



## **Principal Securities, Inc.**

655 9th Street

Des Moines, IA 50309

888-774-6267

March 30, 2017

This Brochure provides information about the qualifications and business practices of Principal Securities, Inc. ("Principal Securities"). If you have any questions about the contents of this Brochure, please contact us at 888-774-6267. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Principal Securities is a registered investment adviser. While registration is required under the law, registration of an investment adviser or a broker-dealer does not imply any specific level of skill or training.

Additional information about Principal Securities is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and on FINRA's website at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

*Securities, advisory products, and brokerage services are offered through Principal Securities, Inc., Member SIPC.*

## Item 2 – Material Changes

This Item 2 (Material Changes) will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

Since our last annual update on March 30, 2016, we have made the following material change to our Brochure.

- Item 9 has been updated to reflect the following disciplinary event:

Without admitting or denying the findings, Principal Securities consented to sanctions and to the entry of findings by FINRA that Principal Securities: (1) Failed to establish, maintain, and enforce a reasonable supervisory system related to the use of certain consolidated reports provided to customers by its registered representatives, and (2) failed to enforce its written supervisory procedures regarding two registered representatives in one of its branch offices who failed to retain copies of consolidated reports in accordance with its written supervisory procedures. Principal Securities accepted and consented to censure and a fine of \$125,000.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Our fiscal year-end is December 31<sup>st</sup>. We may provide other ongoing disclosure information about material changes as necessary throughout the year.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure may be requested free of charge by contacting us at 888-774-6267.

Additional information about Principal Securities is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and on FINRA's website at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

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## Item 4 – Advisory Business

### ***I. INTRODUCTION***

Principal Securities is federally registered with the SEC as an investment adviser and is a member broker-dealer with the Financial Industry Regulatory Authority (“FINRA”). Principal Securities is registered or licensed to conduct business in all fifty states and the District of Columbia.

Principal Securities began its operation in 1968, and is headquartered in Des Moines, Iowa. Principal Securities is a member company of Principal Financial Group, a family of financial services companies offering businesses, individuals and institutional clients a wide range of financial products and services, including retirement and investment services, life and health insurance, and banking through its diverse family of financial services companies.

Principal Securities’ principal business activity is acting as a securities broker-dealer. When acting as a broker-dealer, Principal Securities may provide securities-related advice to its brokerage clients that is incidental to the brokerage services provided and for which Principal Securities does not receive any special compensation (i.e., compensation other than the usual and customary brokerage commissions). Brokerage services and incidental advice are provided by individuals who are registered representatives of Principal Securities (“Broker-Dealer Representatives”). Principal Securities does not consider clients who receive only brokerage services or such incidental advice from our Broker-Dealer Representatives to be investment advisory clients (“Advisory Clients”).

Principal Securities is a wholly owned subsidiary of Principal Financial Services, Inc. which is a wholly owned subsidiary of Principal Financial Group, Inc. Principal Financial Group, Inc. is a publicly held company traded on the New York Stock Exchange.

### ***II. ADVISORY SERVICES***

Principal Securities authorizes individuals who are registered as investment adviser representatives of Principal Securities (“Adviser Representatives”) in writing to act on its behalf to offer services as described below, collectively referred to as “Advisory Services”. Principal Securities allows all of its Adviser Representatives to use either Investment Adviser Representative or Financial Advisor titles when offering Advisory Services. Some Adviser Representatives are permitted to use the title of Financial Planner if they engage in certain levels of fee-based financial planning service.

#### **A. Principal Securities Advisory Programs**

Principal Securities sponsors Principal Managed Portfolio, Principal Dynamic Portfolios by Morningstar Investment Management, Principal Managed Account, and Principal Advisory Select Portfolios. These are described collectively as “Principal Securities Advisory Programs.”

##### **1. Principal Managed Portfolio<sup>SM</sup> and Principal Dynamic Portfolios by Morningstar Investment Management<sup>SM</sup>**

Principal Securities sponsors the Principal Managed Portfolio Program (“Managed Portfolio”). Managed Portfolio is a discretionary mutual fund asset allocation service primarily using the mutual funds of Principal Funds, Inc. The only investments other than Principal Funds, Inc. that are included in the Program are municipal bond funds comprising the fixed income component in the tax sensitive non-qualified Model Portfolios and a limited number of mutual funds and Exchange Traded Funds

(“ETFs”) representing alternative asset classes and investment strategies. As of 12/31/2016, discretionary assets under management are \$1,282,100,000.00.

Principal Securities also sponsors the Principal Dynamic Portfolios by Morningstar Investment Management program (“Dynamic Portfolios”). Dynamic Portfolios is a discretionary mutual fund asset allocation service using a list of fund families provided by Principal Securities and up to five additional fund families selected by Morningstar Investment Management LLC, (“Morningstar”) including no-load and load-waived mutual funds of Principal Funds, Inc. and other mutual fund families that are not affiliated with Principal Securities, as well as ETFs. As of 12/31/2016, discretionary assets under management are \$238,000,000.00.

Principal Securities uses asset allocation tools and investment research from Morningstar, also a registered investment adviser, as the primary resource in delivering the Managed Portfolio and Dynamic Portfolios Programs. Morningstar has developed the asset allocation models for both Programs. Morningstar utilizes its proprietary research and screening processes to design portfolios (“Model Portfolios”) consistent with these asset allocation models. Morningstar screens and updates its research on a quarterly basis.

Principal Securities does not recommend, select or play any role in Morningstar’s selection of the specific investments comprising the Model Portfolios for both Programs. However, for the Dynamic Portfolios Program, Principal Securities has selected most of the mutual fund families whose funds may be selected by Morningstar and Morningstar has the discretion to select up to five additional mutual fund families. Principal Funds, Inc. is one of the mutual fund companies that is included in both Programs. Principal Funds, Inc. is managed by an affiliate of Principal Securities. Certain funds in Principal Funds, Inc. are sub-advised by affiliates of Principal Securities. Principal Funds, Inc. pays investment management fees to these Principal Securities affiliates. Although Principal Securities does not directly receive these payments, Principal Securities has a conflict of interest in including Principal Funds in the Program over mutual funds that are not sub-advised or managed by Principal Securities’ affiliates.

Principal Securities has relied on Morningstar’s determination that the overall performance of Principal Funds merits its inclusion in Program Model Portfolios. In offering these funds in the Programs, Principal Securities believes that it has complied with standards of fiduciary duty that require it to act solely in the best interest of the client when making investment recommendations.

Under both Programs, Principal Securities utilizes a questionnaire and a scored answer system (“risk tolerance questionnaire”) developed by Morningstar for these Programs that is used to match the prospective client to a Model Portfolio suited to the client’s investment objectives, risk profile, and tax situation as reflected on the questionnaire. Principal Securities does not take part in the design of the Model Portfolios or development of the asset allocation tools in these Programs. Morningstar’s investment research, risk tolerance questionnaire and other asset allocation tools are relied upon by Principal Securities in the Programs to ensure that the Model Portfolios appropriately meet prospective investors’ investment objectives and risk tolerance.

Principal Securities offers the Principal Managed Portfolio Program to Fiduciaries and Plan Sponsors of defined contribution retirement plans. In that case, the risk tolerance questionnaire is not utilized. The Fiduciaries and Plan Sponsors select one of the Model Portfolios based on their need for a specific portfolio investment style ranging from conservative to aggressive. Principal Securities does not assume responsibility for administration of any Plan or for diversification of any Plan’s investments. Principal Securities does not have any duties, responsibilities or liabilities for any Plan assets that are not in the Program account.

Principal Securities has entered into an arrangement whereby Adviser Representatives may refer clients in need of services by a corporate trustee to Principal Trust Company (“Principal Trust”), an affiliated trust company based in Wilmington, Delaware. If authorized under the trust agreement, Principal Trust

may utilize the Managed Portfolio and Dynamic Portfolios Programs and retain the investment advisory services of an Adviser Representative to make investment recommendations for the trust. In these discretionary trusts, Principal Trust will be the Advisory Client and will have the ultimate responsibility for determining the investment policy and investment selection. Beneficiaries of trusts administered by Principal Trust as trustee or co-trustee that use the Managed Portfolio and Dynamic Portfolios Programs as an investment vehicle will receive quarterly statements on the trust from Principal Trust showing assets and activity. Principal Trust Company is the trade name of Delaware Charter Guarantee & Trust Company. More detailed information about Principal Trust's services and fees can be found in materials issued by Principal Trust.

## **2. Principal Managed Account Program**

Principal Securities offers the Principal Managed Account Program ("Managed Account Program"). The Managed Account Program is only offered to sponsors ("Sponsors") of self-directed defined contribution plans whose plan recordkeeping services are provided by Principal Life Insurance Company ("Plans"). The Managed Account Program enables Sponsors to make available to their prospective and current Plan participants ("Participants") access to personalized, independent investment advice regarding their account balance held for their benefit by the Plan. Principal Securities has retained the services of an independent financial expert for the Managed Account Program in compliance with Advisory Opinion 2001-09A, issued by the U.S. Department of Labor ("DOL"), and with applicable law and other DOL positions or actions applicable to the Managed Account Program. Morningstar is currently serving as that independent financial expert in the Managed Account Program to deliver the investment advice. Morningstar provides all investment advice to the Plan Participants in the Managed Account Program. Principal Life Insurance Company, an affiliated company of Principal Securities, provides technology facilitating Morningstar's delivery of investment management services in the Managed Account Program. Principal Securities' advisory services under the Managed Account Program are limited to offering the Managed Account Program to Plan Sponsors and providing certain support services for Morningstar.

Under this Managed Account Program, Sponsors elect to include the Managed Account Program as a service available to their Participants. Participants have the option to contract for the investment advisory service provided by Morningstar. Participants who contract with Morningstar for the Managed Account Program ("Managed Account Program Participants") will receive asset allocation models, portfolio rebalancing, and ongoing investment management regarding their Plan account balances allocated in the investment options in the Plan. Morningstar utilizes its proprietary asset allocation tools and investment research to manage these account balances in a manner appropriate for the Participant. Managed Account Program Participants grant Morningstar exclusive discretionary management authority over their Plan account balance. Neither Morningstar nor Principal Securities provide investment advice to the Plan Sponsor with respect to the Plan's investment options at any time. In addition, Principal Securities does not provide investment advice to the Managed Account Program Participants. Morningstar delivers asset allocation models and investment advice to Managed Account Program Participants through a web-based internet portal made available to the Sponsors and Managed Account Program Participants by Principal Life Insurance Company. Managed Account Program Participants will have access to daily valuations of their Plan account balances. They will also have access to records of all transactions in their Plan account balance, including the fees imposed and current Plan account investment option allocations.

## **3. Principal Advisory Select Portfolios<sup>SM</sup>**

Principal Advisory Select Portfolios is an advisory program sponsored by Principal Securities that assists Advisory Clients with asset allocation utilizing a broad array of eligible investments such as mutual funds, individual equities and fixed income investments and ETFs. The details of this program are contained in Appendix 1 of Form ADV (Wrap Fee Program Brochure).

## **B. Mutual Fund Asset Allocation and Portfolio Management Programs Sponsored by Unaffiliated Advisors**

### **1. Mutual Fund Asset Allocation Programs**

Principal Securities, acting as investment adviser, may refer Advisory Clients to a number of discretionary mutual fund asset allocation programs. The following Unaffiliated Advisors offer these programs:

- 1) AMG Funds LLC – ManagersChoice Program. AMG Funds LLC acts as investment adviser and mutual funds of AMG Funds LLC are utilized in this program.
- 2) SEI Investment Management Corporation (“SEI”) – Mutual Fund Models Program. SEI acts as investment adviser and mutual funds of SEI are utilized in this program.
- 3) Morningstar® Managed Portfolios<sup>SM</sup> offered by Morningstar Investment Services, Inc.

Principal Securities, acting as a solicitor, currently refers Advisory Clients to a number of discretionary mutual fund asset allocation programs. The following Unaffiliated Advisors offer these programs:

- 1) Brinker Capital, Inc. (“Brinker”) – Destinations
- 2) Symmetry Partners, LLC (“Symmetry”) - Symmetry Partners Portfolio Program
- 3) Lindner Capital Advisors, Inc.
- 4) The Standard

Principal Securities has also entered into a solicitor’s agreement with CLS Investment Firm, LLC (“CLS”). Among other services, CLS offers retirement solutions, an investment program made available to participants in certain qualified plans administered by Nationwide Life Insurance Company or its affiliates. In this program, CLS provides investment management services for participants’ qualified plan asset balances invested in mutual funds and ETFs. Only certain Adviser Representatives of Principal Securities are permitted to refer participants to this Firm.

When acting as a solicitor, Adviser Representatives refer clients to Unaffiliated Advisors that offer mutual fund asset allocation programs, portfolio management programs or both in exchange for a solicitor’s fee paid by the Unaffiliated Advisor firms to Principal Securities. These referral arrangements are conducted in accordance with the Rule 206(4)-3 under the Investment Advisers Act of 1940. Depending on the program, Principal Securities can provide some or all of the following services:

- 1) Assist Advisory Clients in evaluating their financial circumstances and objectives and determining which program may help meet those objectives;
- 2) Assist Advisory Clients in selecting the model portfolio available through mutual fund asset allocation programs (when applicable);
- 3) Assist Advisory Clients in selecting an investment manager available through portfolio management programs (when applicable);
- 4) Assist Advisory Clients in the completion and delivery of necessary paperwork to open the account; and
- 5) Contact the Advisory Client on an annual basis to determine whether there have been any changes to the Advisory Client’s financial situation and/or investment objectives.

All of these mutual fund asset allocation programs provide several model investment portfolios for different investment objectives and risk tolerances, from which the Advisory Client may select. The Advisory Client invests in shares of certain no-load mutual funds and/or loaded funds available at net asset value selected by the Unaffiliated Advisor for inclusion in its program. As these are discretionary programs, they allow the Unaffiliated Advisor to change the model investment portfolios at their own discretion. Further information regarding all of these programs may be found in each Unaffiliated Advisor’s Disclosure Brochure.

## **2. Portfolio Management Programs**

Principal Securities, acting as investment adviser, may refer Advisory Clients to a number of portfolio management programs. The following Unaffiliated Advisors offer these programs:

- 1) SEI Investment Management Corporation (SEI) –Managed Account Program, a discretionary managed account service. SEI acts as investment adviser and individual managed accounts are utilized in this program.
- 2) Manning and Napier Advisory Advantage Company, LLC (“Manning and Napier”), a discretionary managed account service.
- 3) AssetMark –Strategic, Tactical Constrained, Tactical Unconstrained and Absolute return.
- 4) Morningstar Investment Services, Inc. - Morningstar® Managed Portfolios<sup>SM</sup> ETF, Active/Passive or Select Equity Portfolios, discretionary managed account service strategies. Morningstar acts as investment adviser and individual managed accounts are utilized in this program.

Principal Securities, acting as a solicitor, currently refers Advisory Clients to a number of discretionary portfolio management programs. The following Unaffiliated Advisors offer these programs:

- 1) Brinker Capital, Inc. (“Brinker”) –Core Asset Manager and Unified Managed Account Programs
- 2) Vantage Investment Advisors
- 3) City National Rochdale– Private Client Program
- 4) The Haverford Trust Company
- 5) AssetMark – Strategic, Tactical Constrained, Tactical Unconstrained and Absolute return.
- 6) Advised Assets Group, LLC – Third-party investment advisory services, comprehensive range of advisory tools.
- 7) Beaumont Financial Partners, LLC – Wealth Management and Model Portfolios
- 8) Kestra Advisory Services, LLC – Investment Advisory Services

With these discretionary portfolio management programs, the Advisory Client, with the assistance of the Adviser Representative, analyzes the Advisory Client’s investment objectives and risk tolerance, then the Advisory Client selects one of the individual equity or fixed income portfolios available in the program. The portfolios are managed by portfolio managers who are not affiliated with Principal Securities. The portfolios are managed on a discretionary basis (i.e., the portfolio manager determines the investments within an Advisory Client’s portfolio and makes the appropriate trades without prior notification to the Advisory Client). Further information regarding all of these programs may be found in each Unaffiliated Advisor’s Disclosure Brochure.

Adviser Representatives are available to Advisory Clients on an ongoing basis to receive instructions and to convey to the Unaffiliated Advisor any changes in the Advisory Clients’ financial circumstances and/or investment objectives. Upon request, Adviser Representatives will conduct a review of the Advisory Clients’ accounts to determine whether the Unaffiliated Advisor has managed the account in a manner consistent with the Advisory Program’s investment objectives and policies. In no event shall Principal Securities, or its registered representatives, provide investment advisory services. Principal Securities does not participate in the creation or management of any of the portfolios offered by the Unaffiliated Advisors.

### **C. Impersonal Advisory Services (Seminar Services)**

Principal Securities may provide Seminar Services by allowing its Adviser Representatives to present pre-approved investment-related seminar programs. These Seminar Services are offered to audiences that have a common employer or membership in certain trade associations or unions.



## **D. Financial Planning Services**

Principal Securities offers fee-based financial planning to Advisory Clients. A Business Consulting or Financial Planning Report ("Business Report" or "Personal Report", collectively "Reports") is produced to assist Advisory Clients in the area of business or personal financial planning. The Business Report is generally suitable for Advisory Clients who own or control small to medium sized businesses with annual sales of more than \$1,000,000, an approximate business value over \$2,000,000 and/or under 100 employees. The Personal Report is generally suitable for Advisory Clients who have more than \$75,000 in household income, or \$100,000 in household investable assets or \$250,000 in net worth, not including the value of their primary residence.

## **E. Nonqualified Deferred Compensation Plan Consulting**

Principal Securities offers nonqualified deferred compensation plan consulting services to employers. A written document is delivered to the client that summarizes the client's current situation and provides an analysis of alternative ways to informally fund the plan, including an overview of the accounting treatment of these methods.

## **F. Executive Planning Services**

In addition to the Financial Planning Services, Principal Securities makes available access to a personal internet site accessible by the Advisory Client (the "Website") that offers account aggregation and document storage services. This personal internet site is hosted and maintained by a third party that is not affiliated with Principal Securities. The Executive Planning Agreement and Terms of Services of the Website allow the Advisory Client access to these services, authorizes Principal Securities' Adviser Representative to access the Website, which offers the capability to collect and consolidate on a daily basis account information gathered from multiple accounts the Advisory Client maintains with various third-party financial institutions. The system is designed to give the Advisory Client a single access point to their finances including various financial accounts, tax and legal documents, insurance coverages, specific goals, and strategic plans. Updated reports of asset values, asset allocation, retirement and estate planning issues are calculated daily. The service includes a Client web site to check key planning numbers and store personal documents for online retrieval.

The executive planning services are generally suitable for Advisory Clients who have more than \$75,000 in household income, or \$100,000 in household investable assets or \$250,000 in net worth, not including the value of their primary residence. The term of the Executive Planning Client Service Agreement has an initial term of one year. Upon mutual agreement of the parties, the agreement may be renewed for subsequent one- year periods. After the agreement has expired, a renewal agreement will be required in order for the Client to continue the service.

## **G. Retirement Plan Consulting Services**

Principal Securities allows a limited group of its Adviser Representatives to provide Retirement Plan Consulting Services ("Plan Consulting Services") to employee benefit plans that are subject to the Employee Retirement Income and Securities Act of 1974, as amended ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. The services are limited to qualified retirement plans (e.g. 401(a) and 403(b)) and 457(b) nonqualified plans and are provided to the plan sponsor or employer, not plan participants. In order for an Advisory Client to obtain such Plan Consulting Services, a Retirement Plan Consulting Services Agreement must be entered into by the Adviser Representative, Principal Securities and Advisory Client.

Depending on the terms of the Retirement Plan Consulting Services Agreement, the Plan Consulting Services provided by the Adviser Representative may include consulting with retirement plan sponsors

or other advisors and fiduciaries appointed by the plan sponsor with respect to services to the plan such as:

Retirement plan vendor due diligence search; fee benchmarking; analysis of retirement plan provisions; assistance with preparation or review and monitoring of investment policy statement; analysis of retirement plan's investment options and research regarding alternatives; monitoring performance of investment manager(s); and evaluation of historical performance of investment options.

Depending on the services to be provided pursuant to the applicable Retirement Plan Consulting Services Agreement, some, but not all, such agreements will specify that the Adviser Representative functions as an investment advice fiduciary when providing certain Plan Consulting Services to an ERISA retirement plan. In such situations the Adviser Representative is subject to specific duties and obligations under ERISA and the Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Principal Securities excludes Advisory Clients of retirement plans record kept by its affiliate, Principal Life Insurance Company.

Principal Securities and Adviser Representatives do not manage assets for any client on a discretionary or nondiscretionary basis. Principal Securities and Adviser Representatives do not accept trading authorization with respect to any client's retirement plan.

If the Advisory Client is to receive initial and/or on-going recommendations from the Adviser Representative, it will be up to the Advisory Client to decide whether and how to execute the recommendations. The Advisory Client is never obligated to implement any of the recommendations.

In addition, the Retirement Plan Consulting Services Agreement may provide for educational services to plan participants, such as enrollment meetings and other educational meetings with plan participants. Any such meetings are for educational purposes only, and are not for individualized investment advice to plan participants.

Principal Securities allows its Adviser Representatives to provide Advisory Clients limited benchmarking services through a Retirement Plan Fee Benchmarking Services Agreement, which offers third-party materials that benchmark the costs of certain retirement plan service providers taking into account the services provided and/or receive third-party materials that review current investment options and investment manager(s) Client is using, including performance, risk, expenses, and comparison with related benchmarks and other investment options.

Principal Securities and its Adviser Representatives are willing to consider other services that may be requested by the Advisory Client.

## **Item 5 – Fees and Compensation**

### **A) Principal Securities Advisory Programs**

#### **1) Principal Managed Portfolio<sup>SM</sup> and Principal Dynamic Portfolios by Morningstar Investment Management<sup>SM</sup>**

The Program fee schedules payable by Managed Portfolio and Dynamic Portfolios clients are set forth below and are expressed in terms of an annual percentage range of the account asset value. The client and the Adviser Representative agree on a percentage fee for each breakpoint asset level.

<b>Principal Managed Portfolio Client Fee Schedule for Traditional and Alternative Model Portfolios</b>				
<b>Asset Value</b>	\$0-\$250,000	>\$250,000-\$500,000	> 500,000-\$1,000,000	>\$1,000,000
<b>Program Fee</b>	1.00 – 2.00 %	.75 – 1.75%	.50 – 1.50%	.40 – 1.25%

<b>Principal Dynamic Portfolios Client Fee Schedule for Model Portfolios</b>					
<b>Asset Value</b>	\$0-\$250,000	>\$250,000-\$500,000	> \$500,000-\$1,000,000	>\$1,000,000-\$6,000,000	> \$6,000,000
<b>Program Fee</b>	1.00 – 2.00%	.75 – 1.75%	.50 – 1.50%	.40 – 1.25%	.40 – 1.00%

Amounts reaching a breakpoint asset level do not realize the benefit on total account assets; Program fee reductions apply only to amounts in excess of the breakpoint asset level. Except for certain client charges as specified below, the Program fee covers the provision of initial and ongoing investment advisory services, execution and clearing of securities transactions, account administration and custody of assets invested in the Program. Principal Securities pays a portion of the total Program fee to Morningstar to compensate it for ongoing asset allocation modeling, investment research, Model Portfolio design and asset allocation tools updates, and to Lockwood for ongoing account administration services and for rights to use Lockwood's client website.

Except for the first three month period beginning with the date the account is opened ("inception quarter"), Managed Portfolio and Dynamic Portfolios accounts are assessed the Program fee quarterly, in advance, based on the market value of account assets as of the last business day of the previous quarter. The Program fee in the inception quarter is charged on a prorated basis to reflect the number of days in the inception quarter the assets are to be on deposit in the Program, and is based on the initial amount deposited. Program Account deposits or withdrawals by Client in excess of \$100 per business day will be charged or refunded, respectively, a portion of the quarterly Program fee pro-rated by the number of days during the preceding quarter the assets were either held in or withdrawn from the Program Account. In the event of termination of a Program Account, unearned fees are refunded to the client by Principal Securities on a pro-rata basis; however, due to the administrative costs of establishing Program Accounts in the Advisory Select Program, an early account closing fee of \$500.00 will be applied to Program Accounts terminated within the first 12 months following the date the Program Account was opened. Refunded Program Fees are issued to the client in accordance with the client's initial instruction when possible; otherwise, a check is issued. The Program fee is deducted from assets in Advisory Client accounts and is negotiable. Principal Securities discounts the Program fee for customers meeting certain criteria, such as having existing insurance, banking, or investment relationships with Principal Securities or its affiliates, or having an immediate family relation that is an Adviser Representative. Principal Securities will also discount its Program fees for competitive reasons. Principal Securities may negotiate Program fee reductions with prospective customers and existing customers in other situations upon customer request.

Principal Securities absorbs any SEC and exchange fees arising from account activity. Custodial and maintenance fees normally applicable to individual retirement accounts and qualified retirement plans for which Pershing, the unaffiliated contracted provider of clearing services for Principal Securities accounts, acts as Custodian are waived. In addition, Program fees do not cover certain services available upon request from Principal Securities, including wire transfer fees, overnight delivery fees, certificate delivery fees, account termination fees and reorganization fees, where applicable. Cash balances in the Managed Portfolio and Dynamic Portfolios Client accounts are automatically swept to a money market fund. If the money market fund balance or other cash equivalent funds in the Program accounts are not sufficient to pay the Program fee, the difference will be paid by redemption of the client's mutual fund holdings in the Program accounts on a pro-rata basis. The values in Program accounts held by related persons may be aggregated for purposes of determining the Program fee. Generally, the minimum initial investment in each Program is \$25,000.

The mutual funds held in the Program accounts also incur investment management fees, and may incur

12b-1 distribution fees and other operating fees and expenses. Similarly, ETFs in which Program account assets are invested incur transaction charges and other expenses. These charges decrease potential investment and Program account positive returns and increase potential negative returns. The Program Client pays internal expenses of the Funds, which are in addition to the Program fee paid to Principal Securities. Some of the mutual funds included in Model Portfolios may pay certain fees to Principal Securities, including, but not limited to distribution fees paid pursuant to distribution and shareholder servicing plans adopted by the Funds under Rule 12b-1 of the Investment Company Act of 1940. Principal Securities will retain these distribution and shareholder servicing fees. Pershing receives distribution assistance payments from certain mutual fund companies for inclusion on Pershing's FundVEST® preferred mutual fund program or from certain money market fund companies for the utilization of their funds for cash sweeps on customer accounts cleared through Pershing. Pershing generally shares some portion of those distribution assistance payments received with Principal Securities related to Principal Securities' customer holdings or trading, which would include such holdings or trading within Program accounts. Because Principal Securities receives compensation from these mutual fund companies either directly or indirectly, Principal Securities has a conflict of interest in including these Funds in the Program. However, Principal Securities has relied on Morningstar's determination that the overall performance of these Funds, after taking into account any such payments, merits inclusion in the Program's Model Portfolios.

A client could invest in the investments in the Model Portfolios directly without the services of Principal Securities and would not incur a Program fee. These Programs may cost the client more or less than purchasing such services separately, assuming that similar services could be purchased directly from the various providers thereof. Additionally, providers of investment management portfolios such as these Programs may not be able to offer such services for individual client accounts for the account minimums typically associated with mutual fund asset allocation programs or, if so, only at a higher cost because such service providers do not enjoy the economies of scale associated with providing services to clients of mutual fund asset allocation programs.

## 2) Managed Account Program

Managed Account Program fees are incurred by each Managed Account Program Participant and are based on the value of Plan assets held for their benefit in the Sponsor's Plan. Managed Account Program fees are collected quarterly by Principal Securities from the Managed Account Program Participant's Plan account balance held for their benefit. Principal Securities will pay Morningstar a portion of the investment advisory fee, which will be no more than .08% annually, pursuant to the contract between Principal Securities and Morningstar and the balance of the Managed Account Program Fee is retained by Principal Securities.

The Managed Account Program Fee amounts are set forth below and are expressed in terms of an annual basis point fee based on the account asset value. There is no minimum balance requirement.

<b>Participant Balance in the Managed Account</b>	<b>Annual Asset Based Charge</b>
\$0 - \$49,999	0.50%
Next \$25,000	0.40%
Next \$25,000	0.30%
All Additional Assets	0.20%

The Managed Account Program fee covers the provision of initial and ongoing investment advisory services by Morningstar and the offering and maintenance of the Managed Account Program by Principal Securities.

Under certain circumstances the Managed Account Program fees may be waived or negotiated on a

case-by- case basis under agreement with the Sponsor.

If the Managed Account Program fee is not waived, the Managed Account Program fee is deducted from the Managed Account Program Participants' account balances quarterly in arrears. In the first three-month period beginning with the date in which the Participant begins to participate in the Managed Account Program (the inception quarter), the Managed Account Program fees are prorated based on the number of days in the inception quarter for which services were provided. Thereafter, the Program fees are collected at the end of the calendar quarter the Participant participates in the Program. In the event your participation in the Managed Account Program terminates before the end of the quarter, the annual fee will be prorated based on the number of days the account was managed during the calendar quarter. The Managed Account Program Participant may terminate participation in the Program by visiting principal.com or contacting a customer representative at 1-800-547-7754 at any time without penalty. Managed Account Program Participants who terminate participation in the Program and their Sponsor's retirement plan have Program fees collected when there are account balances remaining.

If the Managed Account Program Participant has elected participation in the Managed Account Program in more than one employer-sponsored retirement plan with plan services provided by Principal Life Insurance Company and sponsored by the same employer, the account values will be combined in determining the level of fees charged for the Managed Account Program.

## **B. Mutual Fund Asset Allocation and Portfolio Management Programs Sponsored by Unaffiliated Advisors**

### **1. Mutual Fund Asset Allocation Programs**

The Advisory Client assets in these services will be invested in shares of mutual funds. Each fund will have its own, separate investment management fees and fund expenses (including redemption fees). As a shareholder of these funds, the Advisory Client will bear their proportionate share of these fees. These investment management fees decrease potential positive investment returns and increase potential negative investment returns of the programs. If Advisory Clients were to purchase shares of mutual funds directly, rather than through these programs, they would not pay an advisory fee.

### **2. Portfolio Management Programs**

The range of fees paid by Advisory Clients to Principal Securities and/or the Unaffiliated Advisors is variable and depends both on the Advisory Program selected and the level of assets invested.

Where Principal Securities acts as a solicitor, the total fees payable by the Advisory Client are described in each Unaffiliated Advisor's Disclosure Brochure. The Unaffiliated Advisor will pay a portion of the fees it collects on its accounts to Principal Securities as a solicitor's fee. When Principal Securities acts as an investment adviser in these programs, it will contract with the Advisory Client for a fee separately from the Unaffiliated Advisor. Principal Securities' portion of the fees are charged and collected from the Advisory Client's assets under management by the Unaffiliated Advisor or custodian and remitted to Principal Securities. The Portfolio Management Services programs may contain separate account management fees not included in the Principal Securities advisory fee.

With all of the programs sponsored by Unaffiliated Advisors, comparable programs or services may be available from other sources for fees lower than those specified in this Brochure. In addition to fees that may be negotiated with Principal Securities, some of the Unaffiliated Advisors' fees may be negotiable in some special circumstances involving assets at higher levels, as Principal Securities and the product sponsor shall determine on a case- by-case basis. Account minimums may also be lower

than those stated in certain circumstances. Please read each Unaffiliated Advisor's Disclosure Brochure for more information about their fees, including but not limited to how fees are collected, if they are negotiable, and if any early termination fees apply.

The annual fees Principal Securities receives as either a solicitor or as an investment adviser are listed below along with the Advisory Service and the applicable sponsor:

Symmetry Partners, LLC – Symmetry Partners Portfolio Program

- Symmetry remits a solicitor's fee to Principal Securities of anywhere from .85% to 1.5% of the value of Symmetry's client assets under management.
- Generally, the minimum initial investment is \$10,000.

Brinker Capital, Inc. - Core Asset Management Program and Personal Portfolios Program

- Brinker pays Principal Securities a solicitor's fee, that is a portion of the fee collected by Brinker from client, in a range from .15% to 1.00% of the value of Brinker's client assets under management.
- Generally, the minimum initial investment in the Core Asset Manager Program is \$1,000,000; Personal Portfolios Program is \$250,000.

Brinker Capital, Inc. - Destinations Program

- Brinker pays Principal Securities a solicitor's fee, that is a portion of the fee collected by Brinker from client, in a range from .60% to 1.00% of the value of Brinker's client assets under management.
- Generally, the minimum initial investment in the Destinations Program is \$10,000.

Vantage Investment Advisors

- Vantage remits a solicitor's fee to Principal Securities of anywhere from .55% to 1.05% of their client's assets under management in accounts referred by Principal Securities.
- Generally, the minimum initial investment is \$25,000.

City National Rochdale - Private Client Program

- Rochdale remits a solicitor's fee to Principal Securities of anywhere from .07% to 1.00% of their client's assets under management at Rochdale.
- Generally, the minimum initial investment is \$1,000,000.

The Haverford Trust Company

- Haverford remits a solicitor's fee to Principal Securities between 25% and 66.6% of the advisory fees Haverford collects from its clients on the accounts referred by Principal Securities.
- Generally, the minimum initial investment is \$1,000,000.

Lindner Capital Advisors, Inc.

- Lindner remits a solicitor's fee to Principal Securities up to 1.85% based on a tiered scale of the advisory fees Lindner collects from its clients on the accounts referred by Principal Securities. Please see Lindner's Form ADV for more information.
- Generally, the minimum initial investment is \$100,000.

The Standard

- The Standard pays Principal Securities a solicitor's fee of up to 1.5% of assets subject to an agreement referred by Principal Securities.
- There is no account minimum.

CLS Investment Firm, LLC

- CLS pays Principal Securities a solicitor's fee of up to .45% of the value of its plan participant client's assets under CLS management.

Advised Assets Group, LLC (AAG)

- AAG remits a solicitor's fee to Principal Securities in an amount equal to .25% of the total assets

under management for a Plan, based upon the total number of participants enrolled in AAG's Managed Account service, assessed on a quarterly basis, at the end of each quarter.

- There is no participant account minimum.

#### Kestra Advisory Services, LLC

- Kestra Advisory Services remits a solicitor's fee to Principal Securities of up to 25% of the investment advisory fees for the duration of the advisory relationship between Principal Securities and Kestra Advisory Services on accounts referred by Principal Securities.
- There is no account minimum.

#### Beaumont Capital Management (BCM)

- BFP remits a solicitor's fee to Principal Securities equal to 50% of the net advisory fees paid to Beaumont for clients referred by Principal Securities.
- BCM, a separate division of Beaumont, has its own minimum account size arrangement including:
  - The BCM Sector Strategies have a \$250,000 minimum, and
  - The Decathlon Strategies have a \$250,000 minimum.

#### AMG Funds LLC - ManagersChoice Program

- Where Principal Securities acts as investment adviser with the ManagersChoice Program, the advisory fee is set by Principal Securities as a percent of the asset value of the client's account at the end of each quarter, with the maximum annual fee being 2%. In addition to Principal Securities' fee, AMG Funds receives a management and administrative fee from the underlying Funds managed by AMG Funds that are used in the ManagersChoice Models. These fees are based on the assets under management in each Fund, and are payable pursuant to the Fund Management Agreements and related agreements.
- The fees within the ranges stated above are generally negotiable with Principal Securities. The fees are automatically deducted at the end of each quarter from the client's account. Fees are prorated based on the number of days for which services were provided. The Advisory Client may terminate the agreement any time upon written notice. AMG Funds LLC may terminate the investment advisory service it provides to Principal Securities through the ManagersChoice Program at any time upon written notice.
- Generally, the minimum initial investment is \$50,000.

#### SEI Investment Management Corporation

- Where Principal Securities acts as investment adviser with the SEI managed accounts and asset allocation programs, the advisory fee is set by Principal Securities as a percent of the asset value of the client's account at the end of each quarter according to the following schedule (expressed as annualized fees):

<b>SEI Investment Management Corporation Client Fee Schedule Integrated Managed Account Program</b>	
<b>Asset Value</b>	<b>Program Fee</b>
\$0 - \$149,999	1.00% - 1.75%
\$150,000 - \$249,999	.85% - 1.75%
\$250,000 - \$500,000	.75% - 1.75%
\$500,001 - \$999,999	.50% - 1.20%
\$1 million and up	.11% - 1.10%

<b>SEI Investment Management Corporation Client Fee Schedule Asset Management Program</b>	
<b>Asset Value</b>	<b>Program Fee</b>
\$0 - \$149,999	1.00% - 1.75%
\$150,000 - \$249,999	.85% - 1.75%
\$250,000 - \$500,000	.75% - 1.75%

\$500,001 - \$999,999	.50% - 1.20%
\$1,000,000 - \$2,000,000	.45% - 1.10%
\$2,000,001 and up	.11% - .90%

- The fees within the ranges stated above are generally negotiable with Principal Securities and could be substantially lower if heavily weighted bond portfolios and CD ladders are being created or managed. The fee is collected quarterly in arrears. Fees are prorated based on the number of days for which services were provided. The Advisory Client may terminate this agreement any time upon written notice without penalty. SEI may terminate the investment advisory service it provides to Principal Securities through the SEI Managed Account Program at any time upon written notice, without penalty. Upon termination, SEI will calculate and deduct any fees due pro-rated based upon the number of days the client account was open during that quarter. The SEI Funds assess separate advisory fees that are payable to the funds' portfolio managers.
- Generally, the minimum initial investment in the Integrated Managed Account Program ranges from \$100,000 to \$5 million.

#### Morningstar® Managed Portfolios<sup>SM</sup>

- An annual Program fee is charged quarterly. For the Mutual Fund Strategies, fees are charged in arrears. For ETF Strategies and Select Equity Portfolios, fees are charged in advance. Detail on how fees are administered and adjusted for these programs as well as clearing and custody detail for program accounts is available in the wrap fee program brochure (Form ADV, Part 2A Appendix I) for Morningstar Investment Services, LLC (MIS).
- The Program fee consists of two parts:

Morningstar Investment Services' Fee – which covers its discretionary investment management services, back-office support (e.g., proposals and account-opening documents), communications to clients and their Adviser Representative, marketing activities and trading costs (e.g., brokerage commissions on ETF transactions);

Principal Securities Fee – which covers assisting the Advisory Client in completing a questionnaire and other applicable account opening forms, determining suitability and the appropriate portfolio within the program, contacting the client at least annually to obtain any changes in their financial situation and acting as liaison between MIS and the Advisory Client.

- The maximum total fee payable by the Advisory Client as a percent of the asset value of the client's account at the end of each quarter according to the following schedule (expressed as annualized fees):

Morningstar® Managed Portfolios <sup>SM</sup> Client Fee Schedule Mutual Fund Strategies (including Active/Passive Strategies)				
	First \$500,000	Next \$500,000	Next \$1,000,000	Over \$2,000,000
Total Fee	1.50%	1.40%	1.30%	1.10%
MIS Advisory Fee	.40%	.35%	.30%	.20%
Principal Securities Fee	1.10%	1.05%	1.00%	.90%

- Principal Securities' fee is generally negotiable at all asset levels. Amounts reaching a breakpoint asset level do not realize the benefit on total account assets; fee reductions apply only to amounts in excess of the breakpoint asset level.
- Generally, the minimum initial investment in the Mutual Fund Strategies or the Active/Passive Strategies Portfolios is \$50,000.

Morningstar® ETF Strategies Client Fee Schedule	
Principal Securities fee across all asset levels	1.10% <sup>1</sup>



- Generally, the minimum initial investment in the Morningstar Select ETF Strategies is \$25,000.

Morningstar® Select Equity Portfolio Strategies Client Fee Schedule	
Principal Securities Fee across all asset levels	1.10% <sup>1</sup>

- Generally, the minimum investment in the Morningstar Select Equity Portfolio Strategy Custom Series is \$250,000, the Strategist Series is \$100,000, and Select Equity Portfolio Strategy with Fixed Income is \$250,000.
- Principal Securities' fee for MIS programs is generally negotiable at all asset levels. Amounts reaching a breakpoint asset level do not realize the benefit on total account assets; fee reductions apply only to amounts in excess of the breakpoint asset level.

<sup>1</sup> Does not include fees/commissions associated with executing transactions nor the internal expenses of exchange-traded funds. Advisory clients investing in MIS program strategies utilizing ETFs and/or common stocks will use either Charles Schwab Institutional ("Schwab") or Fidelity Institutional Wealth Services ("FIWS") as a custody platform. Fees for clearing/custody have been negotiated by MIS and are limited to either transactional pricing or asset-based pricing within the elected custody platform as evaluated by the platform provider to be the most beneficial cost to the customer. Full detail on clearing and custody fees negotiated by MIS for these programs can be found in the Wrap Fee Program Brochure (Form ADV, Part 2A Appendix I) for MIS. Platform selection does not impact fees received by Principal Securities, Inc. nor any of its affiliates. Platform clearing/custody trading fees are:

FIWS
\$10.95 per trade (\$7.95 if MIS household \$1M+) or 0.10% of MIS assets (\$50 Minimum)

Schwab
\$4.95 per trade or a cost based on MIS assets on the following schedule:
0.04% of assets up to and including \$1,000,000 (minimum \$25 annually)
0.02% of assets over \$1,000,000

#### Manning and Napier Advisory Advantage Company, LLC

- Principal Securities acts as investment adviser with the Manning and Napier portfolios. Principal Securities' advisory fee is set as a percentage of the asset value of the client's account at Manning and Napier. Principal Securities charges between .15% and 1.25% annually as adviser in connection with the Manning and Napier portfolios. This fee is in addition to the portfolio management and custodial fees assessed the client by Manning and Napier.
- The fees in this range are generally negotiable depending on the size of the client's account and the level of services provided to the particular client. Fees are payable to Principal Securities quarterly in advance and are prorated in the first quarterly billing period following the commencement date of Manning & Napier's investment management contract with the client and thereafter billed on a quarterly basis. Prepayment of fees is for less than six months and in the event of termination of the advisory agreement with Manning and Napier or Principal Securities or both, all unearned fees shall be refunded to the client. Principal Securities follows the minimum account size requirement set by Manning and Napier. The client may terminate their advisory agreement with Principal Securities upon thirty days written notice to Principal Securities without a penalty.
- Generally, the minimum initial investment is \$250,000.

#### AssetMark

- Principal Securities may act as investment adviser or solicitor in conjunction with offering the AssetMark Mutual Fund and ETF Programs. Advisory Client fees in the AssetMark system are payable quarterly, in advance, based on assets under management.
- AssetMark remits to Principal Securities up to 1.95% of the advisory fee collected from its clients who Principal Securities acts as investment advisor. AssetMark remits a solicitor fee up to 1.50% based on the advisory fees AssetMark collects from its clients on the accounts referred by Principal Securities.
- Principal Securities' advisory fee is generally negotiable. The advisory fees charged to the AssetMark accounts do not reflect the investment management fees, 12b-1 distribution fees and other operating fees and expenses of the mutual funds. These fees decrease potential positive returns and increase potential negative returns of accounts in the AssetMark System. The Advisory Client pays these internal expenses of the mutual funds, which are in addition to the advisory fee paid to Principal Securities and the custody and trading fees. Clients may terminate AssetMark accounts at any time and receive a full pro-rata refund of any unearned fees.
- Principal Securities is entitled to receive a quarterly reimbursement from AssetMark for qualified marketing and/or business development expenses it incurs. The amount of such reimbursement is based on the total assets invested by Advisory Clients at the end of each calendar quarter in the AssetMark system as follows:

AssetMark Quarterly Reimbursement Schedule	
Asset Level	Quarterly Reimbursement
\$25 Million	\$1,250
\$35 Million	\$1,750
\$50 Million	\$2,500
\$75 Million	\$3,750
\$100 Million	\$5,000

- Generally, the minimum initial investment for the Mutual Fund Program is \$25,000; for the AssetMark Multiple Strategies Solution and the Active Return Opportunities Solution the minimum is \$50,000; for the Individually Managed Account Program and the ETF Program the minimum is \$100,000; for the Privately Managed Portfolios Solution the minimum is \$250,000; for the Consolidated Managed Account Program the minimum is \$500,000.

#### **C. Impersonal Advisory Services (Seminar Services)**

Principal Securities may charge an attendance fee to the seminar attendees, their employer or other organization of which they are a member, or both. A portion of those fees may be used to cover the cost of printed materials distributed during the seminar and/or facilities and food expense. The fee is determined by the Adviser Representative and will not exceed \$100 per attendee in most cases.

#### **D. Financial Planning Services**

Principal Securities typically compensates the Adviser Representative in connection with an Advisory Client's purchase of a Report. Each Adviser Representative sets his/her hourly rate for planning services, based on educational and business background, professional designations, licensing, geographic location and other relevant factors. Adviser Representatives quote the fee for financial planning either on an hourly or flat fee basis. An hourly fee is based on the Adviser Representative's hourly planning rate multiplied by the estimated number of hours the Adviser Representative will spend preparing and delivering the Report. A flat fee is subject to prior negotiation and agreement between the client and the Adviser Representative. The degree of detail and sophistication of the financial plan varies according to the individual client's circumstances. The total fee to complete a Report will not exceed \$5,000, except as approved in advance by Principal Securities. If included in the Client Service Agreement, the Advisory Client may agree to reimburse certain travel expenses

incurred by an Adviser Representative in the process of developing the Report. The term of the Planning Agreement will not exceed 1 year from the date the Planning Agreement is executed by all parties.

The fees for this service are subject to prior negotiation and agreement between the client and the Adviser Representative. Principal Securities does not require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered. Clients may request one or more withdrawals from their nonqualified brokerage accounts, held with Principal Securities, to pay for their financial planning fees. Principal Securities may waive the fees for Advisory Clients maintaining certain levels of assets or contracts with Principal Securities or affiliates of Principal Securities. Under certain circumstances, such as where administrative or other services are being provided or where additional sales are expected, a portion of the total fee for a Report may be waived. Furthermore, a Report may be offered to Advisory Clients for a discounted fee in certain circumstances; e.g., a grouping of products and services. Comparable plans may be available from other sources at lesser or no cost.

The Advisory Client must sign the Financial Planning or Business Consulting Client Service Agreement ("Planning Agreement") and receive a copy of Principal Securities' Form ADV. Thereafter, the Advisory Client may terminate the Planning Agreement at any time, but is responsible for any fees and expenses incurred by Principal Securities and/or the Adviser Representative for Report preparation at rates disclosed in the Planning Agreement.

#### **E. Nonqualified Deferred Compensation Plan Consulting**

The Adviser Representative quotes the fee for nonqualified deferred compensation plan consulting either on an hourly or flat fee basis. An hourly fee is based on the Adviser Representative's hourly rate multiplied by the estimated number of hours the Adviser Representative will spend consulting with the client. A flat fee, which is generally \$7,500, is subject to prior negotiation and agreement between the client and the Adviser Representative. Comparable plans may be available from other sources at lesser or no cost. The degree of detail and sophistication of the nonqualified deferred compensation plan varies according to the individual client's circumstances.

The nonqualified deferred compensation plan client ("Client") must sign the Financial Planning Service Agreement ("Planning Agreement") and receive a copy of Principal Securities' Form ADV. If the Client cancels the Planning Agreement within five business days after receiving an executed copy of the Planning Agreement and a copy of Principal Securities' Form ADV, the Client will receive a complete refund of the fee paid. Thereafter, the Client may terminate the Planning Agreement at any time, but is responsible for any fees and expenses incurred by Principal Securities and/or the Adviser Representative for services provided up to the cancellation date at the rate disclosed in the Planning Agreement.

#### **F. Executive Planning Services**

The total annual fee for this service generally ranges from \$250 to \$5,000. Fees in excess of \$5,000 are approved in advance by Principal Securities. Clients may request one or more withdrawals from their nonqualified brokerage accounts, held with Principal Securities, to pay for their Executive Planning fees. The fees for this service are subject to prior negotiation and agreement between the client and the Adviser Representative. Principal Securities may waive the fees for Advisory Clients maintaining certain levels of assets or contracts with Principal Securities or affiliates of Principal Securities. Under certain circumstances, such as where administrative or other services are being provided or where additional sales are expected, a portion of the total fee for a Report may be waived. Furthermore, a Report may be offered to Advisory Clients for a discounted fee in certain circumstances; e.g., a grouping of products and services. Comparable plans may be available from other sources at lesser or no cost. If the Advisory Client cancels the Executive Planning Agreement within five business days of receiving an executed copy of the agreement and a copy of Principal Securities' Form ADV, the Advisory Client will receive a

complete refund of the fee paid. Thereafter, the Advisory Client may terminate the Executive Planning Agreement at any time, but is responsible for any fees and expenses incurred by Principal Securities and/or the Adviser Representative for services provided up to the cancellation date.

### Conflicts of Interest – Purchases of Financial Products in Connection with Financial Planning, Nonqualified Deferred Compensation Plan Consulting, and Executive Planning Services

Advisory Clients are not required to implement any of the recommendations contained in Business Reports, Personal Reports or in any plans delivered through Executive Planning Services. Similarly, there is no obligation, either before or after receiving a Report for the Advisory Client to utilize Principal Securities or the Adviser Representative to purchase any products or services offered by Principal Securities or from its affiliated companies (such as insurance, banking, employee benefits or trust services). Should an Advisory Client decide to transact business with Principal Securities or its affiliates, the Advisory Client will pay any applicable charges or commissions relating to the purchased product or service. These charges or commissions will be paid to the Adviser Representative in the capacity of a Broker-Dealer Representative or as a representative of Principal Securities' affiliate companies. When recommending the purchase of securities or other financial products, Principal Securities and the Adviser Representative will be acting solely in the capacities of a securities broker-dealer and securities salesperson and not in the capacities of an investment adviser and financial planner, financial advisor or similar term. The change in the role from an investment adviser to a broker-dealer means Principal Securities and its Adviser Representatives may face conflicts of interests that are not obligated to be disclosed to the Advisory Client and Principal Securities' interests may be different than those of the Advisory Client. If the Advisory Client purchases securities or other financial products through Principal Securities, Principal Life Insurance Company, Principal National Life Insurance Company or through other financial services companies through Principal Securities' Adviser Representative, Principal Securities and the Adviser Representative will be compensated either by commissions paid as the result of the purchase, third parties who compensate Principal Securities based on what the Advisory Client buys, or both. The compensation payable to a Broker-Dealer Representative or Adviser Representative may create a conflict of interest by influencing the Broker-Dealer Representative or Adviser Representative to recommend one product or service over another. Broker-Dealer Representatives are required to recommend only those securities transactions that are suitable for a customer. Principal Securities reviews all sales transactions by its Broker- Dealer Representatives to ensure that they are suitable. In addition, when acting as an Adviser Representative offering Advisory Services, the Adviser Representative is required to act in your best interests. Principal Securities also monitors the Adviser Representative's investment advisory activities for compliance with this obligation.

In its capacity as a broker-dealer, Principal Securities, through its Broker-Dealer Representatives, may provide clients with additional analyses, reports and proposals during the course of discussing possible implementation steps contained in the Report. These analyses, reports and proposals are not part of the Report for which the Advisory Client has paid a fee, even though these analyses, reports and proposals may include information derived from or contained in the Report. In addition, employees of Principal Securities or its affiliates may review client data, including the client questionnaire, to assist the client and his or her Broker-Dealer Representative with implementation issues or in connection with offering other products or services of Principal Securities. The Advisory Client should not consider any solicitations or recommendations made by the Broker-Dealer Representative for the purchase or sale of a certain security or other financial product as being part of the Report, even though the recommendations may be based on information contained in it.

### **G. Retirement Plan Consulting Services**

Fees for Retirement Plan Consulting Services are non-standardized, fully negotiable, and will depend on the number, types, frequency and duration of services provided. Payment terms are also negotiable. Asset based fees are generally not to exceed 0.75% of stated plan assets in the initial year

of consultation and up to 0.55% of stated plan assets annually thereafter. Flat fees are generally not to exceed 0.75% of stated plan assets. If limited, one-time services are desired, Principal Securities is willing to negotiate a fixed fee based on the scope of services to be provided. Under certain circumstances, fees negotiated may exceed the aforementioned levels.

Fees for Retirement Plan Consulting Services may be charged to the Advisory Client, deducted from retirement plan assets, or a combination of both depending on the Advisory Client's needs. Fees can be paid annually, quarterly or monthly, either in advance or in arrears. Such fees may be charged as either a fixed fee or based on a percentage of assets under management as valued at the end of the applicable billing period. The value of assets under management will ordinarily be determined by reference to the custodian's valuation. If the Retirement Plan Consulting Services Agreement is terminated on a date other than the last day of the regular billing period, Principal Securities will be entitled to a pro rata share of the fees based on the actual number of days of the then-current billing period ending on the termination date divided by the total number of days in the then-current billing period.

The negotiated fees cover the mutually agreed upon services to be provided and do not include any other professional services that may be required by the Advisory Client to implement the recommendations made by Principal Securities.

All fees paid to Principal Securities for Plan Consulting Services are separate and distinct from the fees and expenses charged by the investment options offered through the retirement plan. These fees and expenses are described in each investment option's profile or prospectus. These fees will generally include a management fee, other investment option expenses, and a possible distribution fee. If the investment option also imposes sales charges, a client may pay an initial or deferred sales charge. Advisory Clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers. Such fees may include, but are not limited to, any transaction charges, fees for duplicate statements and transaction confirmations, and fees for electronic data feeds and reports. The Advisory Client should review all of the fees being charged to the retirement plan and the fees charged by Principal Securities to fully understand the total amount of fees to be paid.

The Retirement Plan Consulting Services Agreement may be terminated by either the Advisory Client or Principal Securities or Adviser Representative upon notice to the others. Upon termination of such agreement, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, Principal Securities will pro rate the reimbursement according to the number of days remaining in the billing period.

Comparable Plan Consulting Services may be available from other sources for similar or lower fees. Principal Securities does not require a minimum amount of retirement plan assets for its Plan Consulting Services.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Principal Securities does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

Principal Securities provides investment advice to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, and other corporations and business entities. The requirements for opening or maintaining accounts, such as minimum account size, are disclosed in Item 5.

## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Investment and advisory products and services offered or recommended by Principal Securities or its Adviser Representatives are subject to risks associated with investing in securities and will not always be profitable. Principal Securities and its Adviser Representatives do not guarantee the results of any advice or recommendations, nor do they guarantee that the investment objectives of Advisory Clients will be met in any program, service or product it provides or offers. Investing in securities involves risk of loss that clients should be prepared to bear.

### A) Principal Securities Advisory Programs

#### 1. Principal Managed Portfolio<sup>SM</sup> and Principal Dynamic Portfolios by Morningstar Investment Management<sup>SM</sup>

##### Principal Managed Portfolio

Morningstar researches, screens and selects certain mutual funds of Principal Funds, Inc. as well as mutual funds and ETFs not affiliated with Principal Securities to create the Model Portfolios available in the Program. The only investments other than Principal Funds, Inc. that are included in the Program are municipal bond funds comprising the fixed income component in the tax sensitive non-qualified Model Portfolios and a limited number of mutual funds and ETFs representing alternative asset classes and investment strategies. There is no broad screening of mutual funds in this Program by Morningstar and only a limited number of mutual funds other than Principal Funds, Inc. will be included. Morningstar reviews the Model Portfolios on an ongoing basis. In choosing the specific investments, Morningstar uses returns-based style analysis as the primary tool to evaluate the investment style as well as the style-adjusted risk and returns characteristics of investments.

##### Principal Dynamic Portfolios by Morningstar Investment Management

Principal Securities has selected most of the mutual fund firms whose funds may be selected by Morningstar, and Morningstar has the discretion to select up to five additional mutual fund firms. Principal Securities does not recommend, select or play any role in Morningstar's selection of the specific investments comprising the Model Portfolios. Morningstar reviews the collective Dynamic Portfolios on an ongoing basis. Morningstar's dynamic asset allocation process is designed to be an overlay to a long-term strategic asset allocation program. Clients have the option of investing in either Dynamic or Dynamic Tax-Sensitive Model Portfolios managed by Morningstar. Morningstar's dynamic asset allocation process involves making short-term deviations from the longer-term strategic asset allocation policy, based on quantitative modeling combined with the current market outlook. The goal of dynamic asset allocation is to enhance the Model Portfolio's shorter-term risk and return characteristics by deviating from the long-term strategic asset allocation target weights. The dynamic process may tactically reallocate the Model Portfolios on a monthly basis to achieve its risk and return enhancement objectives. The dynamic process utilizes multifactor quantitative and qualitative models to determine relative asset class weights which are then implemented in select Model Portfolios by Morningstar's management team using advanced risk budgeting techniques. Morningstar researches and selects the Model Portfolios' underlying investments from a list of approved fund families, which includes Principal Funds, Inc. and other non-affiliated funds, including exchange traded products (ETPs) to create the Model Portfolios available in the Program.

Morningstar monitors the underlying managers and investments held within both the Managed and Dynamic Portfolio Programs on an ongoing basis. The strategic asset allocation policy benchmarks are reviewed on an annual basis. Each Model Portfolio is reviewed once a quarter to determine if the Model Portfolio is still in balance with the drift parameters for the original targeted allocation percentages for each asset class. If the account is out of balance, it will be rebalanced to the original target allocation.

Morningstar and Principal Securities work together to set drift parameters on each Model Portfolio unique to the different asset classes within the model.

## **2. Principal Managed Account Program**

The Managed Account Program uses a quantitative approach to search for eligible investment options offered in the retirement plan (“Eligible Investment Options”) that have demonstrated, over time, consistency in risk characteristics and security selection capabilities. Eligible Investment Options include those retirement plan assets eligible for the service. Generally speaking, the Managed Account Program will not advise on guaranteed interest accounts (GICs), brokerage accounts and company stock.

Morningstar uses the specific Eligible Investment Options in a Sponsor’s retirement plan to construct and monitor model portfolios (“Portfolios”) for Managed Account Program Participants that are designed across a broad range of risk exposure levels. Morningstar recommends a specific asset and investment portfolio along with a recommended savings rate and retirement age. Taken together these tools comprise an asset allocation strategy tailored to the individual Managed Account Program Participant.

To determine which asset and investment option-specific portfolio combination is recommended to a Managed Account Program Participant, Morningstar uses information supplied by the Managed Account Program Participant and its own proprietary software to gauge their retirement goals and develop a working estimate of the chances that the Managed Account Program Participant will reach those retirement goals. The software allows Morningstar to analyze a broad range of possible future return scenarios, enabling the company to estimate how a Managed Account Program Participant’s investments might turn out under a variety of conditions, including periods with fluctuations in interest rates, inflation rates and/or market conditions. Morningstar then uses these estimates to produce a forecast reflecting the probability that the Managed Account Program Participant’s annual retirement income is likely to meet or exceed the Managed Account Program Participant’s stated retirement goals.

Once Morningstar has estimated a Managed Account Program Participant’s chances of achieving the desired retirement income, Morningstar analyzes the stated 401(k) savings rate, investment selections, savings rate outside the retirement plan and the Managed Account Program Participant’s chosen retirement age and recommends investment allocations designed to increase the Managed Account Program Participant’s chances of achieving the desired retirement income.

Any of the Managed Account Program Participant’s investments outside of this retirement plan, including company stock that the Managed Account Program Participant has reported are considered in Morningstar’s recommendation. These are evaluated by general asset class and not by their unique investment characteristics. Morningstar performs reviews of the Portfolio and its holdings at least quarterly to determine if changes need to be made. A change in market or economic changes, or new Eligible Investment Options becoming available through the retirement plan, may lead Morningstar to make changes. The Managed Account Program will also initiate transactions among Eligible Investment Options on an ongoing basis if the Portfolio’s allocations stray from its intended asset allocation mix.

Principal Securities does not recommend, select or play any role in Morningstar’s selection of the funds comprising the Portfolios. However, some Eligible Investment Options available to Sponsors are managed and sub-advised by affiliates of Principal Securities. These Eligible Investment Options pay investment management fees to these affiliates.

## **B. Mutual Fund Asset Allocation and Portfolio Management Programs Sponsored by Unaffiliated Advisors**

Principal Securities analyzes the structure, costs, investment performance history, and other features of

the Unaffiliated Advisors' mutual fund asset allocation programs and portfolio management programs for the purpose of helping Advisory Clients select among them. In addition, Principal Securities assists the Advisory Clients, upon request, in reviewing and analyzing the performance of such Unaffiliated Advisors' programs.

The principal sources of information that Principal Securities uses to select portfolio management and asset allocation services to be offered to Advisory Clients are materials provided by the Unaffiliated Advisors. Please read each Unaffiliated Advisor's Disclosure Brochure for more information about the methods of analysis, investment strategies and risk of loss.

The Unaffiliated Advisors and portfolio managers of the Advisory Services determine the investment strategies used to implement investment advice given to Advisory Clients.

### **C. Impersonal Advisory Services (Seminar Services)**

In the case of Seminar Services, Principal Securities provides only impersonal advice. Preparation of seminar materials is generally done by publishers and distributors of investment program material who are not affiliated with Principal Securities. Materials provide attendees with investment-related information as well as educational material regarding general financial principles that are not investment-related. The information does not provide advice about specific securities or other investments and does not purport to meet the investment objectives or needs of specific individuals or accounts. Comparable seminars may be available from other sources at lesser or no cost.

### **D. Financial Planning, Nonqualified Deferred Compensation Plan Consulting, and Executive Planning Services**

The Reports provide an analysis of financial areas selected by the Advisory Client, which can include, but is not limited to, any combination of the following: setting business exit objectives and contingency planning, net worth, budgeting and cash flow, retirement planning, nonqualified deferred compensation plan consulting, asset allocation, survivor needs, college financial aid planning, divorce planning and disability planning. Principal Securities uses a variety of sources of information to prepare the Reports, including a client questionnaire, government reports and publications, tax and financial planning publications and material prepared by Principal Securities and other member companies of the Principal Financial Group.

The Reports do not contain specific securities or other investment recommendations, but may contain informational reports generated from research and ratings agencies on securities already held by the Advisory Client. The source of information for these reports is limited to pre-approved sources other than Principal Securities or the Adviser Representative. Certain historical statistical data, derived from the performance of various indices, may also be provided in order to give Advisory Clients information regarding the relative historical risks and returns of broad asset classes and the general asset allocation models available. Advisory Clients are not required to implement any of the suggestions contained in the Report. Similarly, there is no obligation, either before or after receiving a Report, for the Advisory Client to utilize Principal Securities or the Adviser Representative to purchase any products or services offered by Principal Securities or from its affiliated companies. However, should the Advisory Client choose to do so, certain conflicts of interest arise between Principal Securities and the Advisory Client. These conflicts are discussed in Item 5 (Fees and Compensation) below.

### **E. Retirement Plan Consulting Services**

If an Advisory Client engages an Adviser Representative to provide investment recommendations for the retirement plan, Adviser Representative may conduct analysis of the investment options available through the retirement plan by reviewing the experience and track record of the investment managers, researching the underlying assets of each investment option in an attempt to determine if



there is significant overlap in the underlying investment options held in other available investment options, and measuring the intrinsic value of the investment options by looking at economic and financial factors. In order to analyze the investment options, Adviser Representatives will conduct their own research, use a variety of third-party data research materials such as, but not limited to, financial newspapers and publications, percentile rankings of investment managers' adjusted risk performance, and statistical and/or industry databases.

Adviser Representatives make recommendations based on the needs of the Advisory Client and consistent with the retirement plan's stated investment objectives. It is the information provided by Advisory Clients about their specific situation that drives the recommendations. Advisory Clients are encouraged to speak to their Adviser Representative to discuss the approach and strategy of providing Plan Consulting Services to the retirement plan.

It is important to note that all investment options involve risk of loss that Advisory Clients should be prepared to bear. Principal Securities and its Adviser Representatives do not guarantee the results of any advice or recommendations nor are there any guarantees that the retirement plan's investment objectives will be met.

## **Item 9 – Disciplinary Information**

- (1) May 4, 2009 - Based on an investigation conducted by the Missouri Securities Division, the Division believed that Principal Securities failed to reasonably supervise the unauthorized outside business activity of a registered representative who used to be affiliated with Principal Securities. Principal Securities entered into a consent order with the Missouri Secretary of State/Missouri Securities Division, without admitting or denying the allegations. Pursuant to the consent order, Principal Securities has paid \$146,050 to the Missouri Secretary of State's Investor Restitution Fund, \$75,000 to the Missouri Secretary of State's Investor Education and Protection Fund, and \$5,650 to the Missouri Secretary of State's Investor Education and Protection Fund as costs of the investigation.
- (2) July 25, 2012 - FINRA found Principal Securities' email monitoring processes were inadequate and FINRA found that this violated NASD Rule 3010(a) and FINRA Rule 2010. Principal Securities was censured and fined \$7,500.
- (3) December 2, 2015 - FINRA alleged Principal Securities' email monitoring processes were inadequate due to a coding error that resulted in a portion of incoming email communications not being timely reviewed. FINRA alleged that this violated NASD Rule 3010 and FINRA Rule 2010. Without admitting or denying the findings, Principal Securities accepted and consented to censure and a fine of \$115,000.
- (4) December 21, 2016 - Without admitting or denying the findings, Principal Securities consented to sanctions and to the entry of findings by FINRA that Principal Securities: (1) Failed to establish, maintain, and enforce a reasonable supervisory system related to the use of certain consolidated reports provided to customers by its registered representatives, and (2) failed to enforce its written supervisory procedures regarding two registered representatives in one of its branch offices who failed to retain copies of consolidated reports in accordance with its written supervisory procedures. Principal Securities accepted and consented to censure and a fine of \$125,000.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Principal Securities' principal business is that of a securities broker-dealer. Principal Securities personnel spend on average in excess of 90% of their time on securities brokerage or mutual fund activities. Principal Securities 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 a clearing firm on a fully disclosed basis).

Principal Funds Distributor, Inc., is the principal underwriter for an investment company (Principal Funds, Inc.). Shares of Principal Funds, Inc. may be sold in connection with Principal Securities' advisory products and pose certain conflicts of interest. Principal Securities serves as distributor for the variable life and variable annuity contracts issued by Principal Life Insurance Company. Principal Securities is affiliated with Principal Funds Distributor, Inc., Principal Life Insurance Company, Principal National Life Insurance Company, and all four are subsidiaries of Principal Financial Services, Inc. Please see the Adviser Representative's Form ADV Part 2B for additional details regarding their role as Broker-Dealer Representatives when selling securities products of affiliates.

The inclusion of Principal Funds, Inc. in our Principal Securities Advisory Programs presents a conflict of interest. For more details describing the conflicts of interest, see Item 5 (Fees and Compensation) in this Brochure.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Principal Securities has implemented a Code of Ethics ("Code") pursuant to SEC Rule 204A-1. A complete copy of the Code is available upon request. The purpose of this Code is to prevent conflicts of interest that may exist, or appear to exist, and to prevent any violations of applicable laws, when Principal Securities' Officers, Directors, Adviser Representatives and certain employees who meet the SEC's definition of "Access Person" own or engage in transactions involving securities. Central aspects of the 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 Advisory Clients first and maintain in confidence information concerning the security holdings of those customers, and the duty of Covered Access to comply with applicable federal and state securities laws, including the prohibitions against insider trading and market manipulation. Each Access 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.

In general, the Code also requires Access Persons to disclose all accounts in which they will have beneficial ownership in certain reportable securities. When a person becomes an Access Person or prior to being released as an Adviser Representative, those persons must furnish a copy of an initial holding report on any such accounts and reportable securities. A copy of an account statement issued by the firm where the account is maintained can satisfy this requirement. Covered Access must also furnish copies of quarterly transaction reports and annual holding reports on reportable securities. Copies of quarterly and annual statements issued by the firm where the account is maintained can satisfy this requirement. These records are then reviewed as appropriate.

Principal Securities is a registered broker-dealer and, through its Broker-Dealer Representatives, transacts business in a variety of securities products including mutual funds, stocks, bonds, CDs, etc. In such role, Principal Securities may offer securities products, including those issued by its affiliates or distributed by Principal Securities to Advisory Clients. Principal Securities will charge commissions on the sales of these products to Advisory Clients. Principal Securities ensures that Broker-Dealer Representatives who also act as Adviser Representatives clearly disclose their dual role in all communications with the public by reviewing all advertising and sales literature, including business cards and letterhead as well as require that this Brochure be delivered to the Advisory Client upon solicitation for Advisory Services.

## Item 12 – Brokerage Practices

Principal Securities does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions (“soft dollar benefits”).

Principal Securities will execute the trades for the Program accounts. Pershing, LLC must clear all trades in the Program accounts. Managed Portfolio and Dynamic Portfolios clients receive a confirmation upon each Program account trade, an account statement no less frequently than quarterly and monthly for every month in which there is brokerage activity in their Program account, and mutual fund prospectuses from Pershing, LLC. Pershing, LLC is the qualified custodian that has custody of client account assets and provides the custodial services for assets invested within the Programs. All dividends and other distributions from Program account assets will be managed in accordance with instructions given on the Program account opening forms.

### Brokerage Requirements

Principal Securities makes no recommendations as to broker-dealers or custodians except in connection with the Principal Securities Advisory Programs, where clients must utilize Principal Securities’ brokerage services for their program accounts.

### Trade Error Correction Procedures

In the event of a trade error correction, Principal Securities has specific procedures designed to correct any trade error as promptly as possible. Principal Securities’ policy is to rectify the trade error caused by us or our affiliates by adjusting the Advisory Client account as it would have been had no error occurred. For trades where Principal Securities is at fault or where no fault can be determined, Principal Securities will absorb any losses or gains resulting from that error. If it is determined that the Advisory Client is at fault, Principal Securities may use its discretion to pass along any losses to the Advisory Client and Principal Securities will keep any gains resulting from the trade error.

## Item 13 – Review of Accounts

Accounts in the Principal Advisory Programs are reviewed as described earlier in Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss).

Reviews of accounts opened at the portfolio management programs and mutual fund asset allocation programs sponsored by Unaffiliated Advisors are done by Principal Securities upon the Advisory Client’s request. For these accounts, Adviser Representatives will review reports and other materials generated by the Unaffiliated Advisors. Generally, the review includes whether the chosen program, asset allocation model or portfolio manager chosen is still suited to the Advisory Client’s stated investment objectives. It may also include a review of the account holdings, transactions, charges and performance. Generally, Financial Planning reviews are complete after the individual financial plan is provided to the Advisory Client and a copy is submitted to Principal Securities.

Principal Securities does not provide regular reports to Advisory Clients except for accounts in the Principal Securities Advisory Programs. The Unaffiliated Advisors which sponsor the portfolio management programs and mutual fund asset allocation programs provide regular reports to Advisory Clients. They determine the nature and frequency of these reports. In all Advisory Programs where securities are purchased or sold in Advisory Client accounts, the Advisory Client receives confirmation statements whenever transactions are executed for their accounts.

**Retirement Plan Consulting Services:** The services to be provided to the Advisory Client, including delivery of any oral or written investment performance and any other reports will be performed by the Adviser Representative. The services to be provided under each Retirement Plan Consulting Services Agreement are tailored to the specific needs of the Advisory Client. Depending on the services that are desired, written reports may be prepared, customized or developed for Advisory Clients to address their particular needs.

## **Item 14 – Client Referrals and Other Compensation**

This Item is not applicable to Principal Securities.

## **Item 15 – Custody**

For Principal Securities Advisory Programs (except Principal Managed Account), Pershing, LLC is the qualified custodian that has custody of client account assets and provides the custodial services for assets invested within the Programs. Upon a client's request for withdrawal or transfer of client funds or securities invested within the Programs, Principal Securities is deemed to have custody of those funds or securities in order to authenticate the client's request and enter the instructions into Pershing's system for processing.

For advisory programs offered by Unaffiliated Advisors, please see their Disclosure Brochure for information related to custody of Advisory Client assets.

Advisory Clients will receive at least quarterly statements from the qualified custodian that holds and maintains the client's investment assets. Please carefully review such statements and compare such official custodial records to the account statements that Principal Securities or Unaffiliated Advisors may provide to you. Principal Securities' statements may vary from custodial statements based on aggregating various accounts held by unaffiliated product sponsors and reporting dates.

## **Item 16 – Investment Discretion**

Advisory Clients sign an agreement giving Principal Securities, as sponsor of the Principal Managed Portfolio and Principal Dynamic Portfolios by Morningstar Investment Management Programs, limited discretion to automatically implement account rebalancing and substitutions of mutual funds in model portfolios according to instructions solely dictated by the investment advice of Morningstar. Principal Securities and some of its Adviser Representatives have discretionary authority over certain Advisory Select Program accounts. Refer to Appendix 1 of Form ADV (Wrap Fee Program Brochure) for details.

Principal Securities, when acting as an investment adviser concerning the SEI Asset Allocation, ManagersChoice programs, and the AssetMark system, has limited discretion as follows:

SEI Trust Company and Managers Funds from time to time will implement a change to the mutual funds comprising their mutual fund model portfolios. Although Principal Securities has no trading discretion or investment authority over an Advisory Client's account at either Sponsor, the portfolio reallocation as a result of this action would result in the purchase and sale of certain mutual funds without express authority of the Advisory Client. For advisory clients invested in the AssetMark Model Portfolios, Principal Securities does have direction by the Advisory Client to automatically rebalance or substitute securities in the AssetMark Model Portfolios to reflect any adjustment in the AssetMark Model Portfolio by the independent investment strategist. This client authorization would result in the purchase and sale of certain mutual funds or exchange traded funds without further authorization by the client at such time as the independent investment strategist changes the composition of the selected AssetMark Model Portfolio.

Otherwise, Principal Securities has no authority to cause any purchase or sale of securities in any AssetMark client account, or change the AssetMark Model Portfolios or to direct the account to be invested in any manner other than as previously authorized by the Advisory Client.

Other than the items listed above, Principal Securities and its Adviser Representatives do not have investment discretion.

## **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, Principal Securities does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

## **Item 18 – Financial Information**

Principal Securities has no financial issues that would be reasonably likely to impair its ability to meet contractual commitments to clients. Principal Securities has not been the subject of a bankruptcy proceeding.



## PRIVACY NOTICE

This Notice is provided on behalf of the following companies of the Principal Financial Group:

Principal Life Insurance Company  
Principal National Life Insurance Company  
Principal Securities, Inc.  
Principal Trust Company  
Principal Global Investors, LLC  
Principal Global Investors Trust  
Principal Real Estate Investors, LLC  
Principal Commercial Acceptance, LLC  
Principal Commercial Funding, LLC  
Principal Green Fund I, LP / PGF GP, LLC  
Principal Green Property Fund Employees II, LLC  
Principal Real Estate Debt Fund I, LP  
Principal Real Estate Debt Fund, GP, LLC  
Edge Asset Management, Inc. / Spectrum Asset Management, Inc.  
Principal Variable Contracts Funds, Inc.  
Principal Life Insurance Company Variable Life Separate Account  
Principal National Life Insurance Company Variable Life Separate Account  
Principal Life Insurance Company Separate Account B  
Principal Funds, Inc. / Principal Funds Distributor, Inc.  
Employers Dental Services, Inc. / Principal Dental Services, Inc.  
First Dental Health

### PROTECTING YOUR PRIVACY

This Notice is required by law. It tells how we handle personal information.

This Notice applies to:

- people who own or apply for our products or services for personal use.
- employee benefit plan participants and beneficiaries.

Please note that in this Notice, “you” refers to only these people. The Notice does not apply to an employer plan sponsor or group policyholder.

### WE PROTECT INFORMATION WE COLLECT ABOUT YOU

We follow strict standards to safeguard personal information. These standards include limiting access to data and regularly testing our security technology.

### HOW WE COLLECT INFORMATION

We collect data about you as we do business with you. Some of the sources of this data are as follows:

- **Information we obtain when you apply or enroll for products or services.** You may provide facts such as your name; address; Social Security number; financial status; and, when applicable, health history.
- **Information we obtain from others.** This may include claim reports, medical records, when applicable, credit reports, property values and similar data.
- **Information we obtain through our transactions and experience with you.** This includes your claims history, payment and investment records, and account values and balances.
- **Information we obtain through the Internet.** This includes data from online forms you complete. It also includes data we collect when you visit our websites.

### HOW WE SHARE INFORMATION

We may share personal information about you or about former customers, plan participants or beneficiaries among companies within the Principal Financial Group for several reasons, including:

- to assist us in servicing your account;
- to help design and improve products;
- to protect against potential identity theft or unauthorized transactions;
- in response to a subpoena or for other legal purposes;
- to prevent fraud;
- to comply with inquiries from government agencies or other regulators;
- with others that service your account, or that perform services on our behalf;
- with others with whom we may have joint marketing agreements. These include financial services companies (such as other insurance companies, banks or mutual fund companies); and
- with your consent, at your request or as allowed by law.

### MEDICAL INFORMATION

We do not share medical information among companies of the Principal Financial Group or with others except:

- when needed to service your policies, accounts, claims or contracts;
- when laws protecting your privacy permit it; or
- when you consent.

## ACCURACY OF INFORMATION

We strive for accurate records. Please tell us if you receive any incorrect materials from us. We will make the appropriate changes.

## COMPANIES WITHIN THE PRINCIPAL FINANCIAL GROUP

Several companies within the Principal Financial Group are listed at the top of this Notice. The companies of the Principal Financial Group are leading providers of retirement savings, investment, and insurance products.

## MORE INFORMATION

You may write to us if you have questions about our Privacy Notice. Contact our Privacy Officer at P.O. Box 14582, Des Moines, Iowa 50306-3582.

To contact us, please call 1-800-986-3343.

*Receipt of this notice does not mean your application has been accepted.*

*We may change our privacy practices at times. We will give you a revised notice when required by law.*

*Our privacy practices comply with all applicable laws. If a state's privacy laws are more restrictive than those stated in this Notice, we comply with those laws.*

*Your agent, broker, registered representative, consultant or advisor may have a different privacy policy.*





## CALIFORNIA PRIVACY NOTICE

This Notice is provided on behalf of the following companies of the Principal Financial Group:

Principal Life Insurance Company  
Principal National Life Insurance Company  
Principal Securities, Inc.  
Principal Trust Company  
Principal Global Investors, LLC  
Principal Global Investors Trust  
Principal Real Estate Investors, LLC  
Principal Commercial Acceptance, LLC  
Principal Commercial Funding, LLC  
Principal Green Fund I, LP / PGF GP, LLC  
Principal Green Property Fund Employees II, LLC  
Principal Real Estate Debt Fund I, LP  
Principal Real Estate Debt Fund, GP, LLC  
Edge Asset Management, Inc. / Spectrum Asset Management, Inc.  
Principal Variable Contracts Funds, Inc.  
Principal Life Insurance Company Variable Life Separate Account  
Principal National Life Insurance Company Variable Life Separate Account  
Principal Life Insurance Company Separate Account B  
Principal Funds, Inc. / Principal Funds Distributor, Inc.  
Employers Dental Services, Inc. / Principal Dental Services, Inc.  
First Dental Health

### PROTECTING YOUR PRIVACY

This Notice is required by law. It tells how we handle personal information.

This Notice applies to individual residents of California who:

- own or apply for our products or services for personal use.
- are employee benefit plan participants and beneficiaries.

Please note that in this Notice, “you” refers to only these people. The Notice does not apply to an employer plan sponsor or group policyholder.

### WE PROTECT INFORMATION WE COLLECT ABOUT YOU

We follow strict standards to protect personal information. These standards include limiting access to data and regularly testing our security technology.

### HOW WE COLLECT INFORMATION

We collect data about you as we do business with you. Some of the sources of this data are as follows:

- **Information we obtain when you apply or enroll for products or services.** You may provide facts such as your name; address; Social Security number; financial status; and, when applicable, health history.
- **Information we obtain from others.** This may include claim reports, medical records, credit reports and similar data.
- **Information we obtain through our transactions and experience with you.** This includes your claims history, payment and investment records, and account values.

- **Information we obtain through the Internet.** This includes data from online forms you complete. It also includes data we receive when you visit our websites.

### HOW WE SHARE INFORMATION

We may share personal information about you or about former customers, plan participants or beneficiaries among companies within the Principal Financial Group or with others for several reasons, including:

- to assist us in servicing your account;
- to help design and improve products;
- to protect against potential identity theft or unauthorized transactions;
- in response to a subpoena or for other legal purposes;
- to prevent fraud;
- to comply with inquiries from government agencies or other regulators;
- with others that service your account, or that perform services on our behalf; or
- with your consent, at your request or as allowed by law.

### MEDICAL INFORMATION

We do not share medical information among companies of the Principal Financial Group or with others except:

- when needed to service your policies, accounts, claims or contracts;
- when laws protecting your privacy permit it; or
- when you consent.



## **ACCURACY OF INFORMATION**

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