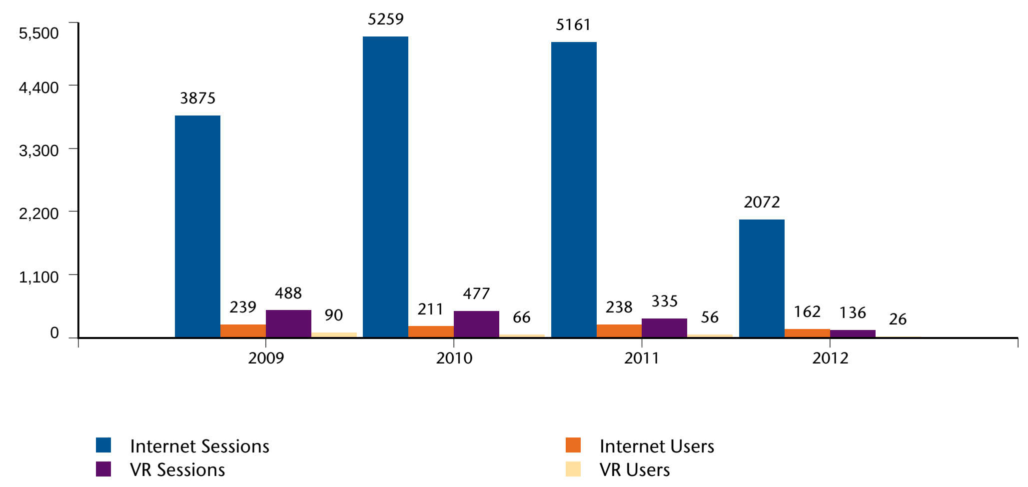
Our desire is to help you and your participants realize the full potential of your retirement program and achieve the long-term outcome you seek.

Plan Participants

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



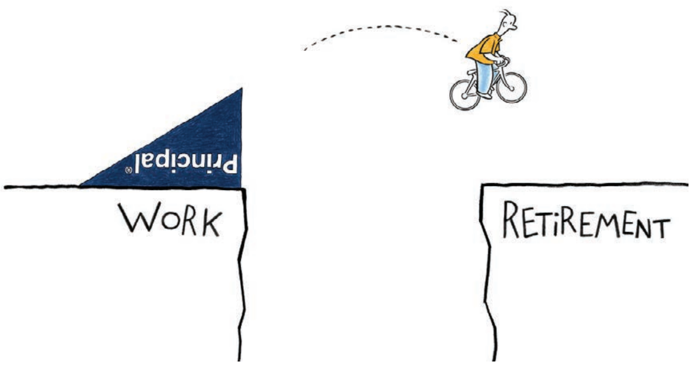
Frequently Accessed Information (Number of Times Accessed)

	Internet-2011	Internet-2012	Voice Response-2011	Voice Response-2012
Account Balance	6,572	1,160	309	136
Activity Detail	715	136	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	34	9
Investment Options	128	37	N/A	N/A
Investment Performance	1,135	323	3	0
Loan Information	0	0	0	1
Loan Quote	0	0	N/A	N/A
Personal Information	766	155	N/A	N/A
Personalized Rate of Return	2,886	911	N/A	N/A
Review Allocation of Future Contributions	162	56	1	1
Review Contribution Rates	0	0	0	0
Rollover Information	69	47	N/A	N/A
Tax Information	N/A	N/A	0	0

Top Transactions Conducted Online (Number of Times Accessed)				
	Internet-2011	Internet-2012	Voice Response-2011	Voice Response-2012
Address Change	0	0	N/A	N/A
Beneficiary Change	43	10	N/A	N/A
Change Allocation of Future Contributions	40	10	0	0
Change Contribution Rates	0	0	0	0
Investment Transfer	46	14	0	0
Rebalance	21	5	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						
					05/31/2012	
Investment Advisor	Investment Option Name	12/31/2009	12/31/2010	12/31/2011	Total	%
Am Century/Montag & Caldwell	LargeCap Growth II Separate Account	$52.81	$0.00	$0.00	$0.00	0.00%
Capital Research and Mgmt Co	American Funds Growth Fund of America R3 Fund	$604,373.38	$695,348.89	$705,217.98	$800,174.37	4.50%
OppenheimerFunds, Inc.	Oppenheimer Equity Income A Fund	$0.00	$0.00	$47,977.92	$56,593.15	0.30%
Principal Global Investors	LargeCap S&P 500 Index Separate Account	$570,760.82	$651,609.10	$673,679.03	$720,197.94	4.10%
T.Rowe / Clearbridge Advisors	LargeCap Blend II Separate Account	$586,793.06	$724,863.31	$741,026.67	$784,243.13	4.40%
TS&W / Herndon	LargeCap Value I Separate Account	$21,471.03	$39,018.45	$0.00	$0.00	0.00%
AllianceBern / CCI / Brown	SmallCap Growth I Separate Account	$8,233.76	$169,922.82	$176,739.70	$192,847.98	1.10%
Goldman Sachs/LA Capital Mgmt	MidCap Value I Separate Account	$25,535.16	$74,702.40	$87,897.77	$97,884.13	0.60%
Principal Global Investors	MidCap Blend Separate Account	$661,622.58	$814,761.83	$915,990.34	$945,618.10	5.40%
Principal Global Investors	MidCap S&P 400 Index Separate Account	$0.00	$0.00	$0.00	$1,317.83	0.00%
Principal Global Investors	SmallCap Blend Separate Account	$318,663.97	$426,603.57	$0.00	$59,239.71	0.30%
Principal Global Investors	SmallCap S&P 600 Index Separate Account	$0.00	$0.00	$448,883.24	$473,191.66	2.70%
Principal Global Investors	SmallCap Value Separate Account	$24,030.38	$58,285.04	$56,400.22	$0.00	0.00%
Turner / Jacobs Levy	MidCap Growth III Separate Account	$364,351.88	$549,855.09	$555,924.54	$550,003.89	3.10%
Capital Research and Mgmt Co	American Funds EuroPacific Growth R3 Fund	$75,465.92	$101,438.64	$90,566.80	$95,079.04	0.50%
Principal Global Investors/DFA	International SmallCap Separate Account	$700,935.29	$864,313.62	$721,002.22	$669,663.13	3.80%
Multiple Sub-Advisors	Principal LifeTime Strategic Income Separate Account	$68,642.61	$100,573.36	$121,465.05	$138,262.22	0.80%
Multiple Sub-Advisors	Principal LifeTime 2010 Separate Account	$697,050.05	$845,720.78	$894,401.93	$947,500.09	5.40%
Multiple Sub-Advisors	Principal LifeTime 2020 Separate Account	$792,046.94	$1,272,130.95	$1,472,854.32	$1,405,964.52	8.00%
Multiple Sub-Advisors	Principal LifeTime 2030 Separate Account	$797,619.56	$1,030,794.02	$1,108,170.82	$1,385,951.04	7.90%

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Investment Option Balances (continued)							
					05/31/2012	
Investment Advisor	Investment Option Name	12/31/2009	12/31/2010	12/31/2011	Total	%
Multiple Sub-Advisors	Principal LifeTime 2040 Separate Account	$104,668.94	$148,742.94	$141,036.67	$182,205.35	1.00%
Multiple Sub-Advisors	Principal LifeTime 2050 Separate Account	$19,700.29	$27,368.20	$47,549.09	$54,277.99	0.30%
Principal Financial Advisors	Bond Emphasis Balanced Sep Acct	$0.13	$0.15	$0.15	$0.00	0.00%
Principal Financial Advisors	Stock Emphasis Balanced Sep Acct	$0.35	$0.41	$0.41	$0.00	0.00%
Principal Global Investors	Money Market Sep Acct	$6,054,363.76	$5,709,089.35	$5,736,840.04	$5,764,663.96	32.70%
Fidelity Management & Research	Fidelity Advisor High Income Advant T Fund	$153,154.95	$253,860.50	$324,835.80	$352,119.42	2.00%
PIMCO	Core Plus Bond I Separate Account	$800.92	$71,202.03	$85,198.97	$93,468.52	0.50%
Principal Global Investors	Bond and Mortgage Sep Acct	$1,050,090.27	$1,281,367.84	$1,404,879.99	$1,577,558.12	9.00%
Principal Real Estate Inv	U.S. Property Sep Acct	$302,574.33	$216,307.47	$274,794.51	$273,897.28	1.60%
	Totals	**$14,003,003.14**	**$16,127,880.76**	**$16,833,334.18**	**$17,621,922.57**	**100.00 %**

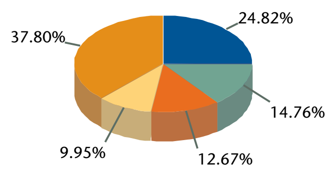
- Large U.S. Equity
- Small/Mid U.S. Equity
- International Equity
- Balanced/Asset Allocation
- Short-Term Fixed Income
- Fixed Income

Investment Option Balances by Asset Class					
				05/31/2012	
Asset Class	12/31/2009	12/31/2010	12/31/2011	Total	%
Large U.S. Equity	$1,783,451.10	$2,110,839.75	$2,167,901.60	$2,361,208.59	13.40%
Small/Mid U.S. Equity	$1,402,437.73	$2,094,130.75	$2,241,835.81	$2,320,103.30	13.20%
International Equity	$776,401.21	$965,752.26	$811,569.02	$764,742.17	4.30%
Balanced/Asset Allocation	$2,479,728.87	$3,425,330.81	$3,785,478.44	$4,114,161.21	23.40%
Short-Term Fixed Income	$6,054,363.76	$5,709,089.35	$5,736,840.04	$5,764,663.96	32.70%

(continued on next page)

Investment Option Balances by Asset Class (continued)					
				05/31/2012	
Asset Class	12/31/2009	12/31/2010	12/31/2011	Total	%
Fixed Income	$1,506,620.47	$1,822,737.84	$2,089,709.27	$2,297,043.34	13.00%
Totals	**$14,003,003.14**	**$16,127,880.76**	**$16,833,334.18**	**$17,621,922.57**	**100.00%**

Investment Option Statistics

How many participants hold:	Your Plan
	
1 Investment Option	24.82%
2 Investment Options	14.76%
3 Investment Options	12.67%
4 Investment Options	9.95%
5 or more Investment Options	37.80%
Average # of investment options held:	4.1 funds

Single Investment Option Holder by Age

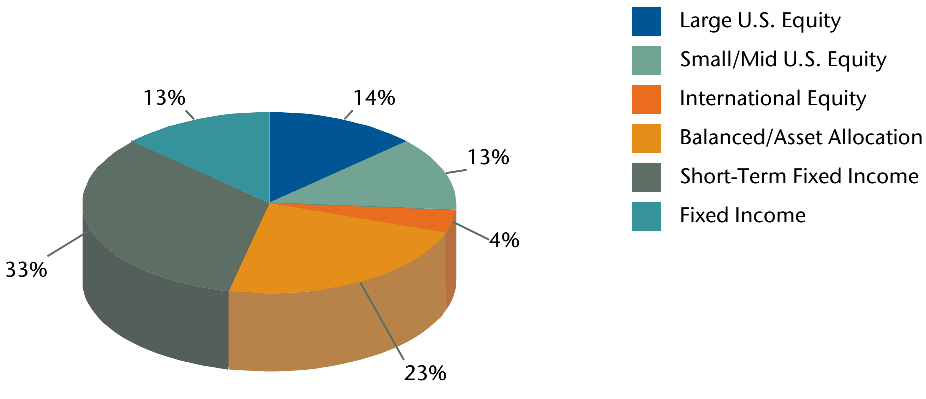
Funds held as a single investment						
Investment Advisor	**Investment Option Name**	**18-34**	**35-49**	**50-64**	**65+**	**Total**
Capital Research and Mgmt Co	American Funds Growth Fund of America R3 Fund	0	1	0	0	1
Principal Global Investors	LargeCap S&P 500 Index Separate Account	0	0	0	1	1
AllianceBern / 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
Turner / Jacobs Levy	MidCap Growth III Separate Account	0	1	1	0	2
Multiple Sub-Advisors	Principal LifeTime Strategic Income Separate Account	0	3	0	1	4
Multiple Sub-Advisors	Principal LifeTime 2010 Separate Account	0	2	6	19	27
Multiple Sub-Advisors	Principal LifeTime 2020 Separate Account	0	2	29	1	32
Multiple Sub-Advisors	Principal LifeTime 2030 Separate Account	1	27	12	1	41
Multiple Sub-Advisors	Principal LifeTime 2040 Separate Account	5	11	0	0	16
Multiple Sub-Advisors	Principal LifeTime 2050 Separate Account	8	1	0	0	9

(continued on next page)

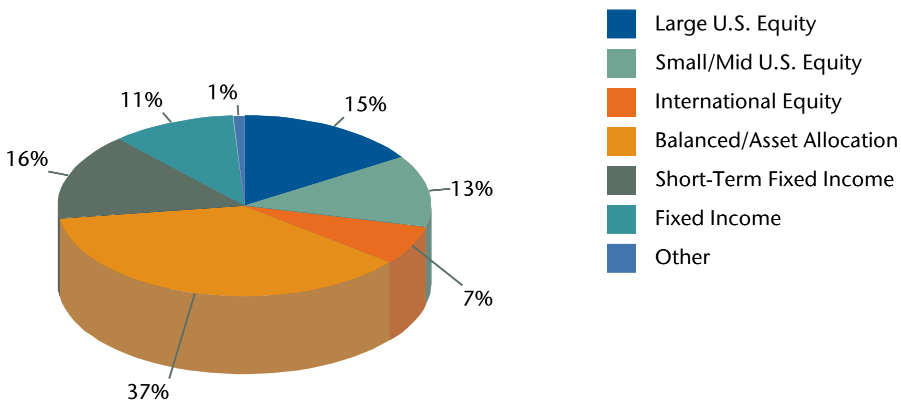
Single Investment Option Holder by Age (continued)						
Funds held as a single investment						
Investment Advisor	**Investment Option Name**	**18-34**	**35-49**	**50-64**	**65+**	**Total**
Principal Global Investors	Money Market Sep Acct	3	20	56	11	90
Fidelity Management & Research	Fidelity Advisor High Income Advant T Fund	0	0	1	0	1
Principal Global Investors	Bond and Mortgage Sep Acct	0	1	2	2	5
Principal Real Estate Inv	U.S. Property Sep Acct	0	1	0	0	1
Overall		**17**	**73**	**109**	**37**	**236**

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

Investment Allocation for Period Ending 05/31/2012

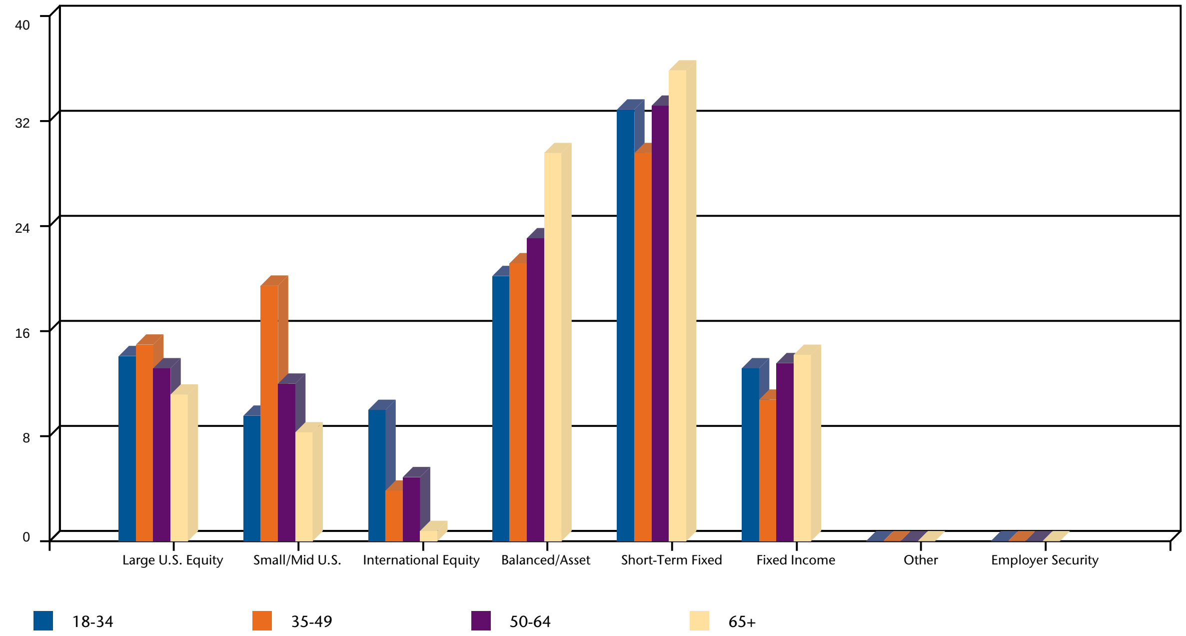


Investment Allocation & Industry Comparison for Period Ending 12/31/2011[1]



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

Participant Investments by Age (05/31/2012)



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	14.1%	9.6%	10.0%	20.2%	32.9%	13.2%	0.0%	0.0%
35-49	15.0%	19.5%	3.9%	21.2%	29.6%	10.8%	0.0%	0.0%
50-64	13.2%	12.0%	4.9%	23.1%	33.2%	13.6%	0.0%	0.0%
65+	11.2%	8.3%	0.8%	29.6%	35.9%	14.2%	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

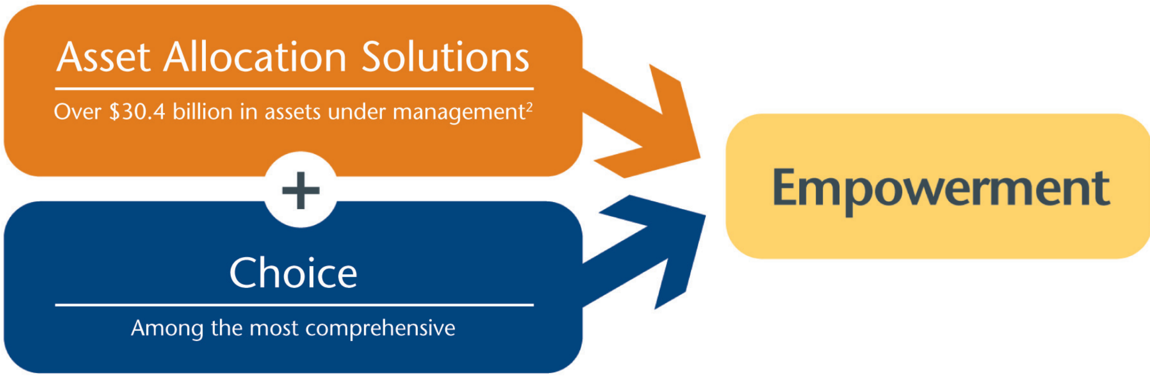
of the portfolio managers for our Separate Accounts. We will indemnify the plan fiduciary as set out in our written agreement.

[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.

Asset Allocation Flexibility – More Choice Empowers You

As one of the retirement plan industry leaders[1] The Principal offers a wide range of asset allocation choices and tools that are among the most comprehensive in the industry. In addition to the broad selection of choices on our investment platform, this breadth of choice can empower, or enable, you to build an investment program that meets the diverse needs of your retirement plan and participants.



While this asset allocation flexibility and choice does not remove your fiduciary responsibility to select investment options best suited for your participants, these choices can help you strengthen your retirement program by providing your participants resources they may need to help meet their retirement goals.

This flexibility may also help participants prepare for retirement. It provides alternatives for those participants who prefer to do it themselves as well as for participants who want to receive assistance with their investment and asset allocation decisions.

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

[2]As of 12/31/2011

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

Multi-Manager Target-Date Choice

Principal LifeTime portfolios (the portfolios) are a target-date asset allocation choice that can help round out your investment program by offering participants a diversified, "do-it-for-me" investment option. The portfolios take into consideration the participant's retirement date and strive to meet their investment goals. The portfolios can help you manage your fiduciary responsibility as well as help make asset allocation decisions easier for participants through the convenience of choosing a single, well-diversified portfolio for your defined contribution plan.[1]

Principal Funds is the largest mutual fund provider of active, multi-managed target-date funds in the United States.[2]

The portfolios:

- Principal LifeTime portfolios have one of the longest track records for target-date investment options in the industry, in existence since 2001.[4]
- Over 66 percent of all retirement plan sponsors that do business with The Principal offer Principal LifeTime portfolios, comprising nearly one million retirement plan participants who have access to the portfolios.[5]
- Are constructed using our institutional approach – with broad diversification across multiple managers, asset classes and investment styles.
- Offer 11 portfolios in five-year increments that become more conservative toward a target or retirement date.
- Principal LifeTime portfolios invest in more actively managed investment options because of the higher potential for increased performance.
- Satisfy the Qualified Default Investment Alternative (QDIA) regulatory requirements in the opinion of Principal Life Insurance Company.[1]
- Employ a disciplined rebalancing strategy.[3]

[1] The regulations do not relieve the fiduciary of their responsibility to prudently select and monitor the retirement plan's QDIA. The ultimate decision as to whether a Principal LifeTime portfolio is an appropriate investment option for a plan and whether a Principal LifeTime portfolio can serve as a QDIA belongs to the appropriate retirement plan fiduciaries.

[2] Based on the data from most recent Financial Research Corporation Lifecycle Fund Analytic Report, 3rd Quarter 2011. "Active multi-managed target-date funds" describes the underlying assets.

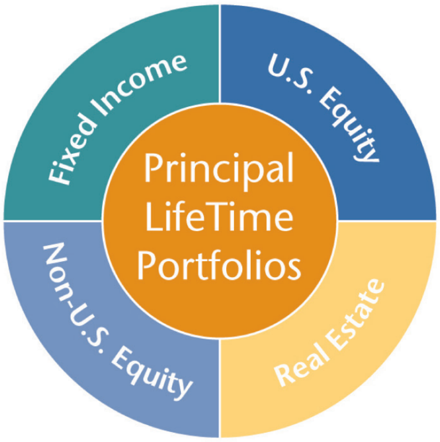
[3] No investment strategy, such as diversification or asset allocation, can guarantee a profit or protect against loss in periods of declining value.

[4] Morningstar. 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 does not guarantee a profit or protect against a loss. Additionally there is no guarantee this investment option will provide adequate income at or through retirement. Investing in real estate, small-cap, international, and high yield investment options involves additional risks. Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

[5] As of 12/31/2011

Our investment managers build the portfolios with what they believe to be an optimal asset class mix for each portfolio's respective target date, the approximate date when the participant will start withdrawing money, a combination of asset classes including equity, fixed income and real estate.

Multiple Asset Classes and Styles



Multiple Sub-Advisors for Underlying Asset Classes[1]

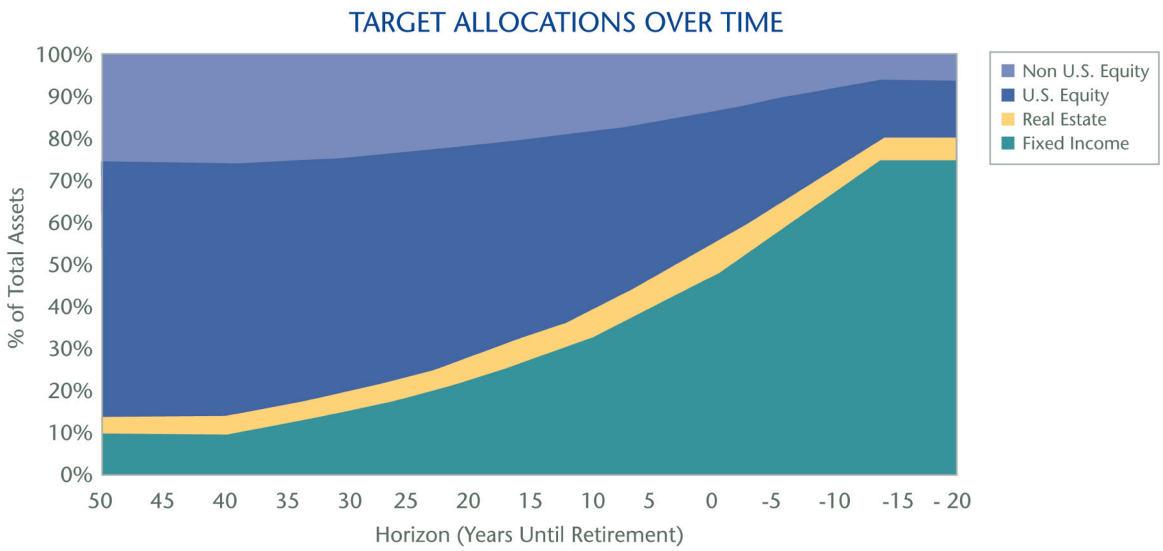
AllianceBernstein
AQR
Barrow Hanley
Blackrock Financial Management, Inc.
Brown Advisory
Causeway Capital Management
Cliffwater
Columbus Circle Investors
Credit Suisse
Dimensional Funds Advisors
Edge Asset Management
Fidelity Investments
Goldman Sachs Asset Management
Guggenheim Investment Management
Jacobs Levy
Jennison Associates
JPMorgan Asset Management
LA Capital Management
Loomis Sayles
Mellon Capital Management
Neuberger Berman
PIMCO
Principal Global Investors
Principal Real Estate Investors
Schroders
Spectrum
T.Rowe Price Associates, Inc.
Thompson, Seigel & Walmsley
Tortoise Capital Advisors, LLC
Turner Investment Partners
Vaughan Nelson
Wellington Management
WH Reaves

[1] The regulations do not relieve the fiduciary of their responsibility to prudently select and monitor the retirement plan's QDIA. The ultimate decision as to whether a Principal LifeTime portfolio is an appropriate investment option for a plan and whether a Principal LifeTime portfolio can serve as a QDIA belongs to the appropriate retirement plan fiduciaries.

Step 1: Asset Class Selection The portfolios are constructed by first selecting asset classes and corresponding benchmarks. Every asset class used in the portfolios must meet certain eligibility requirements and have a clearly defined role in our asset allocation strategy, such as capital appreciation, diversification, inflation hedge, and liquidity. Each portfolio is built from four primary asset classes, including U.S. Equities, Non-U.S. Equity, Fixed Income, and Real Estate.

Step 2: Glide Path Structure Next, we structure each portfolio's equity glide path. The equity glide path reflects the optimal asset allocation mix we believe, that balances various financial risks throughout the portfolio's time horizon. These key risks are defined as savings shortfall risk, market risk, inflation risk and longevity risk. Each risk is managed differently depending on the time horizon. Allocations are carefully managed, and glide paths are meticulously structured to become more conservative over time while still striving to deliver sufficient returns to provide investors with income into retirement. In the early years, a more aggressive investment approach might be appropriate because you have time to ride out the possible market highs and lows is possible — but as an investor nears retirement, his or her risk tolerance shifts to a more conservative approach as the time horizon diminishes. The portfolio continues to be managed approximately 15 years beyond the original target date, to help participants better manage their retirement income. It is expected that within 10 to 15 years after its target year, the allocation will match that of the Principal LifeTime Strategic Income Fund. Once in retirement the portfolios assume the value of the participant's account will be withdrawn gradually over time. Neither the principal nor the underlying assets of the Principal LifeTime portfolios are guaranteed at any time, including the target date, and investment risk remains at all times.

The chart below depicts the asset class targets based on the overall glide path for the Principal LifeTime portfolios. Each risk is managed differently depending on the time horizon. The resulting framework encompasses a total investment time horizon of roughly 80 years, including up to a 50-year working career and more than 25 years in retirement.



For example, assume the participant has elected to direct contributions to the 2030 portfolio and has 20 years until retirement. Today, the asset allocation would consist of approximately 51% to U.S. Equities, 22% to Non U.S. Equities, 22% to Fixed Income and 5% to Real Estate. Over time, the 2030, portfolio will continue to become more conservative and once the target date is reached, the asset mix would shift to 33% to U.S. Equities, 14% to Non U.S. Equities, 46% Fixed Income and 7% Real Estate. Approximately 15 years after the normal target date, the portfolio would be allocated 14% to U.S. Equities, 6% to Non U.S. Equities, 75% Fixed Income and 5% Real Estate.

No investment strategy, such as diversification or asset allocation, can guarantee a profit or protect against loss.

Step 3: Portfolio Construction We select and monitor each portfolio's underlying investment options and managers using the due diligence process. The portfolios use a combination of affiliated and non-affiliated managers. As a result, they are classified within the industry as "multiple manager" target date portfolios.

Step 4: Disciplined Rebalancing We rebalance the portfolios to maintain strict target weights for each major asset class and manager. Our primary focus is controlling and managing systematic risks because the investment team views asset allocation as a risk management service. Our investment professionals use a disciplined rebalancing strategy as needed when market conditions cause portfolios to drift from their predefined target allocations.

Actively Managed, Target-Risk Choice

The Principal Strategic Asset Management (SAM) Portfolios are a target-risk asset allocation choice that can help round out your investment program by offering participants a diversified investment option. The SAM Portfolios take into consideration the participant's risk tolerance and strive to meet their investment goals. SAM portfolios can also help you support your fiduciary responsibilities related to asset allocation and manager selection.

One of the **Top 10 largest** target-risk service providers in the industry[1]

The SAM Portfolios:

- Combine a simple mutual fund structure with sophisticated management techniques. Combining managers with complementary investment styles and different asset classes helps reduce overall volatility.
- Include a series of five actively managed, asset allocation portfolios specifically designed to help your plan participants achieve their long-term investment goals.
- Are constructed and managed through a disciplined, dynamic three-step process
- Satisfy the Qualified Default Alternative (QDIA) regulatory requirements in the opinion of Principal Life Insurance Company.[2]
- Offer strategically diversified portfolios, which are carefully selected by Edge Asset Management, Inc.
- Incorporate a combination of different Principal Funds into one portfolio that offers varying levels of risk and return in addition to an efficient, unique approach to retirement investing.

[1] Based on data from Financial Research Corporation, Lifecycle Fund Analytic Report, Third Quarter 2011.

[2] The regulations do not relieve the fiduciary of their responsibility to prudently select and monitor the retirement plan's QDIA. The ultimate decision as to whether a SAM Portfolio is an appropriate investment option for a plan and whether a SAM Portfolio can serve as a QDIA belongs to the appropriate retirement plan fiduciaries.

Risk Tolerance and Age-Based Choice

RetireView®, an asset allocation education alternative for your participants, further broadens the wide spectrum of asset allocation choices and resources provided by The Principal.

Plan Sponsor Benefits
More control for you to select investment options for models
Outside expertise, through Ibbotson Associates, determines asset allocation models
Helps maximize retirement plan goals

Participant Benefits
Easier asset allocation decision-making opportunity
More flexibility in controlling allocation of assets
Consideration of both risk tolerance and years to retirement

RetireView® offers a set of 20 asset allocation models created by Ibbotson Associates. Each RetireView asset allocation model contains nine investment categories that plan sponsors fill out — or "populate" — using investment options from the plan.

A unique aspect to this alternative is that it takes into account both risk tolerance and years to retirement for the participant rather than simply one or the other. Participants can take the Investor Profile Quiz to help determine their investor type.[1] Based on this information, the participant can use their risk tolerance and years to retirement to choose the populated RetireView asset allocation model that best matches their investment needs.

The RetireView asset allocation models can age with the participant as he or she moves toward retirement, and the participant's account can automatically rebalance on a quarterly basis to help keep the investment mix in proportion to the elected RetireView asset allocation model.

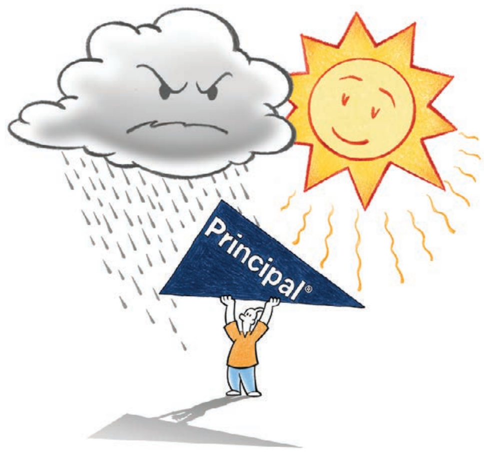
Following an asset allocation model does not assure a profit or guarantee that a participant will not incur a loss. Performance of the individual models may fluctuate and will be influenced by many factors. In applying particular asset allocation models to their individual situations, participants or beneficiaries should consider their other assets, income and investments (e.g., equity in a home, IRA investments, savings accounts and interests in other qualified and nonqualified plans) in addition to their interests in the plan.

[1] © 2011 Ibbotson Associates. All rights reserved. This questionnaire is provided as education and guidance only. As a retirement plan participant, you should consult with your financial professional about your responses to this questionnaire and other relevant factors that you should consider before making an allocation decision. The questionnaire is made available through a license agreement with the Principal Financial Group®, and use by a participant in no way establishes a relationship (including advisory relationship) between the participant and Ibbotson Associates.

Ibbotson Associates is not an affiliate of any company of the Principal Financial Group

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

1Q 2012 ECONOMIC COMMENTARY • PRINCIPAL GLOBAL INVESTORS

By Bob Baur, Robin Anderson, and the Principal Global Investors Economic Committee

COVERING THE QUARTER ENDED MARCH 30, 2012 — PUBLISHED ON APRIL 6, 2012

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Summary

- Another year may bring another U.S. spring slowdown as positive data surprises may just be reflecting a very mild winter. Still, we believe the U.S. expansion is sustainable and should pick up the pace in the second half.
- The mild European Union (EU) recession continued into 2012. However, the pain in Spain is broadening. Missed deficit targets are raising bond yields and giving bond investors qualms about Spain's ability to weather the financial storm.
- Growth in China has slowed and economic data continues to be weak. But gradually easing policy and strong fundamentals should provide for a soft landing.
- Most investors had good overall returns in the first quarter, although performance turned more selective in March as economic momentum faded and the rally narrowed.
- Markets and current economic data seem balanced for the moment, but there are plenty of risks ahead and little visible impetus to propel the stock market higher in the short term. With the expansion likely to continue, any market setbacks might be a good time to rebalance into equities.
- The Federal Reserve (the Fed) is trying to decouple interest rates from economic growth. By using every microphone available to him in recent days, Chairman Bernanke is telling investors that interest rates will stay low and that bonds should not sell off before the Fed is ready.

Another Year, Another Slowdown

It's getting to be a springtime habit. Just as fourth quarter U.S. economic growth was unrevised at a reasonably healthy 3.0% in the latest official estimate, current data points to some loss of momentum and a softer first half. Economists and investors have been pleasantly surprised by the strength of U.S. economic numbers and stock market gains over the last few months; however, the surprise factor has started to fade. Figure 1 shows that the Citigroup Economic Surprise Index rolled over in February; this index measures how key economic releases compare to their median Bloomberg consensus forecasts.

Figure 1

Source: Bloomberg.
Past performance is no guarantee of future results.

Here are some of the sources of that fading energy:

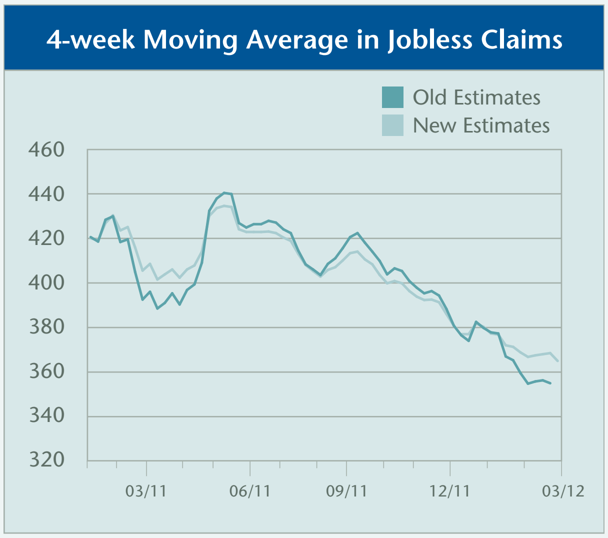
Manufacturing momentum stalled: the February Institute for Supply Management (ISM) manufacturing index unexpectedly declined to 52.4 from 54.1 in January. The Fed's Industrial Production and Capacity Utilization data also pointed to softer growth, with the manufacturing index only growing 0.3% in February versus 1.1% in January. Most of that decline came from a 1% drop in automotive product manufacturing (this is inconsistent with Ward's sales numbers, which continued to be strong). Industrial production as a whole was flat in February, after an upwardly revised 0.4% gain in January. Mining was down 1.2% and utility production was flat, after a 2.2% decline the previous month. Utility output was hit by the warmer than expected winter, a fact that may negatively affect Gross Domestic Product (GDP).

Purchasing managers surveys weaker: on an ISM equivalent basis, almost all regional Fed manufacturing surveys pointed to milder growth. Warmer weather may mean some businesses pulled production forward from the spring into winter. Warmer weather's effect on the economy was likely further exacerbated by seasonal adjustment methods. As we move into spring and summer, we expect this trend to continue.

Durable goods disappoint: the February report showed only a small pickup from the large decline in January. Headline new orders were up 2.2% from January's 3.6% decline, but still off 1.5% from December. Shipments for non-defense, ex-aircraft capital goods, inputs into GDP were up 1.4% from January but remained off 1.6% from December. February new orders for capital goods were also down from December, declining 2.5%. Comparing the first two-month average to that of the fourth quarter, new orders of capital goods were down 1.3% (5.3% annualized) and shipments were down 0.8% (3.4% annualized). As discussed in prior weeklies, the end of the 100% deduction for capital goods expenses on December 3 meant that capital goods spending would likely be a drag on growth during the first half of this year.

Jobless claims revised: the Department of Labor changed its seasonal adjustment method for weekly claims, recalculating the series back to 2007. This meant a shift up in claims, year to date, and average weekly jobless claims increased from 363,000 to 370,000. However, as Figure 2 shows (using a four-week moving average), the trend since last August still remains decidedly down, albeit at a slower pace. And in the short term, jobless claims in both the old and revised series hit a pause in March, hovering near early 2008 lows. Jobless claims suggest that the unemployment rate may be unchanged again in March.

Figure 2



Sources: Bloomberg, Department of Labor.

Unemployment temporarily flat: other March jobs data also suggest the unemployment rate may hold at 8.3%. A key statistic from the Conference Board's March Consumer Confidence surveys, the differential between respondents perceiving jobs as hard to get compared to plentiful, held at -31.6%. Both the proportion of people reporting jobs as hard to get and jobs as plentiful increased. The percentage of people indicating that jobs were plentiful increased to 9.4%, the highest since September 2008 (although still quite low). Along with mixed data from the Conference Board, the employment indices from the Fed surveys were a wash, with two up, two down, and one flat.

Households outspending their income: February consumer spending data was strong as overall household purchases rose 0.8%, ahead of consensus expectations. Inflation-adjusted spending grew 0.5%, the fastest pace in five months, and the gain in January was revised from flat to a 0.2% gain.

On the other hand, February income data was a disappointment. After inflation, disposable personal income fell 0.1% in February, pushing the savings rate to a two-year low of 3.7%. That measure of real income has fallen in three of the last four months, and it's likely that consumer spending growth may weaken in the next few months.

But, a Better Second Half

After what we hope is just a brief pause, the economy should improve as the year proceeds for several reasons. First, firms have stretched their labor productivity as far as is possible. Therefore further increases in sales, which we expect, means employers must hire more workers to satisfy that extra demand.

Second, we still believe the drag from shrinking state government budgets and layoffs will fade by mid-year as some fourth-quarter reports suggest an improved budget outlook for state and local governments. Flow of funds data indicated that state and local government debt declined by 2% in 2011, the first annual decline since 1996. And state and local tax revenue data showed the ninth straight quarter of gains, with property taxes up year over year for the second time in a row. So rather than subtract from GDP, state and local spending should add to GDP in the second half of the year.

Third, housing activity is clearly bottoming. Until the last recession, residential construction was a key impetus to lead the economy out of recession. That was not the case in this Great Recession. Now though, by almost any measure, housing is picking up. February and March housing data remained pretty good. Housing starts were down 1.1% from the three-year high in January, but single family housing permits were up 4.9%, to April 2010 levels. The March confidence number from the National Home Builders Association remained at 28, the highest since May 2007, well before the recession began. Combined January and February existing home sales marked the strongest start to a year since 2007. One definitive negative data point was new home sales, as total new home sales fell in both January and February. The bright spot is the supply of new homes, which remains at a record low of 150,000, only a 5.7 month supply.

Finally, gross domestic income (GDI), a measure that computes U.S. economic growth from income rather than output, grew at a 4.4% pace in the first quarter, showing that underlying growth may be stronger than estimated using GDP, and that GDP may be revised up. In contrast to GDP growth, last year's strong growth rate of GDI was more in line with the drop in the unemployment rate. In that same vein, wage and salary growth has been very good. And later iterations of personal income and savings data may be revised up once again. In the second half of last year, the addition of data from Quarterly Census of Employment and Wages changed the income and savings picture significantly. An additional $82.4 billion of wages and salaries was added to the third quarter. This meant that wages and salaries grew by almost $200 billion in the second half of year, and in turn, the state of household savings and income was better than initially captured in the monthly series.

The combination of a faster pace of job creation, some traction from residential construction, an end to the drag from state and local government spending, and layoffs and better income growth as jobs return should allow the economic expansion in the second half to speed up to a more healthy 3% or so. Forecasts of selected U.S. data are in the accompanying Table I.

Table I

U.S. Forecast Table	2010(A)	2011(E)	2012(E)
Real GDP	+3.0%	+1.7%	+2.2%
Domestic Final Sales	+1.8%	+2.09%	+2.2%
U.S. Auto Sales (units)	11.54M (+11.1%)	12.7M (+10.2%)	13.8M (+8.4%)
Industrial Production	+5.3%	+4.1%	+3.6%
Housing Starts	587,000 (+6.0%)	608,800 (+3.7%)	721,000 (+18.4%)
After-Tax Corporate Profits (National Income and Products Accounts Basis)	+19.0%	+5.1%	+5.0%
Federal Budget Balance (Fiscal Years)	-$1.3T (that's a T!)	-$1.3T	-$1.1T
Civilian Unemployment Rate	9.6%	8.9%	8.1%
Consumer Price Index – Overall	+1.7%	+3.2%	+2.9%
Consumer Price Index – ex Food & Energy	+1.0%	+1.7%	+2.5%
GDP Price Index	+1.2%	+2.1%	+2.0%

A – Actual E – Estimated

Sources: Bloomberg, Barclays Capital Live.

The Pain in Spain Stays Mainly… Everywhere

Last week, *On the Other Hand* noted that the mild EU recession continues; economic data is stabilizing a bit above the low of October, but doesn't seem to be worsening. Spain may be in a tougher spot. The recession associated with the U.S. financial crisis ended at the end of 2009 and until last year's fourth quarter, Spain enjoyed a modicum of economic growth, averaging about 0.7% annualized. The latest contraction began late last year with an annualized output decline of about 1%. The data suggests that the pace of GDP contraction might worsen in the second quarter. With the overall unemployment rate topping 23% and the rate for young people near 50%, Spain's economy is deteriorating. And after some initial enthusiasm as the European Central Bank (ECB) provided cheap funding for the banks, the bond market now recognizes that the situation is degenerating.

Early on, the ECB's long-term refinancing operation (LTRO) markedly brought down Spanish and Italian bond yields; but yields on Spanish bonds started to rise in the last couple of weeks. As of ten days ago, yields on Spanish 10-year bonds had risen 0.25% from the beginning of the month, to 5.33%. Much of the increase comes from ongoing deficit travails and worries about missing the budget targets in the Fiscal Compact.

Missed targets and a new budget: last Friday, Spain announced its 2012 budget. With almost €30 billion of tax increases and budget cuts, it is the largest set of austerity measures since 1978, the first year of democratic rule. The hope is that these measures will be enough to meet the new fiscal target the Prime Minister set for Spain of a 5.3% deficit-to-GDP ratio. Spain failed to meet its deficit target in 2011, off 2.5 percentage points from the 6% target. On top of last year's miss, Prime Minister Rajoy announced early this month that Spain would also not meet its target for 2012 of 4.4%.

Spain's economic situation is one of the worst in Europe. The unemployment rate is outrageously high and still rising and its property bubble only recently burst, with prices still plunging. Spain is undergoing a painful deleveraging process in both the public and private sector. On top of economic problems at home, Spain is linked to Portugal, as Spanish banks own many Portuguese bonds. The worst fear is that if Portugal defaults, contagion will spread to Spain.

Portuguese 10-year bond yields are hovering around 11%. At this rate, Portugal will not be ready or able to borrow from the private markets in 2013 as needed. Under the terms of its 2011 International Monetary Fund (IMF)/EU bailout from last year, Portugal must borrow €10 billion from the private bond market to meet bond repayments in September 2013. While September 2013 is a ways off, Portugal must show its ability to meet that funding gap this year and is not able to do so yet. The debt crisis in Europe will stay in the headlines and remain a huge risk for investors even after the unprecedented liquidity injections by the ECB. Bond market participants are insisting that debt-laden EU countries must become competitive and move toward debt sustainability even in the midst of severe recessions. The bond market has spoken.

Understanding the Landing

In China, the world's third largest economic region behind the United States and the EU, growth has slowed substantially in recent quarters and continued to weaken in the first quarter. As Chinese equities drift lower, lagging the rest of the world, fears abound that officials will ease policy too late, pushing the economy into a hard landing as it descends from its stratospheric growth rate and real estate boom of 2009 and 2010. What's the scoop?

The Chinese economy has slowed from a white-hot growth rate of more than 10% down to a merely hot rate of 8% or so. The key is that the slowdown has been purposeful and a result of tighter policy including higher interest rates and reserve requirements, as well as administrative controls designed to contain a soaring real estate sector. Loan quotas were reduced, down payments for real estate loans were raised to draconian levels, purchases of third houses were prohibited, and lending standards were tightened. The policy worked as property sales plummeted, house prices are flat or falling in all of the major cities, and the growth rate of industrial output, retail sales, electricity production, rail freight, and imports have all slowed. Purchasing manager indices (PMIs) fell to less than the break-even level of 50, and vehicle sales fell 6.5% over a year ago in a combined January and February.

Policy-caused havoc can be reduced by easing policy, and that's beginning to happen. Although still at a very high level, reserve requirement ratios have been cut twice for all banks and a third time for 379 branches of the Agricultural Bank of China, the latter to make rural loans more available. Loan quotas were increased and loan-to-deposit ratios have been raised for certain of the four largest banks. Officials have pledged to make affordable loans more available to small businesses, and the interbank discount rate on banker's acceptances has fallen dramatically.

Recent data has been mixed, but is in no way falling off a cliff. There are two purchasing manager indices for China that investors follow: the Markit PMI and the official PMI from the National Bureau of Statistics (NBS). The former fell in March to 48.1 from 49.6 and has been below 50 for at least three months. The NBS PMI improved to 53.1 in March from 51.0 in February, the fourth straight increase. Indices of freight traffic have held up fairly well and price cuts by developers appear to have begun to move housing inventory. Furthermore, wages are still rising dramatically in China, so domestic demand should continue to be very strong. At the moment, it appears the Chinese economic rocket is descending to a smooth and soft landing.

A Good Quarter for Most Investors

It's been the best start to a new year since 1998, as the price-only S&P 500 rose 12.0%. Gains were broad-based as the MSCI World ex-U.S. Index rose 10.5%. Even as an EU recession commenced and growth was slowing in China, U.S. data was surprising on the upside, the ECB initiated an enormous liquidity program of cheap loans to banks, reducing the risk of a severe credit crunch in the EU, and China began to gradually ease policy. Investors continued to move out on the risk spectrum and markets rewarded them with nice gains. Indices in Spain and Mongolia were among the few to end the quarter with losses. The Japan Nikkei 225 Index caught a glimpse of past glory, up 19.3% for the year as the yen plunged versus other major currencies, giving some hope that the many years of deflation could be ending.

For March, the broad, feel-good euphoria for most risk assets faded, the advance narrowed, and investors became more selective. Emerging markets came under the most pressure as the slowdown in China intensified and officials failed to ease policy as much as anticipated with the MSCI Emerging Market Index losing 4.3% for the month. EU problems plagued many local markets with indices falling in Spain (-6.8%), Italy (-2.3%), Greece (-2.0%), the U.K. (-1.8%), France (-0.8%), and a few others; the MSCI Europe fell 1.1% in March. In contrast, good economic data boosted the S&P 500 and Nasdaq Composite, up 3.1% and 4.2% for the month, respectively.

Manufacturing momentum faded late in the quarter, so the performance of the industrials and basic materials sectors lagged significantly in March. This raises concern about the durability of the rally as leadership has narrowed, too. Countering that fear, U.S. financials were extremely strong throughout the first quarter, especially after the Fed's stress test results were good. And technology stocks were among the leaders around the world, up 21.1% for the quarter and 5.0% for March in the U.S, leading to strong performance by the global MSCI Technology index. U.S. growth stocks trounced value, and large-cap stocks edged out small-cap stocks for both March and the first quarter.

Policy rates stayed ultra-easy in developed countries. Nevertheless, interest rates rose in March as U.S. growth seemed stronger and the prospects for more bond purchases by the Fed faded a bit. Credit market spreads were essentially flat to a little tighter for the month.

Asset Allocation Corner

The rally off the depths and depression of the October 2011 panic low has been spectacular, with the S&P 500 price index up 25.3% and the Nasdaq Composite rising 28.6%. The Thai SET Index included recovery from the devastating floods of last year and leapt 39.9%. Key indices in Ireland, the Philippines, and Germany were up over 33%. The MSCI Europe index rose 21.5% in spite of the recession that began in the fourth quarter. The MSCI Emerging Market index surged 24.2%, even with China's Shanghai Composite index down 4.1% since then. U.S. stock markets led the rally, outperforming most other broad equity indices, even those in emerging markets. U.S. growth stocks beat value, and financials and technology stocks had the best sector performance.

Stock markets scaled the tall wall of worry as the widespread fears so prevalent in October gradually dissipated. U.S. consumer spending, economic growth, and employment all picked up, dousing anxiety about an imminent recession. The ECB provided a trillion euros in low-cost loans to Euro area banks, dispelling fright of a Lehman-style credit market freeze. Politicians gradually came together on a second bailout for Greece and all of the debt-laden GIPSI countries (Greece, Ireland, Portugal, Spain, and Italy) vowed to implement reforms, slash spending, and become more competitive. Growth in China slowed, but remained robust, tempering dread of a hard landing.

Cyclically friendly, tactically cautious: markets and the economy seem to be in a fragile state of equilibrium at the moment. Valuation is about right for this economic reality. Using S&P estimates for the first quarter, twelve-month trailing S&P 500 reported earnings were $91.34, up $4.40 from the prior quarter and up 12.3% from a year ago. With the S&P closing the month at 1,408.5, the price-earnings (P/E) ratio was 15.4, below both the median (15.8) and average (16.8) P/E ratio since 1925. Therefore at present levels, the U.S. stock market is not cheap, but nor is it overvalued.

If markets and the economy are in equilibrium, what's ahead? They came to this symmetry as investors began to believe their worst fears were not going to be realized. But, the risks are still out there and loom large.

- Oil price spikes: with U.S. gasoline prices not far from recession-inducing levels already, a supply shock from Iran-related or other Middle East turmoil could presage a recession.
- EU policy failure: there are elections shortly in France and Greece, a summer referendum in Ireland, and public protests of fiscal austerity. Any of these could derail the implementation of the reforms needed to make the debt-laden countries more competitive, which could start a severe credit crunch.
- U.S. federal spending: at nearly 25% of GDP, recent federal spending is the highest percentage of output since WWII. Revenue has averaged only 18% or so of GDP for six decades. Those trillion-dollar deficits cannot be cut without higher taxes on the middle class.
- The economy meets the tax monster: there are 42 separate U.S. tax provisions that end or begin on January 1, 2013, and would raise taxes about $430 billion. It's hard to envision a political scenario that eliminates that drag.
- U.S. first quarter growth may be overstated by the effects of very mild winter weather pulling economic activity forward. If so, negative data surprises could replace the positive ones and slowdown fears return.

If markets and the economy are balanced, plenty of risks lie ahead and there is little visible impetus that would drive the market higher; thus, more volatility or a correction may be likely over the next few months. The risks are still high, so it's appropriate to stay defensive in one's equity positioning as "Asset Allocation Corner" has been suggesting for some time. Since *On the Other Hand* believes the economic expansion has at least another year or more to go, any such dip may be a good time to rebalance or reload into the stock market as well as become a little more aggressive in one's overall portfolio.

Decoupling Interest Rates from Growth

U.S. interest rates remained tightly range-bound in January and February. The lack of change was reinforced by the release of Federal Open Market Committee (FOMC) member projections for the Fed Funds rate at the January FOMC meeting, which validated the perception that the Fed would keep rates ultra-low for some time. Doubts about the Fed's resolve in keeping rates low began to appear after the payroll report for January was much more robust than expected. That was followed shortly by good jobs reports for February. This confirmed a series of economic data that implied the pace of U.S. economic growth was improving (e.g., weekly jobless claims dropping to 350,000 and regional and national PMIs moving solidly above 50).

The impact of that better data was reinforced further by a more positive statement after the Fed's March meeting. And financial markets got at least a brief respite in late February from the EU debt crisis as a settlement was reached permitting Greece to receive its long-delayed rescue package. This combination of stronger economic news and a reduction of risk prompted investors to turn to the higher returns in corporate bond markets and equities.

So Treasury yields cascaded upward. The yield on ten-year Treasury bonds jumped 0.58% from the low in late January to 2.38% on March 19. At the same time, yields on two-year Treasuries rose 0.15%, resulting in a sharp steepening in the yield curve from 1.57% to 2.00%. The latest data on Treasury yields is in the attached table:

Interest Rates	12/31/2009	12/31/2010	12/31/2011	04/11/2011 (High)*	09/22/2011 (Low)*	09/30/2011 Current
2-year	1.14%	0.60%	0.24%	0.83%	0.20%	0.34%
10-year	3.84%	3.30%	1.88%	3.59%	1.72%	2.22%
10-2 spread	2.70%	2.70%	1.64%	2.76%	1.52%	1.88%

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

Rates have retreated from that high as some of those positive factors reversed a bit. Concerns are rising that Spain will renegotiate its deficit targets and, as noted, yields on Spanish ten-year bonds have surged above those on Italian obligations. Portugal may need further help and a larger rescue package. There are also signs the Greek elections could splinter the coalition that negotiated the last rescue package. And U.S. manufacturing and income data is not as strong as it seemed earlier in the year.

Bernanke knows best: the most important force, as always, for interest rates is the Fed. And Chairman Bernanke has been in front of every microphone possible in recent days asserting that it's much too early for the Fed to declare victory and way too soon for markets to push interest rates higher. In his view, the recent stronger job growth is merely partial payback for the huge layoffs that occurred during the financial crisis. In comments to the National Association for Business Economics, Bernanke said, "Further significant improvements in the unemployment rate will require a more-rapid expansion of production and demand from consumers and businesses, a process that can be supported by continued accommodative policies."

Thus, the Fed is not about to shorten its time frame for ultra-low rates. Rather, Bernanke is telling markets explicitly that further easing is absolutely still on the table. He did not describe the steps, but the view is that an unemployment rate of 8.3% is too high and the Fed will do what it can to bring it down. Bernanke has been incredibly direct in reinforcing that dictum.

Bernanke, in his communication strategy, is trying to decouple bond yields from economic growth. The Fed wants to avoid a bond market selloff and higher interest rates that are caused by bond investors anticipating the end of Fed easing because growth is improving. The simple message is that easing is not going to end for some time, and Bernanke doesn't want higher rates to truncate the expansion.

The hallmark of Bernanke's tenure at the Fed has been enhanced communications and more transparency. His message is clear: the bias toward easy money remains and bond investors should not get ahead of the Fed and raise interest rates on their own. It will be hard to have any sustained bear market in bonds with the Fed pushing hard in the other direction. While the decoupling strategy will surely work at least in the short run, we do anticipate a modest upward move in U.S. interest rates as the year progresses and the expansion continues. Based on our outlook for better economic growth in the second half, the anticipated interest rates at year-end 2012 and 2013 are as follows:

	2012	2013
Federal Funds Target	0.0-0.25%	0.0-0.25%
2-year Treasury Rate	0.40%	0.75%
10-year Treasury Rate	2.50%	3.00%
2-10 year spread	2.10%	2.25%

Information provided by Principal Global Investors

Indices at a Glance

Index	Close (as of 3/30/2012)	Weekly Change/ % Change		YTD Change/ % Change	
Dow Jones Industrial Average	13,212.04	131.31	1.00%	994.48	8.14%
NASDAQ	3,091.57	23.65	0.77%	486.42	18.67%
S&P MidCap 400	994.30	3.37	0.34%	115.14	13.10%
S&P 500	1,408.47	11.36	0.81%	150.87	12.00%
S&P SmallCap 600	463.45	1.54	0.33%	48.38	11.66%
MSCI EAFE (Intl.)	1,553.46	-3.30	-0.21%	140.91	9.98%

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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Investment Review

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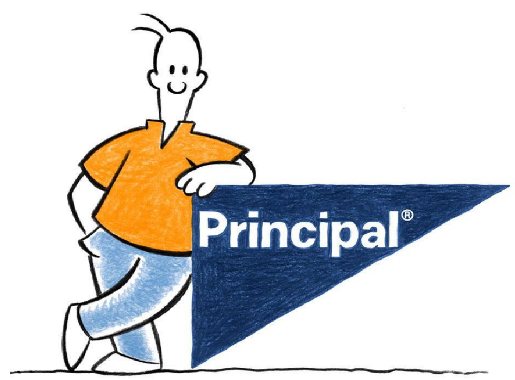


Portfolio Review

Investment Review - Allocation 06/01/2011 through 05/31/2012								
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	$0	0.00%	$5,382	0.27%	$278	0.03%	$56,593	0.32%
TS&W / Herndon LargeCap Value I Separate Account-R6 [*A, 18, 31, 38]	$45,693	0.27%	$1,716	0.09%	$9	0.00%	$0	0.00%
Large Blend								
Principal Global Investors LargeCap S&P 500 Index Separate Account-R6 [A, 2, 9, 45]	$703,736	4.11%	$83,641	4.15%	$34,102	3.56%	$720,198	4.09%
T.Rowe / Clearbridge Advisors LargeCap Blend II Separate Account-R6 [A, 3, 31, 33]	$806,222	4.70%	$64,831	3.21%	$42,243	4.41%	$784,243	4.45%
Large Growth								
Capital Research and Mgmt Co American Funds Growth Fund of America R3 Fund [39]	$756,580	4.41%	$109,760	5.44%	$30,837	3.22%	$800,174	4.54%
Small/Mid U.S. Equity								
Mid Cap Value								
Goldman Sachs/LA Capital Mgmt MidCap Value I Separate Account-R6 [A, 1, 18, 31]	$96,500	0.56%	$15,363	0.76%	$770	0.08%	$97,884	0.56%
Mid Cap Blend								
Principal Global Investors MidCap S&P 400 Index Separate Account-R6 [A, 1, 2, 11, 45]	$0	0.00%	$1,401	0.07%	$0	0.00%	$1,318	0.01%
Mid Cap Growth								
Principal Global Investors MidCap Blend Separate Account-R6 [A, 1]	$969,689	5.66%	$26,178	1.30%	$33,155	3.46%	$945,618	5.37%
Turner / Jacobs Levy MidCap Growth III Separate Account-R6 [A, 1, 17, 31]	$644,897	3.76%	$60,889	3.02%	$25,031	2.61%	$550,004	3.12%
Small Value								
Principal Global Investors SmallCap Value Separate Account-R6 [*A, 1, 40]	$65,903	0.38%	$7,676	0.38%	$129	0.01%	$0	0.00%

Portfolio Review

Investment Review - Allocation 06/01/2011 through 05/31/2012

Inv Manager or Sub-Advisor Investment Option	Beginning Balance	Breakdown %	Contributions/ Additions	Breakdown %	Withdrawals/ Deductions	Breakdown %	Ending Balance	Breakdown %
Small Blend								
Principal Global Investors SmallCap Blend Separate Account-R6 [A, 1]	$462,742	2.70%	$17,229	0.85%	$3,609	0.38%	$59,240	0.34%
Principal Global Investors SmallCap S&P 600 Index Separate Account-R6 [A, 1, 2, 10, 45]	$0	0.00%	$37,103	1.84%	$12,793	1.33%	$473,192	2.69%
Small Growth								
AllianceBern / CCI / Brown SmallCap Growth I Separate Account-R6 [A, 1, 3, 26, 31, 36]	$230,897	1.35%	$16,072	0.80%	$232	0.02%	$192,848	1.09%
International Equity								
Foreign Large Blend								
Capital Research and Mgmt Co American Funds EuroPacific Growth R3 Fund [4, 39]	$109,450	0.64%	$20,536	1.02%	$593	0.06%	$95,079	0.54%
Foreign Small/Mid Growth								
Principal Global Investors/DFA International SmallCap Separate Account-R6 [A, 1, 4, 20]	$927,855	5.41%	$79,343	3.93%	$33,207	3.46%	$669,663	3.80%
Balanced/Asset Allocation								
Retirement Income								
Multiple Sub-Advisors Principal LifeTime Strategic Income Separate Account-R6 [A, 21, 24, 34, 35, 43]	$109,644	0.64%	$28,017	1.39%	$801	0.08%	$138,262	0.78%
Target Date 2000-2010								
Multiple Sub-Advisors Principal LifeTime 2010 Separate Account-R6 [A, 21, 24, 34, 35, 43]	$896,909	5.23%	$152,841	7.58%	$82,499	8.61%	$947,500	5.38%
Target Date 2016-2020								
Multiple Sub-Advisors Principal LifeTime 2020 Separate Account-R6 [A, 21, 24, 34, 35, 43]	$1,470,496	8.58%	$285,918	14.17%	$48,118	5.02%	$1,405,965	7.98%

Portfolio Review

Investment Review - Allocation 06/01/2011 through 05/31/2012

Inv Manager or Sub-Advisor Investment Option	Beginning Balance	Breakdown %	Contributions/ Additions	Breakdown %	Withdrawals/ Deductions	Breakdown %	Ending Balance	Breakdown %
Target Date 2026-2030								
Multiple Sub-Advisors Principal LifeTime 2030 Separate Account-R6 [A, 21, 24, 34, 35, 43]	$1,147,580	6.70%	$170,310	8.44%	$45,197	4.71%	$1,385,951	7.86%
Target Date 2036-2040								
Multiple Sub-Advisors Principal LifeTime 2040 Separate Account-R6 [A, 21, 24, 34, 35, 43]	$161,445	0.94%	$60,344	2.99%	$25,125	2.62%	$182,205	1.03%
Target Date 2046-2050								
Multiple Sub-Advisors Principal LifeTime 2050 Separate Account-R6 [A, 21, 24, 34, 35, 43]	$35,110	0.20%	$23,457	1.16%	$3,684	0.38%	$54,278	0.31%
Short-Term Fixed Income								
Money Market								
Principal Global Investors Money Market Separate Account-R6 [A, 6, 44]	$5,527,443	32.25%	$488,812	24.23%	$452,532	47.20%	$5,764,664	32.71%
Fixed Income								
High Yield Bond								
Fidelity Management & Research Fidelity Advisor High Income Advantage T Fund [5, 23, 24]	$303,677	1.77%	$85,132	4.22%	$20,387	2.13%	$352,119	2.00%
Intermediate-Term Bond								
PIMCO Core Plus Bond I Separate Account-R6 [A, 18, 23, 24, 45]	$74,503	0.43%	$9,937	0.49%	$249	0.03%	$93,469	0.53%
Principal Global Investors Bond and Mortgage Separate Account-R6 [A, 23, 24, 45]	$1,355,405	7.91%	$141,941	7.03%	$62,446	6.51%	$1,577,558	8.95%
Owned Real Estate								
Principal Real Estate Inv U.S. Property Separate Account-R6 [A, 37]	$236,208	1.38%	$23,846	1.18%	$688	0.07%	$273,897	1.55%
TOTAL	$17,138,584	100%	$2,017,675	100%	$958,714	100%	$17,621,922	100%

Portfolio Review

Investment Review - Allocation 06/01/2011 through 05/31/2012								
Inv Manager or Sub-Advisor Investment Option	Beginning Balance	Breakdown %	Contributions/ Additions	Breakdown %	Withdrawals/ Deductions	Breakdown %	Ending Balance	Breakdown %

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

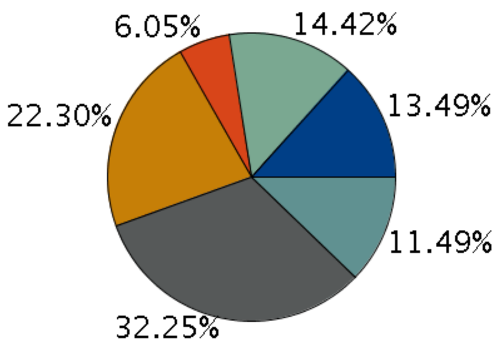
Contributions/Additions reflect contributions, negative contributions, loan payments, etc. Withdrawal/Deductions reflect distribution requests such as terminations, death, disability, and loans. Participant and Employer level investment transfers are not included in these columns.

Please see important disclosures at the end of this presentation.

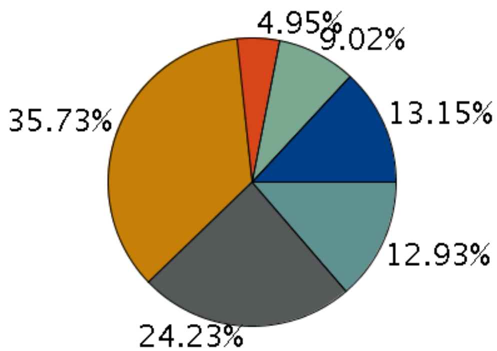
Portfolio Review

Asset Class Breakdown

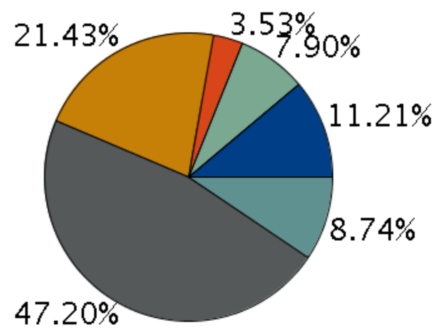
Beginning % As Of 06/01/2011



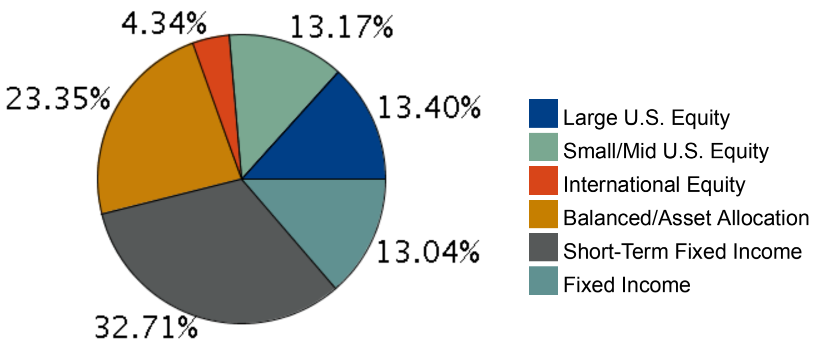
Contributions/Additions %
06/01/2011 - 05/31/2012



Withdrawals/Deductions %
06/01/2011 - 05/31/2012



Ending % As Of 05/31/2012



Style Grid

Large U.S. Equity		
Large Value	**Large Blend**	**Large Growth**
Oppenheimer Equity Income A Fund	LargeCap S&P 500 Index Separate Account-R6 [2, 9, 45] ++ LargeCap Blend II Separate Account-R6 [3, 31, 33]	American Funds Growth Fund of America R3 Fund [39]
Small/Mid U.S. Equity		
Mid Cap Value	**Mid Cap Blend**	**Mid Cap Growth**
MidCap Value I Separate Account-R6 [1, 18, 31]	MidCap S&P 400 Index Separate Account-R6 [1, 2, 11, 45] ++	MidCap Blend Separate Account-R6 [1] MidCap Growth III Separate Account-R6 [1, 17, 31]
Small Value	**Small Blend**	**Small Growth**
	SmallCap Blend Separate Account-R6 [1] SmallCap S&P 600 Index Separate Account-R6 [1, 2, 10, 45] ++	SmallCap Growth I Separate Account-R6 [1, 3, 26, 31, 36]

Style Grid

International Equity

American Funds EuroPacific Growth R3 Fund [4, 39]

International SmallCap Separate Account-R6 [1, 4, 20]

Balanced/Asset Allocation

Principal LifeTime Strategic Income Separate Account-R6 [21, 24, 34, 35, 43]

Principal LifeTime 2010 Separate Account-R6 [21, 24, 34, 35, 43]

Principal LifeTime 2020 Separate Account-R6 [21, 24, 34, 35, 43]

Principal LifeTime 2030 Separate Account-R6 [21, 24, 34, 35, 43]

Principal LifeTime 2040 Separate Account-R6 [21, 24, 34, 35, 43]

Principal LifeTime 2050 Separate Account-R6 [21, 24, 34, 35, 43]

Multiple Sub-Advisors

Short-Term Fixed Income

Money Market Separate Account-R6 [6, 44]

Fixed Income

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

Core Plus Bond I Separate Account-R6 [18, 23, 24, 45]

Bond and Mortgage Separate Account-R6 [23, 24, 45]

U.S. Property Separate Account-R6 [37]

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.

Please see important disclosures at the end of this presentation.

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.

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

	Average Annual Total Returns through 05/31/2012						Percentile Rankings as of 05/31/2012					
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	-9.64	13.00	0.49	6.07	10.93	02/13/1987	85	33	6	2	1.09 / 1.09	- -
Russell 1000 Value Index	-3.88	13.66	-3.59	4.15	-		-	-	-	-		
Morningstar Category Average - Large Value	-5.45	12.09	-3.30	3.56	Total Funds in Category		1246	1096	967	578	-	
Large Blend												
Principal Global Investors LargeCap S&P 500 Index Separate Account-R6 A, 2, 9, 45	-0.71	14.56	-1.19	3.82	7.95	01/01/1990	19	22	35	41	0.31 / 0.31	- -
Standard & Poor's 500 Index	-0.41	14.92	-0.92	4.14	-		-	-	-	-		
T.Rowe / Clearbridge Advisors LargeCap Blend II Separate Account-R6 A, 3, 31, 33	-2.42	13.06	-1.30	3.71	2.43	12/29/2000	41	48	38	44	0.90 / 0.92	02/28/2013 02/28/2013
Standard & Poor's 500 Index	-0.41	14.92	-0.92	4.14	-		-	-	-	-		
Morningstar Category Average - Large Blend	-4.39	12.75	-1.93	3.52	Total Funds in Category		1734	1537	1346	836	-	

Investment Performance

Inv Manager or Sub-Advisor / Investment Option	Average Annual Total Returns through 05/31/2012						Percentile Rankings as of 05/31/2012				Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	1 yr.	3 yr.	5 yr.	10 yr.		
Large Growth												
Capital Research and Mgmt Co American Funds Growth Fund of America R3 Fund [39]	-5.04	10.55	-1.40	4.79	4.67	05/21/2002	69	89	76	28	0.97 / 0.97	- -
Russell 1000 Growth Index	1.49	16.89	2.01	4.72	-		-	-	-	-		
Morningstar Category Average - Large Growth	-3.18	13.95	0.25	4.03	Total Funds in Category		1699	1520	1311	854	-	
Small/Mid U.S. Equity												
Mid Cap Value												
Goldman Sachs/LA Capital Mgmt MidCap Value I Separate Account-R6 [A, 1, 18, 31]	-7.54	17.08	-0.64	6.95	6.63	07/01/1999	33	26	30	26	1.14 / 1.16	02/28/2013 02/28/2013
Russell Midcap Value Index	-6.36	18.57	-1.41	7.30	-		-	-	-	-		
Morningstar Category Average - Mid Cap Value	-8.34	15.55	-1.58	5.80	Total Funds in Category		402	336	288	149	-	
Mid Cap Blend												
Principal Global Investors MidCap S&P 400 Index Separate Account-R6 [A, 1, 2, 11, 45]	-6.38	18.40	1.38	6.80	7.77	08/31/1999	20	8	10	18	0.31 / 0.31	- -
Standard and Poor's 400 MidCap Stock Index	-6.09	18.87	1.72	7.18	-		-	-	-	-		
Morningstar Category Average - Mid Cap Blend	-9.51	14.91	-1.59	5.69	Total Funds in Category		414	385	310	190	-	
Mid Cap Growth												
Principal Global Investors MidCap Blend Separate Account-R6 [A, 1]	-0.18	19.84	3.43	8.61	11.12	01/01/1991	6	12	16	5	0.81 / 0.81	- -
Russell Midcap Index	-6.34	18.48	0.04	7.40	-		-	-	-	-		
Turner / Jacobs Levy MidCap Growth III Separate Account-R6 [A, 1, 17, 31]	-10.89	17.45	0.54	6.03	3.30	10/28/1999	72	37	50	47	1.11 / 1.13	02/28/2013 02/28/2013
Russell Midcap Growth Index	-6.31	18.45	1.17	7.00	-		-	-	-	-		
Morningstar Category Average - Mid Cap Growth	-7.76	16.31	0.55	5.82	Total Funds in Category		761	679	604	431	-	

Investment Performance

	Average Annual Total Returns through 05/31/2012						Percentile Rankings as of 05/31/2012					
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												
Principal Global Investors SmallCap Blend Separate Account-R6 [A, 1]	-6.58	16.39	-2.16	5.52	10.05	01/01/1991	26	41	64	53	0.91 / 0.91	- -
Russell 2000 Index	-8.88	16.47	-0.73	5.94	-		-	-	-	-		
Principal Global Investors SmallCap S&P 600 Index Separate Account-R6 A, 1, 2, 10, 45	-4.79	18.26	0.42	6.59	7.78	08/31/1999	13	18	25	31	0.31 / 0.31	- -
Standard & Poor's 600 Stock Index	-4.40	18.71	0.67	6.90	-		-	-	-	-		
Morningstar Category Average - Small Blend	-8.95	16.09	-1.36	5.77	Total Funds in Category		659	600	521	309	-	
Small Growth												
AllianceBern / CCI / Brown SmallCap Growth I Separate Account-R6 [A, 1, 3, 26, 31, 36]	-6.43	21.98	2.76	5.78	2.20	12/29/2000	20	4	15	46	1.23 / 1.25	02/28/2013 02/28/2013
Russell 2000 Growth Index	-9.46	17.37	0.86	5.91	-		-	-	-	-		
Morningstar Category Average - Small Growth	-10.11	16.95	0.12	5.55	Total Funds in Category		752	657	570	369	-	
International Equity												
Foreign Large Blend												
Capital Research and Mgmt Co American Funds EuroPacific Growth R3 Fund [4, 39]	-18.54	4.52	-3.54	6.04	5.91	05/21/2002	31	38	12	9	1.14 / 1.14	- -
MSCI ACWI Ex USA Index	-20.49	4.56	-5.55	5.66	-		-	-	-	-		
Morningstar Category Average - Foreign Large Blend	-19.79	3.96	-6.64	3.70	Total Funds in Category		813	734	578	323	-	
Foreign Small/Mid Growth												
Principal Global Investors/DFA International SmallCap Separate Account-R6 [A, 1, 4, 20]	-18.36	10.47	-6.13	8.54	10.75	01/01/1995	66	63	77	53	1.46 / 1.46	- -
MSCI World Ex US Small Cap Index	-20.32	9.33	-5.62	7.88	-		-	-	-	-		
Morningstar Category Average - Foreign Small/Mid Growth	-15.87	11.80	-4.01	8.27	Total Funds in Category		130	96	88	52	-	

Investment Performance

Inv Manager or Sub-Advisor Investment Option	Average Annual Total Returns through 05/31/2012 1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Percentile Rankings as of 05/31/2012 1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
Balanced/Asset Allocation												
Retirement Income												
Multiple Sub-Advisors Principal LifeTime Strategic Income Separate Account-R6 [A, 21, 24, 34, 35, 43]	1.97	10.47	1.49	4.57	4.46	03/30/2001	18	14	75	27	0.78 / 0.78	- -
Principal LifeTime Strategic Income Blended Index	4.12	8.79	4.82	5.71	-		-	-	-	-		
Morningstar Category Average - Retirement Income	0.07	9.15	2.65	4.04	Total Funds in Category		272	239	90	20	-	
Target Date 2000-2010												
Multiple Sub-Advisors Principal LifeTime 2010 Separate Account-R6 [A, 21, 24, 34, 35, 43]	-1.34	12.16	0.31	4.78	4.59	03/30/2001	41	1	67	8	0.85 / 0.85	- -
Principal LifeTime 2010 Blended Index	1.32	10.81	2.22	5.03	-		-	-	-	-		
Morningstar Category Average - Target Date 2000-2010	-1.68	9.65	1.00	4.20	Total Funds in Category		159	146	120	16	-	
Target Date 2016-2020												
Multiple Sub-Advisors Principal LifeTime 2020 Separate Account-R6 [A, 21, 24, 34, 35, 43]	-3.83	12.31	-0.48	4.95	4.77	03/30/2001	64	7	63	5	0.90 / 0.90	- -
Principal LifeTime 2020 Blended Index	-2.28	10.93	0.61	4.77	-		-	-	-	-		
Morningstar Category Average - Target Date 2016-2020	-2.78	10.58	-0.28	3.98	Total Funds in Category		211	190	135	21	-	
Target Date 2026-2030												
Multiple Sub-Advisors Principal LifeTime 2030 Separate Account-R6 [A, 21, 24, 34, 35, 43]	-5.37	12.40	-1.14	4.76	4.53	03/30/2001	43	12	37	7	0.92 / 0.92	- -
Principal LifeTime 2030 Blended Index	-4.03	11.22	-0.39	4.53	-		-	-	-	-		
Morningstar Category Average - Target Date 2026-2030	-5.36	10.98	-1.64	4.10	Total Funds in Category		210	189	134	16	-	

Investment Performance

	Average Annual Total Returns through 05/31/2012						Percentile Rankings as of 05/31/2012					
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 2036-2040												
Multiple Sub-Advisors Principal LifeTime 2040 Separate Account-R6 [A, 21, 24, 34, 35, 43]	-6.71	12.17	-1.82	4.38	4.42	03/30/2001	31	15	37	7	0.94 / 0.94	- -
Principal LifeTime 2040 Blended Index	-5.68	11.26	-1.21	4.35	-		-	-	-	-		
Morningstar Category Average - Target Date 2036-2040	-6.95	11.09	-2.16	3.87	Total Funds in Category		207	186	118	16	-	
Target Date 2046-2050												
Multiple Sub-Advisors Principal LifeTime 2050 Separate Account-R6 [A, 21, 24, 34, 35, 43]	-7.60	12.06	-2.20	4.16	3.98	03/30/2001	39	16	50	20	0.95 / 0.95	- -
Principal LifeTime 2050 Blended Index	-6.88	11.23	-1.69	4.32	-		-	-	-	-		
Morningstar Category Average - Target Date 2046-2050	-7.30	11.18	-2.04	3.81	Total Funds in Category		176	143	45	6	-	
Short-Term Fixed Income												
Money Market												
Principal Global Investors Money Market Separate Account-R6 [A, 6, 44]	-0.08	-0.01	1.06	1.70	5.30	12/10/1980	-	-	-	-	0.56 / 0.56	- -
SEC 7-Day Yield as of 05/31/2012 is -0.27% ***	-	-	-	-	-		-	-	-	-		
Barclays Capital Treasury Bellwethers 3 Month Index	0.07	0.14	1.12	1.91	-		-	-	-	-		
Morningstar Category Average - Money Market	0.02	0.04	0.98	1.59	Total Funds in Category		985	921	845	627	-	
Fixed Income												
High Yield Bond												
Fidelity Management & Research Fidelity Advisor High Income Advantage T Fund [5, 23, 24]	-1.11	18.34	4.17	9.99	9.50	01/01/1987	90	3	86	2	1.02 / 1.02	- -
Merrill Lynch U.S. High Yield Master II Index	3.34	16.61	7.36	8.84	-		-	-	-	-		
Morningstar Category Average - High Yield Bond	2.05	14.72	5.10	7.33	Total Funds in Category		582	512	449	303	-	

Investment Performance

	Average Annual Total Returns through 05/31/2012						Percentile Rankings as of 05/31/2012					
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
Intermediate-Term Bond												
PIMCO Core Plus Bond I Separate Account-R6 [A, 18, 23, 24, 45]	4.68	6.57	-	-	7.52	09/30/2008	80	85	-	-	0.73 / 0.73	- -
Barclays Capital Aggregate Bond Index	7.12	7.12	6.72	5.72	-		-	-	-	-		
Principal Global Investors Bond and Mortgage Separate Account-R6 [A, 23, 24, 45]	5.97	12.04	5.94	5.47	8.30	02/01/1983	49	9	60	44	0.71 / 0.71	- -
Barclays Capital Aggregate Bond Index	7.12	7.12	6.72	5.72	-		-	-	-	-		
Morningstar Category Average - Intermediate-Term Bond	5.64	8.66	6.04	5.29	Total Funds in Category		1182	1006	868	599	-	
Owned Real Estate												
Principal Real Estate Inv U.S. Property Separate Account-R6 [A, 37]	13.34	4.31	-2.13	4.78	6.07	01/01/1982	-	-	-	-	1.15 / 1.15	- -
NFI-ODCE Equal-Weight	-	-	-	-	-		-	-	-	-		

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**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**Inception Date**
	Large U.S. Equity										
Large Value											
OppenheimerFunds, Inc. Oppenheimer Equity Income A Fund	-6.43	20.86	42.21	-35.56	2.55	13.56	9.25	16.67	28.62	-14.71	02/13/1987
Russell 1000 Value Index	0.39	15.51	19.69	-36.85	-0.17	22.25	7.05	16.49	30.03	-15.52	-
Morningstar Category Average - Large Value	-0.75	13.66	24.13	-37.09	1.42	18.15	5.95	12.97	28.44	-18.69	
Total Funds in Category	1258	1240	1272	1433	1432	1371	1296	1220	1050	961	
Large Blend											
Principal Global Investors LargeCap S&P 500 Index Separate Account-R6 [A, 2, 9, 45]	1.82	14.68	26.09	-37.10	5.18	15.46	4.58	10.49	28.18	-22.38	01/01/1990
Standard & Poor's 500 Index	2.11	15.06	26.46	-37.00	5.49	15.79	4.91	10.88	28.68	-22.10	-
T.Rowe / Clearbridge Advisors LargeCap Blend II Separate Account-R6 [A, 3, 31, 33]	-0.65	13.19	29.38	-36.59	5.60	15.75	4.62	10.25	23.93	-16.28	12/29/2000
Standard & Poor's 500 Index	2.11	15.06	26.46	-37.00	5.49	15.79	4.91	10.88	28.68	-22.10	-
Morningstar Category Average - Large Blend	-1.27	14.01	28.17	-37.79	6.16	14.17	5.88	10.02	27.05	-22.25	
Total Funds in Category	1786	2010	2027	2086	2090	1980	1743	1611	1526	1468	
Large Growth											
Capital Research and Mgmt Co American Funds Growth Fund of America R3 Fund [39]	-5.14	11.95	34.12	-39.24	10.59	10.62	13.87	11.60	32.32	-22.27	05/21/2002
Russell 1000 Growth Index	2.64	16.71	37.21	-38.44	11.81	9.07	5.26	6.30	29.75	-27.88	-
Morningstar Category Average - Large Growth	-2.46	15.53	35.68	-40.67	13.35	7.05	6.71	7.81	28.66	-27.64	
Total Funds in Category	1683	1718	1796	1809	1748	1642	1495	1400	1311	1234	

Inv Manager or Sub-Advisor Investment Option	Calendar Year Performance 2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	Inception Date
Small/Mid U.S. Equity											
Mid Cap Value											
Goldman Sachs/LA Capital Mgmt MidCap Value I Separate Account-R6 [A, 1, 18, 31]	-4.09	24.11	33.62	-35.88	2.32	15.63	12.31	24.19	28.57	-12.92	07/01/1999
Russell Midcap Value Index	-1.38	24.75	34.21	-38.44	-1.42	20.22	12.65	23.71	38.07	-9.64	-
Morningstar Category Average - Mid Cap Value	-3.96	21.92	35.41	-36.77	0.83	15.87	8.82	17.85	33.85	-13.25	
Total Funds in Category	422	420	416	442	405	375	310	320	331	311	
Mid Cap Blend											
Principal Global Investors MidCap S&P 400 Index Separate Account-R6 [A, 1, 2, 11, 45]	-2.05	26.12	36.69	-36.32	7.66	10.04	12.20	16.00	34.87	-14.93	08/31/1999
Standard and Poor's 400 MidCap Stock Index	-1.73	26.64	37.38	-36.23	7.98	10.32	12.56	16.48	35.62	-14.53	-
Morningstar Category Average - Mid Cap Blend	-3.81	22.52	37.39	-39.18	4.85	14.03	9.25	16.30	36.28	-16.55	
Total Funds in Category	424	433	451	512	494	464	459	426	421	367	
Mid Cap Growth											
Principal Global Investors MidCap Blend Separate Account-R6 [A, 1]	7.89	23.70	32.95	-34.12	9.22	13.97	9.02	17.57	32.86	-8.84	01/01/1991
Russell Midcap Index	-1.55	25.48	40.48	-41.46	5.60	15.26	12.65	20.22	40.06	-16.19	-
Turner / Jacobs Levy MidCap Growth III Separate Account-R6 [A, 1, 17, 31]	-4.57	27.27	44.81	-48.56	24.40	6.26	11.59	11.41	49.44	-32.65	10/28/1999
Russell Midcap Growth Index	-1.65	26.38	46.29	-44.32	11.43	10.66	12.10	15.48	42.71	-27.41	-
Morningstar Category Average - Mid Cap Growth	-3.96	24.61	39.11	-43.77	15.09	9.00	9.84	13.23	35.96	-27.24	
Total Funds in Category	751	759	812	934	967	994	936	903	890	786	
Small Blend											
Principal Global Investors SmallCap Blend Separate Account-R6 [A, 1]	-1.75	24.23	22.28	-36.78	1.77	14.38	9.98	17.30	42.69	-17.30	01/01/1991
Russell 2000 Index	-4.18	26.85	27.17	-33.79	-1.57	18.37	4.55	18.33	47.25	-20.48	-
Principal Global Investors SmallCap S&P 600 Index Separate Account-R6 [A, 1, 2, 10, 45]	0.56	25.83	25.36	-31.08	-0.51	14.84	7.29	22.08	38.27	-15.05	08/31/1999
Standard & Poor's 600 Stock Index	1.02	26.31	25.57	-31.07	-0.30	15.12	7.68	22.65	38.79	-14.63	-
Morningstar Category Average - Small Blend	-4.07	25.61	31.80	-36.56	-1.10	15.03	6.75	18.94	43.41	-16.22	
Total Funds in Category	650	649	649	670	645	608	563	521	446	382	

Inv Manager or Sub-Advisor Investment Option	Calendar Year Performance										
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	Inception Date
Small Growth											
AllianceBern / CCI / Brown SmallCap Growth I Separate Account-R6 [A, 1, 3, 26, 31, 36]	0.38	35.78	42.69	-45.25	13.79	10.26	5.40	14.47	47.36	-40.51	12/29/2000
Russell 2000 Growth Index	-2.91	29.09	34.47	-38.54	7.05	13.35	4.15	14.31	48.54	-30.26	-
Morningstar Category Average - Small Growth	-3.55	26.98	35.46	-41.55	7.59	10.81	6.02	12.41	45.54	-27.88	
Total Funds in Category	764	758	778	834	829	763	723	711	696	630	
International Equity											
Foreign Large Blend											
Capital Research and Mgmt Co American Funds EuroPacific Growth R3 Fund [4, 39]	-13.85	9.07	38.71	-40.71	18.58	21.43	20.73	19.23	32.37	-13.93	05/21/2002
MSCI ACWI Ex USA Index	-13.71	11.15	41.45	-45.53	16.65	26.65	16.62	20.91	40.83	-14.95	-
Morningstar Category Average - Foreign Large Blend	-13.97	10.24	31.24	-43.99	12.71	24.77	14.72	17.39	33.58	-16.69	
Total Funds in Category	817	829	823	778	743	657	608	551	504	482	
Foreign Small/Mid Growth											
Principal Global Investors/DFA International SmallCap Separate Account-R6 [A, 1, 4, 20]	-13.42	27.16	35.71	-48.52	9.53	29.87	29.20	30.47	54.76	-15.27	01/01/1995
MSCI World Ex US Small Cap Index	-15.81	24.51	50.82	-48.03	3.28	19.46	25.04	29.40	61.81	-7.42	-
Morningstar Category Average - Foreign Small/Mid Growth	-14.72	23.04	49.24	-49.02	12.03	26.79	24.86	24.38	54.17	-15.43	
Total Funds in Category	164	135	130	135	114	105	90	97	94	88	
Balanced/Asset Allocation											
Retirement Income											
Multiple Sub-Advisors Principal LifeTime Strategic Income Separate Account-R6 [A, 21, 24, 34, 35, 43]	3.39	11.01	18.34	-22.42	1.57	8.95	3.96	10.92	15.29	-1.70	03/30/2001
Principal LifeTime Strategic Income Blended Index	5.97	8.92	11.80	-6.49	7.10	6.90	3.48	6.15	10.74	2.09	-
Morningstar Category Average - Retirement Income	1.60	8.94	18.36	-18.06	4.46	7.34	3.30	6.46	13.04	-3.93	
Total Funds in Category	260	162	134	122	107	84	57	40	21	20	

	Calendar Year Performance										
Inv Manager or Sub-Advisor Investment Option	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	Inception Date
Target Date 2000-2010											
Multiple Sub-Advisors Principal LifeTime 2010 Separate Account-R6 A, 21, 24, 34, 35, 43	1.00	13.73	24.72	-30.38	3.44	11.84	5.40	11.62	18.79	-4.44	03/30/2001
Principal LifeTime 2010 Blended Index	4.50	11.32	18.41	-20.76	7.02	8.73	4.11	7.92	14.89	-2.63	-
Morningstar Category Average - Target Date 2000-2010	0.91	10.68	22.42	-22.46	5.22	8.58	3.68	6.82	13.67	-4.11	
Total Funds in Category	167	179	201	304	266	188	126	88	43	37	
Target Date 2016-2020											
Multiple Sub-Advisors Principal LifeTime 2020 Separate Account-R6 A, 21, 24, 34, 35, 43	-1.27	14.68	27.25	-33.81	5.08	14.03	7.49	12.19	21.58	-7.02	03/30/2001
Principal LifeTime 2020 Blended Index	0.63	12.40	21.91	-26.44	7.00	11.30	5.12	9.54	17.64	-5.79	-
Morningstar Category Average - Target Date 2016-2020	-0.22	12.27	24.25	-29.46	6.02	11.95	5.80	9.61	21.84	-13.42	
Total Funds in Category	205	203	212	186	134	91	62	42	24	21	
Target Date 2026-2030											
Multiple Sub-Advisors Principal LifeTime 2030 Separate Account-R6 A, 21, 24, 34, 35, 43	-2.38	15.34	28.62	-36.36	6.08	15.13	8.20	12.68	23.33	-10.05	03/30/2001
Principal LifeTime 2030 Blended Index	-0.25	13.04	24.25	-30.22	6.94	12.72	5.65	10.42	20.51	-8.83	-
Morningstar Category Average - Target Date 2026-2030	-2.26	13.47	28.87	-36.04	6.50	13.60	6.81	10.95	23.89	-14.20	
Total Funds in Category	205	200	200	169	130	87	58	36	18	15	
Target Date 2036-2040											
Multiple Sub-Advisors Principal LifeTime 2040 Separate Account-R6 A, 21, 24, 34, 35, 43	-3.54	15.66	29.26	-38.20	6.80	15.43	8.65	12.86	24.49	-12.60	03/30/2001
Principal LifeTime 2040 Blended Index	-1.22	13.48	25.98	-32.87	6.88	14.26	6.21	11.37	23.42	-11.82	-
Morningstar Category Average - Target Date 2036-2040	-3.49	14.37	30.90	-37.94	6.21	14.67	7.41	11.71	26.65	-16.99	
Total Funds in Category	202	194	193	151	111	77	53	36	18	15	
Target Date 2046-2050											
Multiple Sub-Advisors Principal LifeTime 2050 Separate Account-R6 A, 21, 24, 34, 35, 43	-4.17	15.83	29.56	-39.14	6.96	15.96	9.17	13.15	26.44	-15.73	03/30/2001
Principal LifeTime 2050 Blended Index	-2.14	13.77	27.10	-34.23	6.89	15.81	6.79	12.29	25.94	-14.83	-
Morningstar Category Average - Target Date 2046-2050	-3.82	14.53	32.02	-38.67	5.91	15.51	8.76	12.60	25.73	-16.09	
Total Funds in Category	168	150	139	86	28	16	7	6	6	6	

Inv Manager or Sub-Advisor / Investment Option	Calendar Year Performance 2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	Inception Date
Short-Term Fixed Income											
Money Market											
Principal Global Investors Money Market Separate Account-R6 [A, 6, 44]	0.00	0.03	0.19	2.42	4.86	4.55	2.72	0.87	0.76	1.45	12/10/1980
Barclays Capital Treasury Bellwethers 3 Month Index	0.11	0.15	0.23	2.24	5.11	4.87	3.07	1.30	1.14	1.78	-
Morningstar Category Average - Money Market	0.02	0.04	0.17	2.00	4.63	4.42	2.59	0.78	0.60	1.22	
Total Funds in Category	1016	986	1005	1054	1015	1001	960	965	932	868	
Fixed Income											
High Yield Bond											
Fidelity Management & Research Fidelity Advisor High Income Advantage T Fund [5, 23, 24]	-0.19	17.85	69.41	-38.93	2.20	15.58	4.60	14.81	43.52	-4.02	01/01/1987
Merrill Lynch U.S. High Yield Master II Index	4.38	15.19	57.51	-26.39	2.24	11.72	2.74	10.87	28.15	-1.89	-
Morningstar Category Average - High Yield Bond	2.83	14.24	46.70	-26.41	1.47	10.14	2.59	9.99	24.36	-1.52	
Total Funds in Category	573	574	543	559	542	549	518	493	455	425	
Intermediate-Term Bond											
PIMCO Core Plus Bond I Separate Account-R6 [A, 18, 23, 24, 45]	3.53	6.82	6.76	-	-	-	-	-	-	-	09/30/2008
Barclays Capital Aggregate Bond Index	7.84	6.54	5.93	5.24	6.97	4.33	2.43	4.34	4.10	10.26	-
Principal Global Investors Bond and Mortgage Separate Account-R6 [A, 23, 24, 45]	6.84	11.59	21.61	-13.20	3.67	4.56	2.48	4.85	5.04	9.73	02/01/1983
Barclays Capital Aggregate Bond Index	7.84	6.54	5.93	5.24	6.97	4.33	2.43	4.34	4.10	10.26	-
Morningstar Category Average - Intermediate-Term Bond	5.86	7.72	13.97	-4.70	4.70	4.15	1.80	3.91	5.10	8.04	
Total Funds in Category	1195	1164	1123	1135	1097	1092	1043	1035	952	784	
Owned Real Estate											
Principal Real Estate Inv U.S. Property Separate Account-R6 [A, 37]	15.34	15.93	-31.59	-13.23	13.42	15.14	18.61	12.52	8.26	3.77	01/01/1982
NFI-ODCE Equal-Weight	15.00	15.10	-31.30	-	-	-	-	-	-	-	-

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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**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**Inception Date**
	Large U.S. Equity										
Large Value											
OppenheimerFunds, Inc. Oppenheimer Equity Income A Fund	87	2	5	37	45	46	51	42	81	42	02/13/1987
Large Blend											
Principal Global Investors LargeCap S&P 500 Index Separate Account-R6 [A, 2, 9, 45]	20	36	59	40	55	29	64	43	33	48	01/01/1990
T.Rowe / Clearbridge Advisors LargeCap Blend II Separate Account-R6 [A, 3, 31, 33]	48	61	36	32	47	21	62	48	76	9	12/29/2000
Large Growth											
Capital Research and Mgmt Co American Funds Growth Fund of America R3 Fund [39]	75	80	51	40	66	19	9	18	21	-	05/21/2002
	Small/Mid U.S. Equity										
Mid Cap Value											
Goldman Sachs/LA Capital Mgmt MidCap Value I Separate Account-R6 [A, 1, 18, 31]	47	28	53	40	39	50	18	8	74	51	07/01/1999
Mid Cap Blend											
Principal Global Investors MidCap S&P 400 Index Separate Account-R6 [A, 1, 2, 11, 45]	34	20	37	32	31	73	22	49	46	44	08/31/1999
Mid Cap Growth											
Principal Global Investors MidCap Blend Separate Account-R6 [A, 1]	2	48	61	21	21	43	52	33	62	12	01/01/1991
Turner / Jacobs Levy MidCap Growth III Separate Account-R6 [A, 1, 17, 31]	54	34	31	81	12	69	37	65	5	78	10/28/1999
Small Blend											
Principal Global Investors SmallCap Blend Separate Account-R6 [A, 1]	29	60	86	58	26	57	21	63	49	60	01/01/1991
Principal Global Investors SmallCap S&P 600 Index Separate Account-R6 [A, 1, 2, 10, 45]	12	48	76	16	38	51	43	22	69	45	08/31/1999

	Calendar Year Percentile Ranks										
Inv Manager or Sub-Advisor **Investment Option**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**Inception Date**
Small Growth											
AllianceBern / CCI / Brown SmallCap Growth I Separate Account-R6 [A, 1, 3, 26, 31, 36]	20	6	23	79	20	51	54	38	34	91	12/29/2000
International Equity											
Foreign Large Blend											
Capital Research and Mgmt Co American Funds EuroPacific Growth R3 Fund [4, 39]	49	61	16	15	11	86	8	26	53	-	05/21/2002
Foreign Small/Mid Growth											
Principal Global Investors/DFA International SmallCap Separate Account-R6 [A, 1, 4, 20]	29	12	81	52	54	34	30	15	35	46	01/01/1995
Balanced/Asset Allocation											
Retirement Income											
Multiple Sub-Advisors Principal LifeTime Strategic Income Separate Account-R6 [A, 21, 24, 34, 35, 43]	19	12	46	69	90	19	22	3	12	12	03/30/2001
Target Date 2000-2010											
Multiple Sub-Advisors Principal LifeTime 2010 Separate Account-R6 [A, 21, 24, 34, 35, 43]	42	1	27	91	84	18	7	2	6	47	03/30/2001
Target Date 2016-2020											
Multiple Sub-Advisors Principal LifeTime 2020 Separate Account-R6 [A, 21, 24, 34, 35, 43]	66	3	34	70	67	14	4	12	37	7	03/30/2001
Target Date 2026-2030											
Multiple Sub-Advisors Principal LifeTime 2030 Separate Account-R6 [A, 21, 24, 34, 35, 43]	45	12	50	50	58	23	4	18	53	1	03/30/2001
Target Date 2036-2040											
Multiple Sub-Advisors Principal LifeTime 2040 Separate Account-R6 [A, 21, 24, 34, 35, 43]	39	22	60	53	41	36	5	30	67	1	03/30/2001

Inv Manager or Sub-Advisor / Investment Option	Calendar Year Percentile Ranks 2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	Inception Date
Target Date 2046-2050											
Multiple Sub-Advisors Principal LifeTime 2050 Separate Account-R6 [A, 21, 24, 34, 35, 43]	46	20	69	53	34	14	17	20	1	20	03/30/2001
Short-Term Fixed Income											
Money Market											
Principal Global Investors Money Market Separate Account-R6 [A, 6, 44]	-	-	-	-	-	-	-	-	-	-	12/10/1980
Fixed Income											
High Yield Bond											
Fidelity Management & Research Fidelity Advisor High Income Advantage T Fund [5, 23, 24]	89	7	3	95	39	2	7	5	1	75	01/01/1987
Intermediate-Term Bond											
PIMCO Core Plus Bond I Separate Account-R6 [A, 18, 23, 24, 45]	90	65	85	-	-	-	-	-	-	-	09/30/2008
Principal Global Investors Bond and Mortgage Separate Account-R6 [A, 23, 24, 45]	33	4	11	89	80	24	15	18	36	20	02/01/1983
Owned Real Estate											
Principal Real Estate Inv U.S. Property Separate Account-R6 [A, 37]	-	-	-	-	-	-	-	-	-	-	01/01/1982

Please see important disclosures at the end of this presentation.

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.

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

	Average Annual Total Returns through 03/31/2012						Percentile Rankings as of 03/31/2012					
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	1.40	25.26	3.72	6.49	11.40	02/13/1987	76	8	3	3	1.09 / 1.09	- -
Russell 1000 Value Index	4.79	22.82	-0.81	4.58	-		-	-	-	-		
Morningstar Category Average - Large Value	3.93	21.19	-0.24	4.09	Total Funds in Category		1244	1098	973	570	-	
Large Blend												
Principal Global Investors LargeCap S&P 500 Index Separate Account-R6 A, 2, 9, 45	8.21	23.00	1.73	3.80	8.34	01/01/1990	21	28	38	49	0.31 / 0.31	- -
Standard & Poor's 500 Index	8.54	23.42	2.01	4.12	-		-	-	-	-		
T.Rowe / Clearbridge Advisors LargeCap Blend II Separate Account-R6 A, 3, 31, 33	6.04	21.82	1.77	4.02	3.12	12/29/2000	48	51	36	37	0.90 / 0.92	02/28/2013 02/28/2013
Standard & Poor's 500 Index	8.54	23.42	2.01	4.12	-		-	-	-	-		
Morningstar Category Average - Large Blend	5.09	21.97	1.14	3.75	Total Funds in Category		1778	1578	1387	843	-	

Investment Performance

	Average Annual Total Returns through 03/31/2012						Percentile Rankings as of 03/31/2012					
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 Growth												
Capital Research and Mgmt Co American Funds Growth Fund of America R3 Fund [39]	3.21	19.35	1.59	4.85	5.54	05/21/2002	80	86	79	30	0.97 / 0.97	- -
Russell 1000 Growth Index	11.02	25.28	5.10	4.28	-		-	-	-	-		
Morningstar Category Average - Large Growth	6.93	22.90	3.53	4.04	Total Funds in Category		1661	1459	1266	816	-	
Small/Mid U.S. Equity												
Mid Cap Value												
Goldman Sachs/LA Capital Mgmt MidCap Value I Separate Account-R6 [A, 1, 18, 31]	0.54	26.25	2.18	7.47	7.29	07/01/1999	47	42	34	27	1.14 / 1.16	02/28/2013 02/28/2013
Russell Midcap Value Index	2.28	29.18	1.26	8.02	-		-	-	-	-		
Morningstar Category Average - Mid Cap Value	0.74	26.08	1.41	6.49	Total Funds in Category		422	353	309	153	-	
Mid Cap Blend												
Principal Global Investors MidCap Blend Separate Account-R6 [A, 1]	9.98	28.97	6.62	9.25	11.49	01/01/1991	2	19	2	7	0.81 / 0.81	- -
Russell Midcap Index	3.31	29.13	3.03	7.85	-		-	-	-	-		
Principal Global Investors MidCap S&P 400 Index Separate Account-R6 [A, 1, 2, 11, 45]	1.65	28.00	4.42	7.31	8.47	08/31/1999	39	31	14	25	0.31 / 0.31	- -
Standard and Poor's 400 MidCap Stock Index	1.98	28.55	4.78	7.70	-		-	-	-	-		
Morningstar Category Average - Mid Cap Blend	0.17	25.87	1.97	6.58	Total Funds in Category		422	385	314	196	-	
Mid Cap Growth												
Turner / Jacobs Levy MidCap Growth III Separate Account-R6 [A, 1, 17, 31]	-0.33	28.27	4.45	5.93	4.09	10/28/1999	70	23	45	53	1.11 / 1.13	02/28/2013 02/28/2013
Russell Midcap Growth Index	4.43	29.16	4.44	6.92	-		-	-	-	-		
Morningstar Category Average - Mid Cap Growth	2.00	25.93	3.93	5.97	Total Funds in Category		748	662	595	424	-	

Investment Performance

	Average Annual Total Returns through 03/31/2012						Percentile Rankings as of 03/31/2012					
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												
Principal Global Investors SmallCap Blend Separate Account-R6 [A, 1]	3.53	25.74	0.85	6.19	10.57	01/01/1991	18	66	70	56	0.91 / 0.91	- -
Russell 2000 Index	-0.18	26.90	2.13	6.45	-		-	-	-	-		
Principal Global Investors SmallCap S&P 600 Index Separate Account-R6 A, 1, 2, 10, 45	4.55	28.69	3.36	7.26	8.56	08/31/1999	10	31	28	33	0.31 / 0.31	- -
Standard & Poor's 600 Stock Index	5.03	29.22	3.62	7.58	-		-	-	-	-		
Morningstar Category Average - Small Blend	-0.32	27.42	1.89	6.57	Total Funds in Category		653	585	493	304	-	
Small Growth												
AllianceBern / CCI / Brown SmallCap Growth I Separate Account-R6 [A, 1, 3, 26, 31, 36]	3.74	31.99	5.96	5.49	3.01	12/29/2000	24	12	16	61	1.23 / 1.25	02/28/2013 02/28/2013
Russell 2000 Growth Index	0.68	28.36	4.15	6.00	-		-	-	-	-		
Morningstar Category Average - Small Growth	0.52	27.43	3.34	5.86	Total Funds in Category		748	664	572	367	-	
International Equity												
Foreign Large Blend												
Capital Research and Mgmt Co American Funds EuroPacific Growth R3 Fund [4, 39]	-6.52	16.71	0.00	7.27	7.24	05/21/2002	51	54	12	10	1.13 / 1.13	- -
MSCI ACWI Ex USA Index	-7.17	19.12	-1.56	7.28	-		-	-	-	-		
Morningstar Category Average - Foreign Large Blend	-6.47	17.09	-3.06	5.16	Total Funds in Category		805	726	552	316	-	
Foreign Small/Mid Growth												
Principal Global Investors/DFA International SmallCap Separate Account-R6 [A, 1, 4, 20]	-5.18	25.12	-2.37	10.29	11.66	01/01/1995	64	51	66	41	1.46 / 1.46	- -
MSCI World Ex US Small Cap Index	-7.37	25.41	-2.11	10.15	-		-	-	-	-		
Morningstar Category Average - Foreign Small/Mid Growth	-4.68	24.97	-1.25	9.97	Total Funds in Category		164	125	106	62	-	

Investment Performance

Inv Manager or Sub-Advisor Investment Option	Average Annual Total Returns through 03/31/2012 1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Percentile Rankings as of 03/31/2012 1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
Balanced/Asset Allocation												
Retirement Income												
Multiple Sub-Advisors Principal LifeTime Strategic Income Separate Account-R6 A, 21, 24, 34, 35, 43	4.98	13.99	1.92	4.69	4.62	03/30/2001	29	40	77	21	0.78 / 0.78	- -
Principal LifeTime Strategic Income Blended Index	7.31	10.95	5.29	5.66	-		-	-	-	-		
Morningstar Category Average - Retirement Income	4.13	13.73	3.41	4.12	Total Funds in Category		269	237	90	20	-	
Target Date 2000-2010												
Multiple Sub-Advisors Principal LifeTime 2010 Separate Account-R6 A, 21, 24, 34, 35, 43	3.87	18.28	1.64	5.07	4.95	03/30/2001	46	3	71	7	0.85 / 0.85	- -
Principal LifeTime 2010 Blended Index	6.57	15.63	3.60	5.12	-		-	-	-	-		
Morningstar Category Average - Target Date 2000-2010	3.44	15.09	2.40	4.28	Total Funds in Category		159	146	118	16	-	
Target Date 2016-2020												
Multiple Sub-Advisors Principal LifeTime 2020 Separate Account-R6 A, 21, 24, 34, 35, 43	3.67	20.07	1.52	5.40	5.35	03/30/2001	45	9	64	5	0.90 / 0.90	- -
Principal LifeTime 2020 Blended Index	5.08	17.59	2.64	5.01	-		-	-	-	-		
Morningstar Category Average - Target Date 2016-2020	3.66	17.43	1.63	4.13	Total Funds in Category		208	190	131	21	-	
Target Date 2026-2030												
Multiple Sub-Advisors Principal LifeTime 2030 Separate Account-R6 A, 21, 24, 34, 35, 43	3.14	21.05	1.25	5.27	5.21	03/30/2001	32	22	38	7	0.92 / 0.92	- -
Principal LifeTime 2030 Blended Index	4.59	19.07	2.04	4.85	-		-	-	-	-		
Morningstar Category Average - Target Date 2026-2030	2.72	19.50	0.88	4.39	Total Funds in Category		208	190	131	16	-	

Investment Performance

Inv Manager or Sub-Advisor / Investment Option	Average Annual Total Returns through 03/31/2012 1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Percentile Rankings as of 03/31/2012 1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
Target Date 2036-2040												
Multiple Sub-Advisors Principal LifeTime 2040 Separate Account-R6 [A, 21, 24, 34, 35, 43]	2.75	21.42	0.89	4.94	5.21	03/30/2001	32	29	38	7	0.94 / 0.94	- -
Principal LifeTime 2040 Blended Index	4.06	20.08	1.54	4.75	-		-	-	-	-		
Morningstar Category Average - Target Date 2036-2040	2.22	20.66	0.63	4.25	Total Funds in Category		205	187	115	16	-	
Target Date 2051+												
Multiple Sub-Advisors Principal LifeTime 2050 Separate Account-R6 [A, 21, 24, 34, 35, 43]	2.47	21.77	0.69	4.72	4.82	03/30/2001	31	27	42	20	0.95 / 0.95	- -
Principal LifeTime 2050 Blended Index	3.47	20.63	1.25	4.72	-		-	-	-	-		
Morningstar Category Average - Target Date 2051+	1.95	21.04	0.69	4.37	Total Funds in Category		240	160	42	6	-	
Short-Term Fixed Income												
Money Market												
Principal Global Investors Money Market Separate Account-R6 [A, 6, 44]	-0.03	0.01	1.23	1.73	5.33	12/10/1980	-	-	-	-	0.56 / 0.56	- -
SEC 7-Day Yield as of 03/31/2012 is -0.28% ***	-	-	-	-	-		-	-	-	-		
Barclays Capital Treasury Bellwethers 3 Month Index	0.07	0.15	1.30	1.94	-		-	-	-	-		
Morningstar Category Average - Money Market	0.02	0.05	1.13	1.62	Total Funds in Category		994	909	847	618	-	
Fixed Income												
High Yield Bond												
Fidelity Management & Research Fidelity Advisor High Income Advantage T Fund [5, 23, 24]	2.34	29.48	5.31	10.04	9.62	01/01/1987	90	2	76	2	1.02 / 1.02	- -
Merrill Lynch U.S. High Yield Master II Index	5.63	23.78	7.84	8.96	-		-	-	-	-		
Morningstar Category Average - High Yield Bond	4.62	20.50	5.67	7.42	Total Funds in Category		578	500	438	301	-	

Investment Performance

Inv Manager or Sub-Advisor Investment Option	Average Annual Total Returns through 03/31/2012 1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Percentile Rankings as of 03/31/2012 1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Exp. Net / Gross	Contractual Cap/Waiver Expire Date
Intermediate-Term Bond												
PIMCO Core Plus Bond I Separate Account-R6 [A, 18, 23, 24, 45]	5.10	6.72	-	-	7.30	09/30/2008	87	83	-	-	0.73 / 0.73	- -
Barclays Capital Aggregate Bond Index	7.71	6.83	6.25	5.80	-		-	-	-	-		
Principal Global Investors Bond and Mortgage Separate Account-R6 [A, 23, 24, 45]	6.93	14.00	5.51	5.58	8.29	02/01/1983	46	11	63	44	0.71 / 0.71	- -
Barclays Capital Aggregate Bond Index	7.71	6.83	6.25	5.80	-		-	-	-	-		
Morningstar Category Average - Intermediate-Term Bond	6.55	9.76	5.67	5.39	Total Funds in Category		1179	1013	869	589	-	
Owned Real Estate												
Principal Real Estate Inv U.S. Property Separate Account-R6 [A, 37]	14.75	2.18	-2.25	4.61	6.02	01/01/1982	-	-	-	-	1.15 / 1.15	- -
NFI-ODCE Equal-Weight	13.60	2.20	-1.70	5.10	-		-	-	-	-		

Please see important disclosures at the end of this presentation.

Sub-Advised Investment Option Scores as of 03/31/2012

	Qualitative			Quantitative			
	Investment Advisor(s)			Investment Option			
Inv Manager or Sub-Advisor Investment Option	Score	Grade	Cautionary Status	Score	Grade	Cautionary Status	Comments
Large U.S. Equity							
Large Blend							
Principal Global Investors LargeCap S&P 500 Index Separate Account-R6 [A, 2, 9, 45]	1.00	Favorable		2.00	Favorable		
T.Rowe / Clearbridge Advisors LargeCap Blend II Separate Account-R6 [A, 3, 31, 33]	2.01	Favorable		2.64	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, 31]	1.77	Favorable		2.30	Favorable		
Mid Cap Blend							
Principal Global Investors MidCap S&P 400 Index Separate Account-R6 [A, 1, 2, 11, 45]	1.00	Favorable		2.00	Favorable		
Mid Cap Growth							
Principal Global Investors MidCap Blend Separate Account-R6 [A, 1]	2.03	Favorable		1.35	Favorable		
Turner / Jacobs Levy MidCap Growth III Separate Account-R6 [A, 1, 17, 31]	1.97	Favorable		2.07	Favorable		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		2.92	Neutral	PR	Option placed on Probation status 03/31/11. Quantitative Grade changed to Neutral as three-year percentile ranking improved.
Principal Global Investors SmallCap S&P 600 Index Separate Account-R6 [A, 1, 2, 10, 45]	1.00	Favorable		2.00	Favorable		
Small Growth							
AllianceBern / CCI / Brown SmallCap Growth I Separate Account-R6 [A, 1, 3, 26, 31, 36]	1.91	Favorable		1.21	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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Sub-Advised Investment Option Scores as of 03/31/2012

	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 Growth							
Principal Global Investors/DFA International SmallCap Separate Account-R6 [A, 1, 4, 20]	1.92	Favorable		2.23	Favorable		Quantitative Grade changed to Favorable as three-year information ratio and three-year percentile ranking improved.
Short-Term Fixed Income							
Money Market							
Principal Global Investors Money Market Separate Account-R6 [A, 6, 44]	1.71	Favorable		1.38	Favorable		
Fixed Income							
Intermediate-Term Bond							
PIMCO Core Plus Bond I Separate Account-R6 [A, 18, 23, 24, 45]	1.79	Favorable		2.75	Neutral		Quantitative Grade changed to Neutral as three-year information ratio and three-year percentile ranking improved.
Principal Global Investors Bond and Mortgage Separate Account-R6 [A, 23, 24, 45]	1.82	Favorable		2.08	Favorable		
Owned Real Estate							
Principal Real Estate Inv U.S. Property Separate Account-R6 [A, 13, 37]	1.71	Favorable		2.60	Neutral		

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	03/31/2012 Investment Option		12/31/2011 Investment Option		09/30/2011 Investment Option		06/30/2011 Investment Option	
	Score	Grade	Score	Grade	Score	Grade	Score	Grade
Large U.S. Equity								
Large Blend								
Principal Global Investors LargeCap S&P 500 Index Separate Account-R6 [A, 2, 9, 45]	2.00	Favorable	2.00	Favorable	2.00	Favorable	2.00	Favorable
T.Rowe / Clearbridge Advisors LargeCap Blend II Separate Account-R6 [A, 3, 31, 33]	2.64	Neutral	2.57	Neutral	2.33	Favorable	1.94	Favorable
Small/Mid U.S. Equity								
Mid Cap Value								
Goldman Sachs/LA Capital Mgmt MidCap Value I Separate Account-R6 [A, 1, 18, 31]	2.30	Favorable	2.08	Favorable	1.66	Favorable	1.96	Favorable
Mid Cap Blend								
Principal Global Investors MidCap S&P 400 Index Separate Account-R6 [A, 1, 2, 11, 45]	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]	1.35	Favorable	1.24	Favorable	1.05	Favorable	1.31	Favorable
Turner / Jacobs Levy MidCap Growth III Separate Account-R6 [A, 1, 17, 31]	2.07	Favorable	2.21	Favorable	2.22	Favorable	2.68	Neutral
Small Blend								
Principal Global Investors SmallCap Blend Separate Account-R6 [A, 1]	2.92	Neutral	3.07	Less Favorable	3.41	Less Favorable	3.37	Less Favorable
Principal Global Investors SmallCap S&P 600 Index Separate Account-R6 [A, 1, 2, 10, 45]	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, 31, 36]	1.21	Favorable	1.14	Favorable	1.26	Favorable	1.46	Favorable
International Equity								
Foreign Small/Mid Growth								
Principal Global Investors/DFA International SmallCap Separate Account-R6 [A, 1, 4, 20]	2.23	Favorable	2.58	Neutral	2.79	Neutral	2.98	Neutral

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

Sub-Advised Investment Option Quantitative Scores - Last Four Quarters

Inv Manager or Sub-Advisor Investment Option	03/31/2012 Investment Option		12/31/2011 Investment Option		09/30/2011 Investment Option		06/30/2011 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, 44]	1.38	Favorable	1.45	Favorable	1.33	Favorable	1.32	Favorable
Fixed Income								
Intermediate-Term Bond								
PIMCO Core Plus Bond I Separate Account-R6 [A, 18, 23, 24, 45]	2.75	Neutral	3.07	Less Favorable	2.74	Neutral	1.75	Favorable
Principal Global Investors Bond and Mortgage Separate Account-R6 [A, 23, 24, 45]	2.08	Favorable	2.06	Favorable	2.21	Favorable	2.31	Favorable
Owned Real Estate								
Principal Real Estate Inv U.S. Property Separate Account-R6 [A, 13, 37]	2.60	Neutral	2.00	Favorable	2.00	Favorable	2.80	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

We analyze investment options both qualitatively and quantitatively.

Qualitative Analysis

We look at an investment manager's investment philosophy and process, and resources. This evaluation helps to ensure an investment manager retains the same organizational and investment characteristics that were the basis for our original selection decision. Analyzing qualitative factors is perhaps the most critical aspect of the monitoring process for our sub-advised investment options because we believe the factors we analyze can help determine the investment manager's ability to add value in the future.

Quantitative Analysis

In contrast, our quantitative analysis focuses on the elements of the investment option that can be measured objectively and compared to certain benchmarks or peer groups, such as historical performance. Quantitative assessments are necessary because they provide valuable insight into the level of historical investment performance of the investment option.

Investment Manager Scoring

Based on our qualitative analysis, we score each investment manager every quarter. Likewise, we provide a quantitative score for each investment option on a quarterly basis. Our methodology scores them on a scale of 1.0-4.0 (with 1.0 being the best). The scores, grades, and explanations are as follows:

Scores	Grades	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

Organization, Investment Philosophy and Process, and People

This part of the evaluation focuses on the investment manager's ability to add value in the future given the state of their existing organization, the soundness of their investment philosophy and process, and the depth and quality of their people. For multi-manager investment options, the Qualitative Score is based on a weighted average of scores for all managers. End of quarter market values are used to derive the appropriate advisor weights.

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

Quantitative Score

Performance[#]

The purpose of analyzing historical performance is to determine whether an investment option has delivered acceptable investment results and the manager(s) that comprise the investment option have demonstrated skill. We score an investment option's gross performance[****] based on their three- and five-year risk-adjusted excess returns relative to a passive index (i.e. information ratio), three- and five-year Morningstar percentile rankings within an appropriate peer group, and three-year consistency of performance relative to a passive index[***]. For example, if ABC Investment Option is a large growth investment option, we'll typically compare it to the Russell 1000 Growth Index for a passive index. We'll then compare it to the Morningstar Large Growth Category for a peer group comparison.

If the investment option's performance tenure is less than three years, the actual performance may be combined with the manager's performance history in managing other mutual funds or portfolios which have substantially similar mandates and were identified by our team of investment analysts in the selection and retention process.

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

Please see important information on the next page.

[***] If an 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.

[#] We generally score our sub-advised investment options based on the Institutional class shares of the Principal Funds.

[****] 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.

Cautionary Status

Cautionary Status means that 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: The Watch List and Probation. For qualitative concerns, only Watch List status is applicable.

The Watch List

Investment options may be placed on the Watch List for quantitative reasons (performance), qualitative reasons (firm or process) or both. Quantitative Watch List Status will be triggered if long-term performance is significantly below our expectations. Performance results of the investment option are used to determine Quantitative Watch List status. Qualitative Watch List status typically arises from a significant event that is a major change in the organization, the investment process, or a compliance issue. Being placed on the Watch List does not necessarily mean that the option is no longer an appropriate investment option. Instead, this status is meant to communicate our increased level of concern about a particular issue or event, which if left unresolved, could endanger the relationship. An investment manager is placed on the Watch List for a length of time that will not exceed 12 months. After 12 months the manager may be removed from the Watch List or terminated. If the investment option is on the Watch List for quantitative or performance concerns and the due diligence process determines removal from the Watch List is appropriate, the investment option may be placed on Probation until such time that the manager's performance improves.

The Watch List - What signs do we look for?

Qualitative Signals	Quantitative Signals
There are a variety of organizational or investment process-related events that may cause us to place an investment manager on our Watch List. The most common issues and events are: • A change in the investment manager's ownership structure • A loss of key investment personnel • A major shift in the investment manager's investment philosophy • Significant changes in key aspects of the investment process (i.e., style drift, risk controls) • Client losses and/or declining assets under management • Compliance and investment guideline violations	Over short time periods, an unskilled manager can outperform a skilled manager simply due to luck. Over longer time periods, though, this short-term randomness diminishes and a more accurate picture of an investment manager's skill emerges. Accordingly, we use longer time periods - three and five years - to evaluate investment performance. For active investment strategies, an investment option is placed on the Watch List if the Investment Option Grade is "Less Favorable" for two of three consecutive quarters. Note: To make sure we provide an accurate picture of a "newly" hired investment manager, they will be given an appropriate time frame (approximately two to three years) before placing the investment option on the Watch List for quantitative reasons. This will help to prevent unnecessary action immediately after hiring a new investment manager, and allow for evaluation over longer periods.

Probation - How does it work?

The cautionary status of 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 addititonal 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 contains 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.

Please see important disclosures at the end of this presentation.

Mutual Fund Network Quantitative Scores as of 03/31/2012

Inv Manager or Sub-Advisor Investment Option	Quantitative Score	Quantitative Grade
Large U.S. Equity		
Large Value		
OppenheimerFunds, Inc. Oppenheimer Equity Income A Fund	1.13	Favorable
Large Growth		
Capital Research and Mgmt Co American Funds Growth Fund of America R3 Fund [39]	3.64	Less Favorable
International Equity		
Foreign Large Blend		
Capital Research and Mgmt Co American Funds EuroPacific Growth R3 Fund [4, 39]	2.16	Favorable
Fixed Income		
High Yield Bond		
Fidelity Management & Research Fidelity Advisor High Income Advantage T Fund [5, 23, 24]	2.11	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	03/31/2012		12/31/2011		09/30/2011		06/30/2011	
	Score	Grade	Score	Grade	Score	Grade	Score	Grade
Large U.S. Equity								
Large Value								
OppenheimerFunds, Inc. Oppenheimer Equity Income A Fund	1.13	Favorable	1.12	Favorable	1.08	Favorable	1.04	Favorable
Large Growth								
Capital Research and Mgmt Co American Funds Growth Fund of America R3 Fund [39]	3.64	Less Favorable	3.60	Less Favorable	3.48	Less Favorable	3.50	Less Favorable
International Equity								
Foreign Large Blend								
Capital Research and Mgmt Co American Funds EuroPacific Growth R3 Fund [4, 39]	2.16	Favorable	1.88	Favorable	1.70	Favorable	1.32	Favorable
Fixed Income								
High Yield Bond								
Fidelity Management & Research Fidelity Advisor High Income Advantage T Fund [5, 23, 24]	2.11	Favorable	2.23	Favorable	2.54	Neutral	2.42	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 Performance Review

The Mutual Fund Performance Review is a proprietary process that provides a framework for identifying and monitoring Mutual Fund Network investment options within each asset class and investment style. It is just one of the ways we can help you monitor your retirement platform. It is a high-level analytical process to help plan sponsors manage fiduciary responsibilities. The review process is based on the quantitative analysis derived from the due diligence process of Principal Life. It is not intended to be investment advice.

The Mutual Fund Performance Review 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 Performance Review 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 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:

Scores	Grades	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. 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 Performance Review to help them monitor the funds they make available and make decisions accordingly.

Other Considerations

While the Mutual Fund Review is 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.

[****] 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 are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths.

***** 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 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.

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.

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.

Disclosures

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.

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.

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 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.

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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.

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.

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.

31. 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.

33. 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.

Disclosures

34. 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.

35. 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.

36. 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.

37. 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, you may not be able to immediately withdraw them.

39. 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.

43. 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.

44. 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.

45. Derivatives may increase volatility, cause the liquidation of portfolios positions when not advantageous to do so and produce disproportionate losses.

Benchmark Descriptions

Barclays Capital 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.

Disclosures

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

Blended Real Estate Index is composed of 75% NFI-ODCE Equal-Weight and 25% MSCI US REIT Index. The NFI-ODCE Equal-Weight is the NCREIF Fund Index- Open End Di versified 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.

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

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 Capital 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 Capital 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 Capital 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 Capital 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 Capital Aggregate Index.

Disclosures

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 Capital 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.

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 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.

Standard and 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.

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.

Scorebook - Comments - Provides additional information on sub-advised investment options that may be relevant to the sub-advisor, investment option, or both.

Scorebook - 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.

Scorebook - 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).

Scorebook - Qualitative Cautionary Status - If a Sub-Advised investment manager is on the Watch List for qualitative reasons, this will be indicated by WL.

Scorebook - 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.

Scorebook - 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.

Scorebook - 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.

Watch List - Cautionary status of a sub-advised investment option which is meant to communicate an increased level of concern about a particular issue or event.

Probation - 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).

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 else where 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.

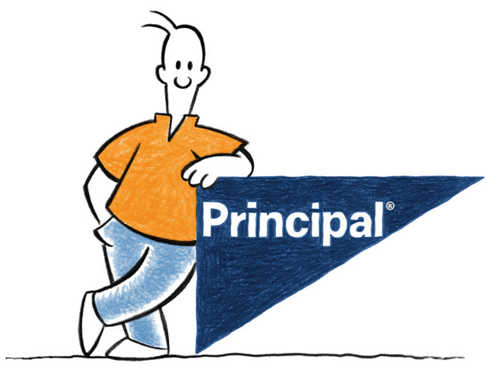
The basic formula is Net Earnings divided by Weighted Average Account Balance. Net Earnings are earnings after all expenses:

<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, and 1-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 03/31/2012

Asset Classes/Benchmarks	Year To Date	1 Year	3 Year
Large U.S. Equity	13.25	5.03	18.91
Russell 1000 Index	12.90	7.86	24.03
Small/Mid U.S. Equity	12.49	4.20	23.78
Russell 2500 Index	12.99	1.33	28.42
International Equity	13.56	-6.02	22.06
MSCI - EAFE Index NDTR D	10.86	-5.77	17.13
Balanced/Asset Allocation	9.23	3.58	16.49
60% S&P 500/40% Barclays Capital Aggregate Bond	7.56	8.58	16.91
Short-Term Fixed Income #	-0.03	-0.49	-0.80
Barclays Capital Treasury Bellwethers 3 Month Index	0.01	0.07	0.15
Fixed Income	2.56	6.00	10.00
Barclays Capital Aggregate Bond Index	0.30	7.71	6.83
	Year To Date	**1 Year**	**3 Year**
Total Plan Level Rate Of Return	6.41	2.25	9.75
60/40 Weighted Benchmark Rate of Return	7.56	8.58	16.91

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 Capital 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 Capital 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.

Contract No. 4-47341

HOSPITALITY INDUSTRY 401(K) PLAN

Investment Option Comparison

- Existing Investment Options

June 2012

Investment Bulletin

Sub-Advised Investment Options

We value your relationship with the Principal Financial Group®. As part of our commitment to helping you manage your fiduciary responsibilities, we provide Investment Bulletins to keep you informed of important news regarding events that affect our Sub-Advised Investment Options.

This information is provided as a service of our due diligence process for identifying, selecting and monitoring investment management firms for our Sub-Advised Investment Options. Continuous qualitative and quantitative investment manager review helps us identify adverse changes that may affect long-term performance.

Investment Manager(s)
Principal Global Investors
Investment Option(s) Affected
MidCap Blend Separate Account MidCap Blend Fund

What Is Changing

Morningstar notified us that effective May 31, 2012, the MidCap Blend portfolio was reclassified to the Mid-Cap Growth Morningstar category, from the Mid-Cap Blend category.

Background

There have been no recent changes to the investment process used for MidCap Blend, and none are planned. Since its 2001 inception the portfolio consistently has followed its defined process, which is based on maintaining a minimum of 80% of holdings in the size range encompassed by the Russell Midcap Index, having similar sector allocations (within 10%) to those of the Russell Midcap Index and holding a combination of growth and value stocks.

Also, there have been no recent or planned changes to the investment team supporting Principal MidCap Blend. The most recent change was an analyst addition five years ago.

The MidCap Blend portfolio management team has noted that the team's investment process often results in ownership of securities with unique characteristics. This investment process includes securities which the investment team believes tend to experience pricing inefficiencies due to misinterpretation of the companies' operations. These companies may tend to exhibit misleading traits such as high price-to-earnings ratios, which may mask what the management team believes is the true value of the companies and perhaps results in Morningstar viewing the firms as having a growth orientation.

Additionally, the Russell Midcap Index — the mid-cap core index to which MidCap Blend is benchmarked — has trended toward growth and currently displays a considerable growth bias based on analytics from Morningstar®.

Summary

MidCap Blend will continue to maintain many of its mid-cap core (blend) characteristics. The portfolio management team, which has experienced no changes in the past five years, will continue to adhere to MidCap Blend's established investment process. MidCap Blend remains in good standing following a due diligence review of the Morningstar category reclassification; no potentially negative impact to the portfolio was identified.

As always, we will continue to notify you of any other further developments.

For additional assistance, contact your local service representative or Corporate Center contact.

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.

Separate Accounts are available through a group annuity contract with 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. See the group annuity contract 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 permitted by 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 an 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.

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Principal Funds, Inc. is distributed by Principal Funds Distributor, Inc. 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®. Principal Funds Distributor, Princor and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392. Investment options may not be available in all states or U.S. commonwealths.

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.

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.

The term "investment manager" used here may refer to an investment advisor or sub-advisor of a Separate Account, or an investment advisor or sub-advisor of an underlying mutual fund.

Sub-Advised Investment Options were formerly known as "Foundation Options".

The above information should not be construed as investment advice.

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January 2012

Investment Bulletin

Sub-Advised Investment Options

We value your relationship with the Principal Financial Group®. As part of our commitment to helping you manage your fiduciary responsibilities, we provide Investment Bulletins to keep you informed of important news regarding events that affect the Sub-Advised Investment Options.

This information is provided as a service of the due diligence process for identifying, selecting and monitoring investment management firms for the Sub-Advised Investment Options. Continuous qualitative and quantitative investment manager review helps us identify adverse changes that may affect long-term performance.

Investment Manager(s)
Principal Global Investors
Investment Option(s) Affected
SmallCap Blend Separate Account SmallCap Blend Fund

What Is Changing

Effective December 31, 2011, the SmallCap Blend investment options were removed from the qualitative Watch List. (These investment options remain on probation, having been moved from the quantitative Watch List to Probation status on March 31, 2011.)

Implications

The SmallCap Blend investment options were placed on the qualitative Watch List in June 2011, when co-portfolio manager Tom Morabito left Principal Global Investors and Brian Pattinson was named to replace him as co-portfolio manager with existing co-portfolio manager Phil Nordhus. We added these investment options to the qualitative Watch List due to this personnel change. From June through December 2011, we monitored the co-portfolio managers closely; our comfort level with their ability to co-manage effectively drove the decision to remove the investment options from the qualitative Watch List.

Summary

As always, we will continue to evaluate these investment options and will notify you of any further developments.

For additional assistance, contact your local service representative or Corporate Center contact.

Investors should carefully consider 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.

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.

The term "investment manager" used here may refer to an investment advisor or sub-advisor of a Separate Account, or an investment advisor or sub-advisor of an underlying mutual fund.

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PQ 7007-1 | 01/2012 | # t12010602ea

July 2011

Investment Bulletin

Sub-Advised Investment Options

We value your relationship with the Principal Financial Group®. As part of our commitment to helping you manage your fiduciary responsibilities, we provide Investment Bulletins to keep you informed of important news regarding events that affect our Sub-Advised Investment Options.

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Investment Manager(s)
Principal Global Investors
Investment Option(s) Affected
SmallCap Blend Separate Account SmallCap Blend Fund

What Is Changing

Principal Global Investors has informed us that effective June 28th, 2011, Brian Pattinson was named co-portfolio manager of the SmallCap Blend investment options, joining existing co-portfolio manager Phil Nordhus. Concurrently, Tom Morabito (who had served as co-portfolio manager on these investment options) left Principal Global Investors to pursue other opportunities. With this personnel change, we have added the SmallCap Blend investment options to the qualitative Watch List. (These investment options also are on probation, having been moved from the quantitative Watch List to probationary status as of March 31, 2011.)

Implications

Brian Pattinson is Global Head of Small Cap for Principal Global Equities and leads the international small-cap team's research and development efforts for Principal Global Investors. In addition to taking on co-portfolio manager responsibility for the SmallCap Blend investment options, Brian also has been named co-portfolio manager of the SmallCap Value and SmallCap Growth investment options. He is portfolio manager for the Principal International Small Company Separate Account as well. Brian joined Principal Global Investors in 1994 and became a portfolio manager in 2001. He received an MBA and a bachelor's degree in finance from the University of Iowa. Brian has earned the right to use the Chartered Financial Analyst designation and is a member of the CFA Society of Iowa and the CFA Institute.

Phil Nordhus, who remains a co-portfolio manager on these investment options, also is co-portfolio manager for the SmallCap Growth and SmallCap Value investment options. In addition, Phil leads the small-cap analyst team for Principal Global Investors. He joined the firm in 1990 and was previously in corporate acquisitions and divestitures before moving to the equity group in 2000. Phil received an MBA from Drake University and a bachelor's degree in economics from Kansas State University. He has earned the right to use the Chartered Financial Analyst designation and is a member of the CFA Institute.

Summary

Please keep in mind that placement on the Watch List is meant to convey a heightened sense of concern about a particular issue or event, which the due diligence team will work with the investment manager to attempt to resolve. Placement on the Watch List is not a call to remove the investment option and does not require you take any additional action.

As always, we will continue to evaluate these investment options and will notify you of any further developments.

For additional assistance, contact your local service representative or Corporate Center contact.

Principal mutual funds ("Funds") are part of the Principal Funds, Inc. series. Separate Accounts are made available through a group annuity contract with Principal Life Insurance Company ("Principal Life"). See the Principal Funds, Inc. prospectus for the full name of each Fund, and the group annuity contract for the full name of the Separate Account. Principal Funds, Inc. is distributed by Principal Funds Distributor, Inc. 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®. Principal Funds Distributor, 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.

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.

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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.

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.

The above information should not be construed as investment advice.

PQ 7007-1 | 07/2011 | # t11071303l2

November 2011

Investment Bulletin

Sub-Advised Investment Options

We value your relationship with the Principal Financial Group®. As part of our commitment to helping you manage your fiduciary responsibilities, we provide Investment Bulletins to keep you informed of important news regarding events that affect the Sub-Advised Investment Options.

This information is provided as a service of our due diligence process for identifying, selecting and monitoring investment management firms for the Sub-Advised Investment Options. Continuous qualitative and quantitative investment manager review helps us identify adverse changes that may affect long-term performance.

Investment Manager(s)
Mellon Capital Turner Jacobs Levy
Investment Option(s) Affected
MidCap Growth III Separate Account MidCap Growth III Fund

What Is Changing

On or around November 15, 2011, Mellon (which manages about 5% of MidCap Growth III's assets) will be removed as a co-sub-advisor. In recent years the firm experienced organizational changes in its equity business (most recently the departure of Charles Hendrix, Head of Active Equity Research). In addition, Mellon delivered inconsistent performance for MidCap Growth III over the past several years. The combination of these factors drove our decision to remove Mellon.

The small percentage of assets that has been managed by Mellon will be transferred to Jacobs Levy, which will continue as a co-sub-advisor with Turner on this core-satellite investment option; the core portion will continue to be managed by Principal Management Corporation.

Implications

At this time we will not be replacing Mellon on MidCap Growth III. We will closely monitor the investment option and revisit this decision as appropriate.

Summary

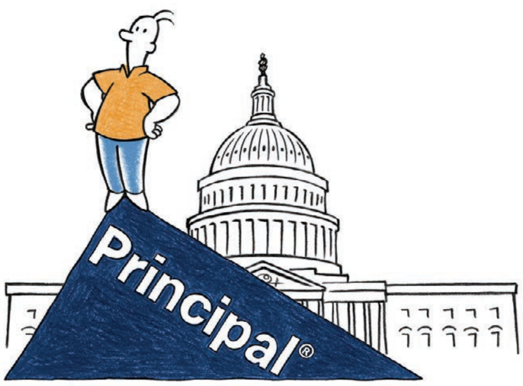
As always, we will notify you of any further changes regarding MidCap Growth III.

For additional assistance, contact your local service representative or Corporate Center contact.

PQ 7007-1 | 11/2011 | #t11110403ag

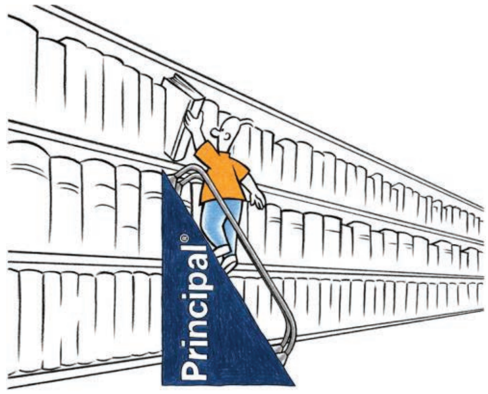
Compliance Update

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

June 1, 2012, In This Issue …

- **DOL Re-opens Comment Period for Disclosure on Target Date Funds**

  DOL and SEC are working together on disclosure requirements for Target Date and other similar investment options.

- **DOL Releases Guidance Regarding ERISA 404 Participant Disclosure Regulations**

  DOL releases FAB 2012-02 which provides guidance in a question and answer format.

DOL Re-opens Comment Period for Disclosure on Target Date Funds

The Department of Labor (DOL) is working with the Securities and Exchange Commission (SEC) to draft disclosure requirements for target date or similar investment options. In light of a new study released by the SEC, the DOL has re-opened the time period for public comments.

Background

On November 29, 2010, the DOL released proposed regulatory amendments to the qualified default investment alternative (QDIA) and the recent participant fee disclosure regulations. The proposal included specific disclosure requirements for target date or similar investment options. The comment period for the proposal ended January 11, 2011.

Recent Developments

A large number of comments that the DOL received requested that DOL work closely with the SEC to avoid the potential cost and confusion (on the part of plan sponsors and participants) that could result if the two agencies were to establish inconsistent disclosure requirements.

The SEC continues to work on disclosure requirements and engaged a consultant to research communication issues. A report of the consultant's findings is on http://www.sec.gov/comments/s7-12-10/s71210-58.pdf.

As a result of the research, the DOL reopened the comment period so that parties can review the SEC findings and comment on any new issues the DOL should consider in the final regulation. The new DOL comment period ends July 9, 2012.

Department of Labor Releases Guidance Regarding ERISA 404 Participant Disclosure Regulations

In 2010, the Department of Labor (DOL) released the final ERISA 404 participant disclosure regulation. The regulation, which generally becomes effective in the summer of 2012, will require plan fiduciaries to provide certain plan, fee and investment information to participants* at least annually. On May 7, 2012 the DOL released Field Assistance Bulletin (FAB) 2012-02, which provides further questions and answers regarding several aspects of the participant disclosure regulation. The following is a summary of some of the information contained in the FAB.

Model Portfolios

Model portfolios or asset allocation models that allocate among already specified designated investment alternatives available to participants under the plan are not required to be treated as designated investment alternatives under the regulation. However, if the model portfolios are made up of investment alternatives not separately designated under the plan, each model would have to be treated as a designated investment alternative. Similarly, if when choosing the model portfolio, the plan participant acquires an equity security, unit participation, or similar interest in an entity that itself invests in some combination of the plan's designated investment alternatives the model portfolio would be a designated investment alternative.

403(b) plans

403(b) plans subject to ERISA are covered by the regulation. There has been some concern in the industry and among 403(b) plan sponsors about the ability to obtain the information necessary to meet certain requirements of the regulation given the structure of certain 403(b) arrangements (*e.g.*, individual contracts giving contract rights to the participant). In the FAB, the DOL says that it will not take enforcement action against 403(b) plan administrators who reasonably determine it would be impracticable or impossible to obtain the information necessary to meet the investment-related information requirements of the regulation if:

- The contract or account was issued prior to January 1, 2009;
- The employer ceased to have an obligation to make contributions and did cease to make contributions for periods before January 1, 2009;
- All of the rights and benefits under the contract are legally enforceable by the individual owner of the contract without involvement of the employer; and
- The individual owner is fully vested in the contract or account.

Other Items

Other items of note include DOL clarification that:

- Plan administrators may furnish multiple comparative investment charts prepared by various service providers as long as all of the charts are furnished to participants at the same time in a single mailing or transmission and the charts are designed to facilitate comparison among the investment alternatives.

- Investment disclosures are required to be furnished to participants for investment alternatives that are closed to new money if the participant has the right to transfer out of the investment alternative.
- Amounts that are charged (netted) against participant accounts (*e.g.,* by liquidating shares in the account) may not be included in the total operating expense of the investment alternative but must be separately disclosed.
- The website landing page itself does not have to contain all of the required supplemental investment information as long as it is sufficiently specific to provide participants access to the information elsewhere on the website.

Good Faith Compliance

The DOL did not further extend the timeline for complying with the regulation. However, for enforcement purposes, the DOL will take into account whether plan administrators have acted in good faith based on a reasonable interpretation of the new regulations. If they have done so, enforcement actions would be unnecessary as long as a plan for complying with the requirements for future disclosures is established.

*Note, the term participants also refers to beneficiaries and alternate payees with rights under the retirement plan.

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Name	Title	Date Reviewed