

Applicant:  
**Princor Financial Services Corporation**

SEC File Number:  
**801-54949**

Date:  
**08/01/2007**  
MM/DD/YYYY

(for sponsors of wrap fee programs)

Name of wrap fee program or programs described in attached brochure:

**Principal Advisory Select Portfolios**

1. **Applicability of Schedule.** This schedule must be completed by applicants that are compensated under a wrap fee program for sponsoring, organizing, or administering the program, or for selecting, or providing advice to clients regarding the selection of, other investment advisers in the program ("sponsors"). A wrap fee program is any program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and execution of client transactions.
2. **Use of Schedule.** This Schedule sets forth the information the sponsor must include in the wrap fee brochure it is required to deliver or offer to deliver to clients and prospective clients of its wrap fee programs under Rule 204-3 under the federal Advisers Act and similar rules of the jurisdictions. The wrap fee brochure prepared in response to this Schedule must be filed with the Commission and the jurisdictions as part of Form ADV by completing the identifying information on this Schedule and attaching the brochure. Brochures should be prepared separately, not on copies of this Schedule. Any wrap fee brochure filed with the Commission as part of an amendment to Form ADV shall contain in the upper right hand corner of the cover page the sponsor's registration number (801-54949).
3. **General Contents of Brochure.** Unlike Parts I and II of this form, this Schedule is not organized in "check-the-box" format. These instructions, including the requests for information in Item 7 below, should not be repeated in the brochure. Rather, this Schedule describes minimum disclosures that must be made in the brochure to satisfy the sponsor's duty to disclose all material facts about the sponsor and its wrap fee programs. **Nothing in this Schedule relieves the sponsor from any obligation under any provision of the federal Advisers Act or rules thereunder, or other federal or state law to disclose information to its advisory clients or prospective advisory clients not specifically required by this Schedule.**
4. **Multiple Sponsors.** If two or more persons fall within the definition of "sponsor" in Item 1 above for a single wrap fee program, only one such sponsor need complete the Schedule. The sponsors may choose among themselves the sponsor that will complete the Schedule.
5. **Omission of Inapplicable Information.** Any information not specifically required by this Schedule that is included in the brochure should be applicable to clients and prospective clients of the sponsor's wrap fee programs. If the sponsor is required to complete this Schedule with respect to more than one wrap fee program, the sponsor may omit from the brochure furnished to clients and prospective clients of any wrap fee program or programs information required by this Schedule that is not applicable to clients or prospective clients of that wrap fee program or programs. If a sponsor of more than one wrap fee program prepares separate wrap fee brochures for clients of different programs, each brochure prepared must be filed with the Commission and the jurisdictions attached to a separate copy of this Schedule. Each such brochure must state that the sponsor sponsors other wrap fee programs and state how brochures for those programs may be obtained.
6. **Updating.** Sponsors are required to file an amendment to the brochure promptly after any information in the brochure becomes materially inaccurate. Amendments may be made by use of a "sticker," *i.e.*, a supplement affixed to the brochure that indicates what information is being added or updated and states the new or revised information, as long as the resulting brochure is readable. Stickers should be dated and should be incorporated into the text of the brochure when the brochure itself is revised.
7. **Contents of Brochure.** Include in the brochure prepared in response to this Schedule:
  - (a) on the cover page, the sponsor's name, address, telephone number, and the following legend in bold type or some other prominent fashion:  
**This brochure provides clients with information about [Princor Financial Services Corporation and the [Principal Advisory Select Portfolios that should be considered before becoming a client of the [Principal Advisory Select Portfolios . This information has not been approved or verified by any governmental authority.**
  - (b) a table of contents reflecting the subject headings in the sponsor's brochure;
  - (c) the amount of the wrap fee charged for each program or, if fees vary according to a schedule established by the sponsor, a table setting forth the fee schedule, whether such fees are negotiable, the portion of the total fee (or the range of such amounts) paid to persons providing advice to clients regarding the purchase or sale of specific securities under the program ("portfolio managers"), and the services provided under each program (including the types of portfolio management services);

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Form ADV  
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- (d) a statement that the program may cost the client more or less than purchasing such services separately and a statement of the factors that bear upon the relative cost of the program (e.g., the cost of the services if provided separately and the trading activity in the client's account);
- (e) if applicable, a statement that the person recommending the program to the client receives compensation as a result of the client's participation in the program, that the amount of this compensation may be more than what the person would receive if the client participated in other programs of the sponsor or paid separately for investment advice, brokerage, and other services, and that the person may therefore have a financial incentive to recommend the wrap fee program over other programs or services;
- (f) a description of the nature of any fees that the client may pay in addition to the wrap fee and the circumstances under which these fees may be paid (including, if applicable, mutual fund expenses and mark-ups, mark-downs or spreads paid to market makers from whom securities were obtained by the wrap fee broker);
- (g) how the program's portfolio managers are selected and reviewed, the basis upon which portfolio managers are recommended or chosen for particular clients, and the circumstances under which the sponsor will replace or recommend the replacement of the portfolio manager;
- (h)
  - (1) if applicable, a statement to the effect that portfolio manager performance information is not reviewed by the sponsor or a third party and/or that performance information is not calculated on a uniform and consistent basis,
  - (2) if performance information is reviewed to determine its accuracy, the name of the party who reviews the information and a brief description of the nature of the review,
  - (3) a reference to any standards (i.e., industry standards or standards used solely by the sponsor) under which performance information may be calculated;
- (i) a description of the information about the client that is communicated by the sponsor to the client's portfolio manager, and how often or under what circumstances the sponsor provides updated information about the client to the portfolio manager;
- (j) any restrictions on the ability of clients to contact and consult with portfolio managers;
- (k) in narrative text, the information required by Items 7 and 8 of Part II of this form and, as applicable to clients of the wrap fee program, the information required by Items 2, 5, 6, 9A, and C, 10, 11, 13 and 14 of Part II;
- (l) if any practice or relationship disclosed in response to Item 7, 8, 9A, 9C and 13 of Part II presents a conflict between the interests of the sponsor and those of its clients, explain the nature of any such conflict of interest; and
- (m) if the sponsor or its divisions or employees covered under the same investment adviser registration as the sponsor act as portfolio managers for a wrap fee program described in the brochure, a brief, general description of the investments and investment strategies utilized by those portfolio managers.

8. **Organization and Cross References.** Except for the cover page requirements in Item 7(a) above, information contained in the brochure need not follow the order of the items listed in Item 7. However, the brochure should not be organized in such a manner that important information called for by the form is obscured.

Set forth below the page(s) of the brochure on which the various disclosures required by Item 7 are provided.

Item 7(a)	Page(s) cover	Item 7(f)	Page(s) 5,6	Item 7(j)	Page(s) N/A
#7(b)	1	#7(g)	N/A	#7(k)	2,3,7,8,9
#7(c)	2,3,4,5	#7(h)	N/A	#7(l)	5,6,9
#7(d)	7	#7(i)	N/A	#7(m)	N/A
#7(e)	7				



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PRINCOR FINANCIAL SERVICES CORPORATION

AUGUST, 2007

711 High Street  
Des Moines, IA 50392-0200  
(888) 774-6267

## Principal Advisory Select Portfolios

This Brochure provides clients with information about Princor Financial Services Corporation and the Principal Advisory Select Portfolios program that should be considered before becoming a client of the Advisory Select program. You should consider carefully the information contained in this brochure before retaining Princor Financial Services Corporation to provide any of the services provided. The information in this Brochure has not been approved or verified by any governmental authority.

Schedule H to Form ADV

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## II. Introduction

Princor Financial Services Corporation (referred to herein as “Princor”) offers a range of investment advisory services to individuals, businesses and certain pension and profit sharing plans. One service that is described in this Brochure is The Principal Advisory Select Portfolios (referred to herein as “Advisory Select” or the “Advisory Select Program”). The Advisory Select Program is subject to risks associated with investing in securities and the investments in the asset allocation models will not always be profitable. Princor does not guarantee the results of any advice or recommendations, nor does it guarantee that the investment objectives of advisory clients utilizing the Advisory Select Program will be met.

## III. The Advisory Select Program and Services Provided

Advisory Select is an investment advisory program with the objective of assisting individual clients in developing and maintaining a strategic asset allocation strategy that is appropriate to their investment objective, financial situation and investment risk tolerance. The Advisory Select Program permits the client to invest in a broad array of Eligible Investments (as defined below) and is a non-discretionary investment advisory program. A client obtains the following services in connection with The Advisory Select Program:

### Investor Questionnaire and Asset Allocation Modeling

An investment adviser representative of Princor (hereafter the “Financial Advisor”) will assist a prospective client in a review of their investment objectives, investing time horizon, financial situation and investment risk tolerance. The Financial Advisor will also assist the prospective client in completing an investor questionnaire. Based on the answers provided in the investor questionnaire, the Financial Advisor will recommend one of a number of asset allocation models. The asset allocation models consist of five core equity and fixed income asset classes and suggested asset class percentage allocations for each (hereafter, the “Asset Class Mix”) that are prepared and annually updated by Ibbotson Associates, LLC, an independent investment research firm.

### Investment Services

After choosing an asset allocation model, the prospective client with the assistance of their Financial Advisor will choose the Eligible Investments (defined below) the client wishes to purchase or transfer in kind to the client’s Advisory Select account (hereafter, the “Program Account”). Unless requested otherwise by the prospective client, the Financial Advisor will recommend Eligible Investments that correspond to the Asset Class Mix of the asset allocation model chosen by the client. Advisory Select is not a discretionary advice program. Princor does not have the discretion to effect transactions in an Advisory Select account without first obtaining a client’s consent. All decisions to purchase, sell, or transfer Eligible Investments to or from the Program Account shall be made solely by the client. The Financial Advisor is available to the client at any time to provide consultation on buying, selling and reinvesting Eligible Investments in the Program Account consistent with the client’s investment objectives.

Princor and its Financial Advisors may provide different investment or asset allocation modeling recommendations to one client in the Advisory Select program from that given to another client. The Advisory Select program does not give investment advice as to assets that the client has chosen not to hold in the Program Account.

#### Annual Program Account Reviews

The Financial Advisor will meet with clients at least annually to review the Program Account performance, the Eligible Investments in the Program Account and if necessary may suggest changing the Asset Class Mix due to updated information from Ibbotson Associates, LLC ("Ibbotson") regarding the asset allocation model chosen by the client. In addition, the client's Financial Advisor will request information regarding whether there has been any change in the client's ongoing investment objectives, risk tolerance, planned investment time horizon, financial goals, and whether the client wishes to impose any reasonable restrictions on the investments contained in the Program Account.

**The Advisory Select Program is a strategic asset allocation program. Clients should consider carefully whether to rebalance the Program Account portfolio at least annually to match Ibbotson's Asset Class Mix that corresponds to the asset allocation model the client has chosen. Princor encourages clients in the Advisory Select program to rebalance; however, Princor undertakes no obligation to rebalance the Program Account. Rebalancing may cause tax consequences in a non-qualified Program Account.**

#### Quarterly Performance Reports

Princor provides clients with quarterly reports that show historical performance of a Program Account.

### **IV. Eligible Investments and Advisory Select Account Information**

"Eligible Investments" as used in this Brochure means (a) domestic equity securities consisting of registered common stock and convertible preferred stock traded on US national exchanges and American Depositary Receipts; (b) load waived shares (or shares not offered with a sales load) of certain mutual funds distributed by Princor or advised by its affiliates ("Proprietary Funds"); (c) shares of mutual funds or closed end investment companies not distributed by Princor or advised by its affiliates ("Non-Proprietary Funds"); (d) certain unit investment trusts and exchange traded funds ("ETFs"); (e) fixed-income securities consisting of U.S. Treasury and federal agency securities, investment grade corporate bonds, commercial paper, investment grade municipal bonds, registered preferred stock traded on US national exchanges, and mortgage-backed securities; and (f) cash and certain cash equivalents, including certificates of deposit and money market fund shares.

Generally, no other types of assets will be permitted in a Program Account. The following are examples of assets that will generally not be accepted: (a) securities with legal, contractual, or other restrictions on sales, including but not limited to, private placements or company stock owned by insiders; (b) illiquid securities (such as shares of unlisted Real Estate Investment Trusts and interests in limited partnerships or other direct participation programs); (c) common stock or individual bonds, debentures or other debt obligations issued by Principal Financial Group, Inc. or other affiliated companies of Princor; (d) Proprietary and Non-Proprietary mutual funds that have a back-end sales charge; (e) equity securities valued at less than \$5.00 per share regardless of inclusion in the S&P 500 or Russell 1000 indices; (f) non-dollar-denominated securities, (g) warrants or options (puts and calls); (h) derivatives, such as futures or forward contracts, or (i) securities held in margin accounts.

There are over 150 mutual fund families available to a client through Advisory Select. The mutual funds available are either no-load or may be purchased through the Advisory Select Program at net asset value and without sales charges. Currently over 40 of these mutual fund families, including the Proprietary Funds are subject to an ongoing review by Princor. Results are provided quarterly to the Financial Advisors. The information is designed to assist the Financial Advisor in recommending which Proprietary Funds and Non-Proprietary Funds are purchased or sold into the Program Account. The fact that a mutual fund family is the subject of ongoing review by Princor is not, in itself, a recommendation of the fund family or any particular fund. Princor will permit certain individual stocks, convertible securities, American Depositary Receipts and bonds to be transferred in or purchased by the client into Program Accounts but these assets are not subject to ongoing research, due diligence or review by Princor. Consequently, the Financial Advisors must use third party research, the quality of which is not guaranteed by Princor. Program Accounts containing these assets may be more volatile.

Clients should be aware that combining different securities across industry and geographical sectors (diversifying) can help reduce the overall risk of their portfolio. Clients can also diversify through the purchase of mutual funds.

To participate in the Advisory Select Portfolio, a client must establish a brokerage account with Princor. Princor's clearing firm is Pershing, LLC (hereafter, "Pershing"). Pershing provides both custodial and clearing services for the Program Account and provides clients with Program Account statements no less frequently than quarterly and with prompt confirmations of securities transactions in the Program Account. Princor does not take any action or provide any advice on the voting of proxies.

## V. Principal Advisory Select Fees and Minimums

The minimum initial investment is generally \$50,000 for an Advisory Select Portfolio Account. Additional accounts opened by a client or members of the client household must also meet the \$50,000 per account minimum. Princor reserves the right to close a Program Account if its balance falls below a certain level. Princor also reserves the right to terminate its services if it believes the rendering of its investment advisory services is no longer appropriate for a client.

The value of the Program Account determines the amount a client is charged. The fee is due and payable quarterly in advance and is based on the value of the Program Account assets as of the close of business on the last business day of the preceding quarter according to the following schedule:

Account Value	Fee*
\$0- \$250,000	2.00% - 1.00%
>\$250,00 - \$500,000	1.75% - 0.75%
>\$500,000 - \$1,000,000	1.50% - 0.50%
>\$1,000,000 - \$3,000,000	1.25% - 0.50%
>\$3,000,000 - \$6,000,000	1.00% - 0.50%
>\$6,000,001	1.00%- -0.40%

\*Minimum and maximum fee range expressed as annual percentage of account value)

In the first three month period beginning with the date in which the Program Account is opened (the "inception quarter"), the first payment will be assessed on a pro-rata basis to reflect the number of days in the inception quarter that the assets are to be in the Program Account. The amount will be based on the initial amount deposited. Each of the account value ranges ("asset level tiers") on the fee schedule are subject to a corresponding fee percentage range. The client and the Financial Advisor agree on a percentage fee for each asset level tier. That fee is applied to the asset valuations corresponding to that asset level tier. The amount charged to the client is computed by multiplying the actual account values that fall into the corresponding asset level tiers by their separate fee percentages, and if the account values fall into more than one asset level tier, by then adding the products together.

The fees for each asset level tier can, but not necessarily, be subject to reduction as the level of assets in a Program Account increase.

The Advisory Select fee (hereafter, the “Program Fee”) covers all advisory services described above, as well as custody and brokerage services. Princor pays a portion of the Program Fee received from the client to Ibbotson Associates, LLC to compensate it for ongoing asset allocation modeling and updates, to Lockwood Advisors, LLC for ongoing account administration services and to the Financial Advisor for their services rendered in connection with the Program Account. The Program Fee does not cover certain fees charged by third parties, such as (i) management fees and expenses charged by Proprietary Funds, Non-Proprietary Funds and ETFs that may be held in a Program Account; (ii) odd-lot differentials, American Depositary Receipt fees and exchange fees, transfer fees and other fees imposed by law; (iii) redemption fees imposed by certain Proprietary or Non- Proprietary Funds; and (iv) any contingent deferred sales charge assessed on the sale or liquidation of Proprietary or Non- Proprietary Fund shares, where applicable. In addition, it does not cover certain services available on request from Princor, including periodic distribution fees, electronic funds and wire transfer fees, certificate delivery fees, and reorganization fees; and any check reordering cost and fees, where applicable.

**The Program fee is negotiable within the minimum and maximum fee range expressed and as a result clients with similar assets may have differing fee schedules. Princor may discount the Program Fee below the minimum fee ranges to customers meeting certain criteria, such as having existing insurance, banking, or investment relationships with Princor or its affiliates, or having an immediate family member that is a Financial Advisor. Princor will also discount its Program fees below the minimum fee levels for competitive reasons or in other situations upon a prospective customer or client’s request.**

In the event of termination of a Program Account, unearned fees are refunded to the client by Princor on a pro rata basis; however, due to the administrative costs of establishing accounts in the Advisory Select Program, an early account closing fee of \$500.00 will be applied to accounts terminated within the first twelve months following the date the account was opened.

## **VI. Conflicts of Interest and other Expenses paid by the Client under the Advisory Select Program**

The Program Fee that is paid by the client for participation in the Advisory Select Program is in addition to the underlying management fees and expenses of the Proprietary Funds, Non-Proprietary Funds and ETFs, which often are standard expenses that all investors purchasing these assets pay on a continuing basis. These management fees and other expenses decrease potential Program Account positive returns and increase potential negative returns.

### Proprietary Funds and Conflicts of Interest

Certain conflicts of interest arise in connection with Proprietary Funds that are permitted into Advisory Select Accounts. All Proprietary Funds that are available through the Advisory Select Program pay certain expenses to affiliates of Princor for fund transfer agent and administration services. In addition, some of the Proprietary Funds available through the Program are managed by investment adviser affiliates of Princor and those Funds pay investment management fees to Princor’s affiliates. **Although Princor does not directly receive these payments, Princor has a potential conflict of interest when recommending that Proprietary Funds be purchased in or transferred to an Advisory Select Program Account.** However, Princor will not recommend nor permit Proprietary Funds to be purchased by or transferred to a Program Account opened by or on behalf of a trust described in Internal Revenue Code of 1986, as amended (“Code”) § 401(a) which forms part of a plan, or a plan described in Code § 403, which trust or plan is exempt from tax under Code § 501(a); an individual retirement account described in Code § 408(a); an individual retirement annuity described in Code § 408(b); an Archer Medical Savings Account described in Code § 330(d); a health savings account described in Code § 223(d); or, a Coverdale savings account described in Code § 530 (“Qualified Program Account”).



To mitigate against this potential conflict of interest with respect to Program Accounts that are not considered Qualified Program Accounts ("Non-Qualified Program Accounts"), Princor's investment guidelines require that any Proprietary Fund purchased in a Non-Qualified Program Account be the share class with the lowest expense structure, currently the Institutional share class of Principal Investors Funds. However, some Proprietary Funds do not have an Institutional share class available, and as such some Proprietary Funds in a Non-Qualified Program Account may not carry the lowest expense structure.

**In addition, certain share classes of Proprietary Funds that may be transferred to a Non-Qualified Program Account pay certain service fees to Princor, including, but not limited to, those paid pursuant to distribution and shareholder servicing plans adopted by the Proprietary Funds under Rule 12b-1 of the Investment Company Act of 1940. These are separate from and in addition to the investment management fees and other expenses. These service fees decrease potential Program Account positive returns and increase potential negative returns. These service fees are in addition to the Program Fee paid by the client. Princor intends to retain these payments to the extent they arise as a result of Proprietary Funds held in a Non-Qualified Program Account. As a result, Princor has a conflict of interest in recommending a Proprietary Fund in which these fees are payable.** To mitigate this conflict of interest, Princor's investment guidelines require that any Proprietary Fund purchased in a Non-Qualified Program Account be a share class that does not pay these distribution and shareholder servicing fees to Princor, currently the Institutional share class of Principal Investors Funds. Some Proprietary Funds do not have an Institutional share class available. Therefore, some share classes of Proprietary Funds that pay such fees will be permitted to be transferred from other accounts or purchased in the Non-Qualified Program Accounts. Unless such shares are exchanged for another share class, Princor will continue to receive these fees. **By signing the client service agreement for Advisory Select, the client acknowledges this potential conflict and consents to the use of the Proprietary Funds in the Non-Qualified Program Account and the resulting payment of any distribution and shareholder servicing fees to Princor.**

#### Non-Proprietary Funds and Conflicts of Interest

Princor is not affiliated with the mutual fund companies that sponsor the Non-Proprietary Funds. However, certain conflicts of interest arise in connection with certain Non-Proprietary Funds that are permitted into Advisory Select Accounts. Some Non-Proprietary Funds that may be recommended for purchase in or transfer to the Program Account pay distribution and shareholder servicing fees to Princor. These are separate from and in addition to the investment management fees and other expenses that all investors purchasing these securities pay. These charges decrease potential Program Account positive returns and increase potential negative returns. **These service fees are in addition to the Program Fee paid by the client to participate in the Program. Princor intends to retain these payments to the extent they arise as a result of Non-Proprietary Funds held in Non-Qualified Program Accounts. As a result, Princor has a conflict of interest in recommending Non-Proprietary Funds in which these fees are to be payable. To mitigate the possibility of a Financial Advisor recommending certain funds on the basis that they pay these distribution and shareholder servicing fees, Princor's compensation to the Financial Advisor for their services with Advisory Select Accounts does not vary based on whether or not distribution and shareholder servicing fees are actually received by Princor. By signing the client service agreement for Advisory Select, the client acknowledges this potential conflict and consents to the use of these Non-Proprietary Funds in the Program Account and the resulting payment of any distribution and shareholder servicing fees to Princor.**

**All distribution and shareholder servicing fees received from the Non-Proprietary Funds held in Qualified Program Accounts will be credited to the Program Account.**

Clients who participate in the Advisory Select Program may pay more or less than would be the case if they were to purchase separately each of the services the Advisory Select Program permits. If a client were to purchase the Eligible Investments available through the Program directly from the fund companies, or from other securities broker dealers, the client would not pay a Program Fee and the purchase may be less expensive. Comparable programs or services may be available from Princor or from other sources for fees lower than those in the Advisory Select Program. Other investment firms may offer to the public other investment products such as mutual funds with asset allocation models similar to those found in Advisory Select. Those programs may have differing fees and charges that may be higher or lower than the Program Fee.

The amount of the fees received by Princor and the Financial Advisors may be greater if a client participates in an asset based fee arrangement, such as the Advisory Select Program, instead of paying separately for brokerage commissions and receiving incidental investment advice from the Financial Advisors. Generally, the lower the number of transactions in a Program Account, the more expensive the Advisory Select Program becomes when compared to accounts where only commissions are charged to the clients. Factors in addition to the number of transactions that bear upon the relative cost of the Advisory Select Program in relation to the cost of the services purchased separately include the size of the account, the number and type of investments making up the portfolio, and the frequency of rebalancing the Program Account. As a result, Princor and the Financial Advisor may have a financial incentive to recommend certain fee paying alternatives such as an asset based fee over another alternative (brokerage commissions) or one type of account over another type of account.

## **VII. Information Regarding Princor Financial Services Corporation**

### Other Business Activities

Princor's principal business is that of a securities broker/dealer. Princor personnel spend on average in excess of 90% of their time on securities brokerage or mutual fund activities. Princor engages primarily in the sale of mutual funds, variable annuity and variable life insurance contracts, but also markets unit investment trusts, direct participation programs and general securities (as an introducing broker to its clearing firm, Pershing on a fully disclosed basis).

### Financial Industry Affiliations

Princor serves as one of the principal underwriters for an investment company (Principal Investors Fund, Inc.). Shares of Principal Investors Fund may be sold in connection with Princor's advisory products and pose certain conflicts of interest. Those conflicts dealing with Proprietary Funds are disclosed in Section VI. of this Brochure. Princor is affiliated with Principal Life Insurance Company and both are subsidiaries of Principal Financial Services, Inc. Princor serves as distributor for the variable life and annuity contracts issued by Principal Life Insurance Company. Generally, Financial Advisors of Princor are either licensed insurance agents or brokers of Principal Life Insurance Company and offer variable life and annuity contracts in a sales capacity for Princor and Principal Life. Their sales capacity as registered representatives of Princor is separate and distinct from their roles as investment adviser representatives of Princor where they offer services such as Advisory Select Portfolios.

### Education and Background of Princor Personnel

Generally a college degree or securities industry experience is required for Financial Advisors who provide investment advisory services to clients. Princor does not have an investment committee. Princor employs Ibbotson Associates LLC to provide investment research and ongoing evaluation of the asset allocation models for Advisory Select. Princor has created investment guidelines and operational procedures for its Financial Advisors to follow as they provide the services to clients participating in the Advisory Select Program. There is also an oversight committee that reviews these investment guidelines and operational procedures and on certain occasions will review certain Advisory Select Program Accounts, including the Eligible Investments held by the client. These individuals have qualified as general securities principals (NASD Series 24) and have at least five years experience in the securities industry. Not every Program Account will be reviewed by the oversight committee.

The following brief biographical information describes personnel at Princor who are either principal executive officers or have supervisory responsibility with regard to the Princor Advisory Select Program:

Michael J. Beer: Born 1961; Formal Education after High School: 1983, BA, Accounting, University of Northern Iowa, Cedar Falls, Iowa. Business Background preceding 5 years: President, since 2006; 2000-2005 Vice President, Princor.

Ralph Eucher: Born 1952; Formal Education after High School: 1974, BA, Political Science, Iowa State University, Ames, Iowa; 1976, MA, Industrial Relations, Iowa State University, Ames, Iowa; 1979, JD, University of Iowa, Iowa City, Iowa. Business Background preceding 5 years: Director, Princor; President and CEO of Princor 2000-2005.

Jill R. Brown: Born 1967; Formal Education after High School: 1990, BA, Accounting and Administration, Northwestern College, Orange City, Iowa; 1996, MBA, Drake University, Des Moines, Iowa. Business Background preceding 5 years: Financial Controller of Princor since 2003; 1999 – 2003 Assistant Financial Controller of Princor.

Michael D. Roughton: Born 1951; Formal Education after High School: 1973, BA, English, Boston University, Boston, Massachusetts; 1984, JD, Drake University, Des Moines, Iowa. Business Background preceding 5 years: Counsel to Princor.

Minoo Seraji-Spellerberg: Born 1960; Formal Education after High School: 1984, BS, Mathematics; 1987, MS, Industrial Engineering, University of Iowa, Iowa City, Iowa; 1991, JD, University of Iowa, College of Law. Business Background preceding 5 years: Chief Compliance Officer of Princor.

Martin Richardson: Born 1960; Formal Education after High School: 1983, BBA, Marketing, Iowa State University, Ames, Iowa. Business Background preceding 5 years: Operations Officer and Vice President of Princor - Broker Dealer Services.

Bret Bussanmas: Born 1966; Formal Education after High School: 1989, BA, Finance, University of Northern Iowa, Cedar Falls, Iowa. Business Background preceding 5 years: Vice President - Broker/Dealer Marketing, Princor 2007; Regional Vice President, Individual Distribution - Principal Life Insurance Company 2003 – 2006; Regional Vice President, Princor, 1997-2003.

Randy L. Welch: Born 1962; Formal Education after High School: 1985, BA, Business, Grandview College, Des Moines, Iowa; 1993, MBA, Drake University, Des Moines, Iowa. Business Background preceding 5 years: Vice President, Principal Management Corporation.

Nicholas Cecere: Born 1964; Formal Education after High School: 1986, BS, Economics, Utica College, Syracuse, New York. Business Background preceding 5 years: Director of Agencies, Principal; Vice President - Career Distribution of Principal Financial Group.

John W. Wetherell: Born 1955; Formal Education after High School: 1977, BBA, Economics, University of Iowa, Iowa City, Iowa; 1991, J.D., Drake University, Des Moines, Iowa. Business Background preceding 5 years: Sr. Compliance Analyst, Princor.

Tamara L. Smith: Born 1970; Formal Education after High School: 1991, AA, Accounting, American Institute of Business, Des Moines, Iowa; 1998, BA, Management/ Marketing, Simpson College, Indianola, Iowa. Business Background preceding 5 years: Sr. Compliance Analyst, Princor since 2004; Financial Accounting Leader, Princor, 2000 – 2004.

### Code of Ethics

As part of its compliance program, Financial Advisors are subject to a code of ethics that imposes standards of business conduct (hereafter, the “Code”). The purpose of this Code is to prevent conflicts of interest between Princor and its clients that may exist, or appear to exist, and to prevent any violations of applicable laws, when employees and Financial Advisors of Princor (“Covered Persons”) own or engage in transactions involving securities. Central aspects of this Code include: the requirement that all personal security transactions be conducted in such a manner as to avoid any actual or potential conflict of interest or abuse of an individual's position of trust and responsibility; fiduciary principles that include the requirement to place the interests of customers first and maintain in confidence information concerning the security holdings of customers and the duty of Covered Persons to comply with applicable federal and state securities laws.

In general, the Code also provides that Covered Persons must provide the Princor Compliance Department with certain information prior to and after establishing any account in which they will have beneficial ownership in certain reportable securities. Such information includes quarterly transaction reports and annual holding reports for their personal accounts. Each Covered Person is provided with a copy of the Code and any amendment, and must certify that they have read and will comply with the Code including any amendments. Existing and prospective Princor clients can obtain a complete copy of this Code by sending a written request to:

PRINCOR FINANCIAL SERVICES CORPORATION  
711 High Street  
Des Moines, IA 50392-0200

### Account Review and Supervision

The Financial Advisors are responsible for ongoing review of their client's Advisory Select accounts and are subject to branch office supervision.

### Interest in Client Transactions

Princor in its capacity as a registered investment adviser will not enter into any principal or “agency cross” transactions with Advisory Select clients.

Clients may enter into agency transactions with Princor in its capacity as securities broker/dealer and, in such role, Princor may offer variable life, variable annuities, mutual funds, stocks, bonds, and other securities to Advisory Select clients and will charge these clients commissions on the sales of these products. Certain affiliates of Princor have a financial interest in client transactions with respect to the Proprietary Funds if they are purchased by a client in an Advisory Select Program Account. These Proprietary Funds are managed and sub-advised by affiliates of Princor. The Proprietary Funds pay investment management fees to these affiliates. Although Princor does not directly receive these payments, Princor has a potential conflict of interest between its duty to act in the best interest of its clients and any interest it may have in generating advisory fees for its affiliates by including the Proprietary Funds in the Advisory Select Program.

Proprietary and Non-Proprietary Funds eligible to be purchased in the Advisory Select Program offer additional compensation to Princor in the form of distribution and shareholder servicing fees. Please review Section VI of this Brochure for information on when Princor will receive and retain these payments



WE'LL GIVE YOU AN EDGE<sup>SM</sup>

Principal Advisory Select Portfolios is sponsored by Princor Financial Services Corporation, a Registered Investment Adviser. Brokerage services for Advisory Select Portfolios provided by Princor®, 888/774-6267, member SIPC, a member of the Principal Financial.