



**Form ADV, Part 2A (Firm Disclosure Brochure) for
Financial Planning and Consulting Services**

Principal Securities, Inc.

655 9th Street

Des Moines, IA 50309

888-774-6267

March 27, 2020

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 and on FINRA's website at 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 November 1, 2019, we have made the following material changes to our Brochure.

Changed the name of Business Consulting Services to Business Exit Planning Services to better reflect the services provided. The change is reflected throughout the Brochure.

Updated Item 5 to reflect changes to the term of the Planning/Consulting client agreement for new Clients contracting certain services.

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 31st. We will 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 and on FINRA's website at www.finra.org/brokercheck.

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Item 4 - Advisory Business

Introduction

Principal Securities (“we”, “us”, “our”, “Firm”) 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 provides 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”, “you”, “your”).

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 NASDAQ.

In addition to the programs described in this document, Principal Securities offers wrap fee investment advisory programs that are described in the Principal Managed Account Solutions Wrap Fee Disclosure Brochure and additional advisory programs, each of which is described in a separate Form ADV Part 2A. All are available on the SEC’s website at www.adviserinfo.sec.gov. These programs include both the Principal Managed Account Program and Principal Direct Advisory Account.

As of 12/31/2019, PSI client discretionary assets under management are \$3,599,900,000 and non-discretionary assets under management are \$4,010,300,000.

Advisory Services Offered

Principal Securities authorizes individuals who are registered as investment adviser representatives of Principal Securities (“Financial Advisor”) to act on its behalf to offer services as described below, collectively referred to as “Planning/Consulting Services”.

Principal Securities offers the following Planning/Consulting Services:

- Financial Planning Services
- Financial Consulting Services
- Executive Planning Services
- Retirement Plan Consulting Services

- Business Exit Planning Services
- Seminar Services

Financial Planning Services

Principal Securities offers financial planning to Advisory Clients. A Financial Planning Report is created to assist Advisory Clients in the area of personal financial planning, and can cover or analyze various topics, including but not limited to, net worth, budgeting and cash flow, retirement planning, asset allocation, survivor needs, college financial planning, divorce planning and disability planning.

Financial Consulting Services

Principal Securities offers financial consulting to Advisory Clients. The scope of the services provided will be outlined in a Financial Consulting Services Agreement. A written report may or may not be created. Financial Consulting Services typically focus on specific topics and may not cover all areas of a client's financial situation. The personal financial topics may include; financial health/management, investment/asset allocation consultation, risk consultation, education planning and business consultation.

Executive Planning Services

Principal Securities offers Executive Planning Services that include Financial Planning Services, as well as access to a personal internet site accessible by the Advisory Client (the "Website") that offers account aggregation and document storage services. The Website is hosted and maintained by a third party that is not affiliated with Principal Securities. The executive planning agreement and terms of services for the Website, which provide Advisory Clients access to these services, also authorizes Principal Securities' Financial Advisor to access the Website. The Website allows the Advisory Client to collect and consolidate account information daily 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. The Website's service includes daily calculations of asset values, asset allocations and retirement planning goals.

Retirement Plan Consulting Services

Principal Securities offers Retirement Plan Consulting Services to qualified retirement plans (e.g. 401(a) and 403(b)) and 457(b) nonqualified plans. Such services are provided to the plan sponsor or employer, not plan participants. For an Advisory Client to obtain such Retirement Plan Consulting Services, a Retirement Plan Consulting Services Agreement must be entered into by the Financial Advisor, Principal Securities and the Advisory Client.

Depending on the terms of the Retirement Plan Consulting Services Agreement, the Retirement Plan Consulting Services provided by the Financial Advisor may include consulting with retirement plan sponsors or other advisors and fiduciaries appointed by the plan sponsor with respect to services provided 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 Financial Advisor functions as an investment advice fiduciary as defined by 3(21)(A)(ii) under the Employee Retirement Income and Security Act of 1974 ("ERISA") when providing certain Retirement Plan Consulting Services to an ERISA retirement plan. In such situations, the Financial Advisor is subject to specific legal obligations that include among other things, restrictions concerning certain forms of compensation.

When selected as an elected service by a plan sponsor, the Retirement Plan Consulting Services Agreement provides 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 Financial Advisors 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 or investments and other ancillary services. This process takes into account existing plan services and associated costs and/or utilize third-party materials that review current investment options and investment manager(s) the Advisory Client is using, including performance, risk, expenses, and comparison with related benchmarks and other investment options.

Except as noted below, Principal Securities and Financial Advisors do not manage assets for any client on a discretionary basis nor do they 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 Financial Advisor, 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 limited circumstances, Principal Securities and its Financial Advisors may provide discretionary services under the Retirement Plan Consulting Agreement. The discretionary services may include the selection, monitoring and addition or deletion of investment options available to plan participants. Principal Securities and its Financial Advisor will exercise this authority in accordance with the objectives set forth by the named fiduciary of the retirement plan and in accordance with any additional written guidelines and/or investment policies provided by the named fiduciary. When providing these discretionary services to plans subject to ERISA, Principal Securities and its Financial Advisor acknowledge in writing their status as an "investment manager" as defined in Section 3(38) of ERISA. To avoid engaging in prohibited transactions, when providing discretionary services, Principal Securities excludes retirement plans record kept by its affiliate, Principal Life Insurance Company from receiving discretionary services and does not allow investment options advised or sub-advised by affiliates of Principal Securities to be selected.

Principal Securities may provide other Retirement Plan Consulting Services as requested and agreed upon in writing.

Business Exit Planning Services

Principal Securities offers Business Exit Planning Services to Advisory Clients. A Business Planning Report is produced to assist Advisory Clients in the area of business financial planning, including business succession planning, contingency planning, informal business valuation, building value, transfer of business, and buy/sell reviews.

Seminar Services

Principal Securities provides Seminar Services. Financial Advisors present impersonal investment-related seminar programs to audiences that have a common employer, association or membership in certain trade organizations or unions. These seminars are for educational purposes only and do not provide individualized investment advice to participants.

Item 5 - Fees and Compensation

The fees for Planning/Consulting services are subject to prior negotiation and agreement between the Advisory Client and the Financial Advisor. Except as noted under the Retirement Plan Consulting Services section of this Item 5, fees are generally billed to an Advisory Client. However, if an Advisory Client maintains a nonqualified brokerage account with Principal Securities, fees can be deducted from that account upon the Advisory Client's request. There may be unfavorable tax consequences as a result of deducting fees from a brokerage account as well as additional charges. See your brokerage account fee schedule for charges that may apply. Principal Securities does not allow prepayment of fees in excess of \$1200 per client six months or more in advance of services rendered.

Principal Securities allows an employer, company, union or association to offer and pay for a portion or all of the fees associated with Financial Planning Services, Financial Consulting Services, or Executive Planning Services for its employees or members. When an employee or member elects such services, the employee or member becomes an Advisory Client and must sign the appropriate client agreement. The fees the employer, company, union or association agrees to pay for services provided to an employee or member will be billed to the employer, company, union or association in accordance with the agreement between the employer, company, union or association and Principal Securities.

If included in the applicable Planning/Consulting agreement, the Advisory Client could agree to reimburse certain travel time and/or expenses incurred by a Financial Advisor in developing or providing the Planning/Consulting services.

The Advisory Client must sign the applicable Planning/Consulting agreement and receive a copy of Principal Securities' Planning and Consulting Form ADV Part 2A Disclosure Brochure.

The Advisory Client, Principal Securities or the Financial Advisor may terminate the Planning/Consulting Agreement at any time upon written notice to the others. The Advisory Client is responsible for any fees and expenses incurred by Principal Securities and/or the Financial Advisor for Planning/Consulting services at rates disclosed in the applicable Planning/Consulting agreement. Upon termination, if applicable, Principal Securities will refund that portion of fees paid by the Advisory Client that Principal Securities has not earned. After the agreement has expired, a renewal agreement will be required for an Advisory Client to continue using the applicable service.

Principal Securities reserves the right to waive the fees for Advisory Clients maintaining certain levels of assets, products or services, with Principal Securities or affiliates of Principal Securities within the parameters of applicable federal or state laws. 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 could be waived.

Except as noted under Retirement Plan Consulting Services below, each Financial Advisor sets his/her rate for planning/consulting services based on educational and business background, professional designations, licensing, geographic location and other relevant factors.

Financial Planning Services

Financial Advisors quote the fee for financial planning either on an hourly or flat fee basis.

- Under an hourly fee arrangement, the Financial Advisor's hourly planning rate is multiplied by the estimated number of hours the Financial Advisor will spend preparing and delivering the Report, but the actual total cost will be based on the actual number of hours the Financial Advisor spends on the planning services.
- Under a flat fee arrangement, the Financial Advisor quotes a fee based on the estimated number of hours that will be spent on the plan as well as the degree of detail and sophistication of the financial plan.

The total fee to complete a Report will not exceed \$5,000, except as approved in advance by Principal Securities. Comparable services may be available from other sources at lesser or no cost.

The Financial Planning agreement will terminate upon the later of delivery of the Report to the client or presentation to an outside third party if elected.

Financial Consulting Services

The Financial Advisor can quote fees for Financial Consulting Services on the following basis:

- An hourly fee based on the Financial Advisor's hourly rate multiplied by the estimated number of hours the Financial Advisor will spend consulting with the client, but the actual total cost will be based on the actual number of hours the Financial Advisor spends on consulting services.
- A flat fee based on the estimated number of hours and degree of detail in developing and delivering the services.
- An ongoing subscription fee that can be charged on a monthly, quarterly, semi-annual or annual basis.

The total annual fee generally ranges from \$250 to \$5,000, except as approved in advance by Principal Securities. Comparable services may be available from other sources at lesser or no cost.

Financial Consulting Services can be for a point-in-time service or for a subscription service. Point-in-time services will terminate upon the later of delivery of the service to the client or presentation to an outside third party if elected. Subscription services have an initial term of one year and can be renewed for subsequent one-year periods.

Executive Planning Services

The total annual fee for this service generally ranges from \$250 to \$5,000. Fees in excess of \$5,000 must be approved in advance by Principal Securities. Comparable services may be available from other sources at lesser or no cost.

The Executive Planning Services agreement has an initial term of one year. Upon mutual agreement of the parties, the agreement may be renewed for subsequent one-year periods.

Retirement Plan Consulting Services

Fees for Retirement Plan Consulting Services are non-standardized, 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 1.00% of stated plan assets in the initial year of consultation and up to 1% of stated plan assets annually thereafter.
- Flat fees are generally not to exceed 1.00% 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 will exceed the levels mentioned above.

Fees for Retirement Plan Consulting Services are 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 are charged as either a fixed fee or based on a percentage of assets under management. Certain fees, such as those for educational seminars, can be charged per attendee or per seminar.

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 Retirement 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 in some instances include a distribution fee. If the investment option also imposes sales charges, a client will pay an initial or deferred sales charge.

Advisory Clients are also responsible for the fees and expenses charged by custodians and broker-dealers. Such fees include, but are not limited to, 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 will remain in effect until terminated by the Advisory Client, Principal Securities, or the Financial Advisor upon written notice. Upon termination of such agreement, any prepaid, unearned fees will be promptly refunded.

Comparable Retirement 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 Retirement Plan Consulting Services.

Business Exit Planning Services

Financial Advisors quote the fee on an hourly or flat fee basis.

- An hourly fee is based on the Financial Advisor's hourly planning rate multiplied by the estimated number of hours the Financial Advisor will spend preparing and delivering the Business Planning Report, but the actual total cost will be based on the actual number of hours the Financial Advisor spends on consulting services.
- A flat fee based on the estimated number of hours that will be spent on the plan as well as the degree of detail and sophistication of the financial plan.

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. Comparable services may be available from other sources at lesser or no cost.

The Business Exit Planning Services agreement will terminate upon the later of delivery of the Business Planning Report to the client or presentation to an outside third party if elected.

Seminar Services

Principal Securities will charge a fee to the seminar attendees, their employer or other organization of which they are a member, or both, as set forth in the Seminar Service Agreement. 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 Financial Advisor and will not exceed \$100 per attendee, in most cases, or an hourly fee of up to \$300 per hour. Comparable services may be available from other sources at lesser or no cost.

Conflicts of Interest

Advisory Clients are not required to implement any of the recommendations delivered through any of the various planning or consulting services offered by Principal Securities and its Financial Advisors, including those contained in any Planning/Consulting Services reports. Similarly, there is no obligation, either before or after receiving Planning/Consulting Services, for the Advisory Client to utilize Principal Securities or the Financial Advisor to purchase any products or services offered by Principal Securities or its affiliated companies (such as insurance, banking, employee benefits or trust services). Any specific recommendations made by the Financial Advisor for the purchase of products or services of Principal Securities, Principal Securities affiliates or other financial services companies, or for any particular securities investments are not part of the Planning/Consulting Services.

Should an Advisory Client decide to transact business with Principal Securities or its affiliates, the Advisory Client will pay any applicable charges, commissions, or fees relating to the purchased product or service. A significant portion of these charges or commissions will be paid to the Financial Advisor in the capacity of a Broker-Dealer Representative or as a representative of Principal Securities' affiliate companies or as a Financial Advisor for one of the fee-based account programs under the Investment Adviser. When recommending the purchase of securities or other financial products other than the fee-based programs offered under the Investment Adviser, Principal Securities and the Financial Advisor will

be acting solely in the capacities of a securities broker-dealer and securities salesperson and not in the capacities of an Investment Adviser, investment adviser representative 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 Financial Advisors face conflicts of interests 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 other financial services companies through Principal Securities' Financial Advisor, Principal Securities and the Financial Advisor will be compensated by commissions or fees paid as the result of the purchase, third parties who compensate Principal Securities based on what the Advisory Client buys, or both. This compensation will be separate from the fees under any applicable Planning/Consulting agreement.

At times a Financial Advisor will instead be functioning in the role of a Broker-Dealer Representative, and the compensation payable to a Broker-Dealer Representative creates a conflict of interest by potentially influencing her/him to recommend one product or service over another. In an effort to mitigate this conflict, Broker-Dealer Representatives are required to recommend only those securities transactions that are suitable for a client.

Principal Securities reviews all sales transactions by its Broker-Dealer Representatives to ensure that they are suitable for the client. In addition, when acting as a Financial Advisor offering Advisory Services, the Financial Advisor is required to act in your best interests. Principal Securities also monitors the Financial Advisor's investment advisory activities for compliance with this obligation.

In its capacity as a broker-dealer, Principal Securities, through its Broker-Dealer Representatives, provides clients with additional analyses, reports and proposals during the course of discussing possible implementation steps contained in the Planning/Consulting service or report. These analyses, reports and proposals are not part of the Planning/Consulting Services for which the Advisory Client has paid a fee, even though these analyses, reports and proposals likely include information derived from the information gathered to provide the services or contained in any report. In addition, employees of Principal Securities or its affiliates 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 specific security or other financial product as being part of the Planning/Consulting Services, even if the recommendations are based on information gathered when providing those services.

Principal Securities is affiliated with Principal Life Insurance Company ("Principal Life"), a retirement plan record keeper. Principal Securities and its affiliate have entered into selling/servicing agreements with certain fund families and receive a fee from certain of those fund families in connection with the retirement plan business. Revenue sharing fees are taken into consideration by Principal Life when pricing the retirement plan services. Such pricing consideration for a retirement plan does not include a client's decision to enter into a Retirement Plan Consulting Services Agreement with a Principal Securities Financial Advisor. Compensation payable to a Broker-Dealer Representative or Financial Advisor for product sales and service of a retirement plan creates a conflict of interest by potentially influencing the Broker-Dealer Representative or Financial Advisor to favor a particular product or recommendation due to such compensation. To mitigate this conflict, when acting as a Financial Advisor offering Advisory Services, the Financial Advisor is required to act in your best interests. Principal

Securities monitors the Financial Advisor's investment advisory activities for compliance with this obligation.

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 Planning/Consulting Services to individuals, qualified and nonqualified retirement plans, trusts, estates, charitable organizations, and other corporations and business entities. Financial Planning and Executive Planning Services are generally suitable for Advisory Clients who have more than \$45,000 in household income, or \$50,000 in household investable assets or \$150,000 in net worth, not including the value of their primary residence. Business Exit Planning Services are 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 have less than 100 employees.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Investment and advisory products and services offered or recommended by Principal Securities and its Financial Advisors are subject to risks associated with investing in securities and will not always be profitable. Principal Securities and its Financial Advisors 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 Advisory Clients should be prepared to bear. Past performance is no guarantee of future results.

Advisory Clients are not required to implement any of the suggestions that result from the utilization of Planning/Consulting Services. Similarly, there is no obligation, either before or after receiving Planning/Consulting Services for the Advisory Client to utilize Principal Securities or the Financial Advisor 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).

Financial Planning Services, Executive Planning Services and Business Exit Planning Services

The Planning/Consulting reports provide an analysis of financial areas selected by the Advisory Client. Principal Securities uses a variety of sources of information to prepare the reports for Financial Planning, Executive Planning and Business Exit Planning, including documents provided by the client, 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 contain information generated from research and ratings agencies related to securities already held by the Advisory Client, however the reports do not contain recommendations for specific securities or other investments. The source of information for these reports is limited to pre-approved sources other than Principal Securities or the Financial Advisor. 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.

Financial Consulting Services

The Advisory Client will choose the specific areas of focus of the service. The Financial Advisor will gather data, which may include current financial status, goals and objectives, risk tolerance and time horizon, to provide the service. The Financial Advisor may also use other sources of information when providing the service such as various financial publications and materials prepared by Principal Securities or its affiliates.

Retirement Plan Consulting Services

If an Advisory Client engages a Financial Advisor to provide investment recommendations for the retirement plan, the Financial Advisor conducts an 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, Financial Advisors 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.

Financial Advisors 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 Financial Advisor to discuss the approach and strategy of providing Plan Consulting Services to the retirement plan.

Seminar Services

Principal Securities provides only impersonal advice through its Seminar Services. Preparation of seminar materials is generally done by publishers and distributors of investment programs who are not affiliated with Principal Securities. Materials provide attendees with investment-related information and depending on the presentation could include 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 claim to meet the investment objectives or needs of specific individuals or accounts.

Item 9 - Disciplinary Information

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.

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.

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.

October 26, 2017 – Without admitting or denying the findings, Principal Securities consented to the sanctions and to the entry of findings that for at least three years, its system for supervising additions to existing variable annuities was not reasonably designed to ensure that it complied with applicable securities law and rules, including those governing suitability.

March 11, 2019 – Principal Securities self-reported to the Securities and Exchange Commission (SEC) as part of the SEC's Share Class Selection Disclosure Initiative (SCSD) possible violations of the Investment Advisers Act of 1940 (Advisers Act) relating to the firm's failure to make necessary disclosures concerning mutual fund share class selection. Without the firm admitting or denying the findings, on March 11, 2019, the SEC entered an order against the firm alleging breaches of fiduciary duty and inadequate disclosures in connection with the firm's mutual fund share class selection practices and fees it received pursuant to Rule 12b-1 under the Investment Company Act of 1940. At times during the period January 1, 2014 to December 31, 2018, the firm purchased, recommended or held advisory clients' mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same funds for which the clients were eligible. The firm received 12b-1 fees in connection with these investments. The firm failed to disclose in its form ADV or otherwise the conflicts of interest related to its receipt of 12b-1 fees and/or its selection of mutual fund share classes that pay such fees.

The firm was censured and ordered to cease and desist from committing or causing any violations and any future violations of Section 206(2) and 207 of the Advisers Act. The firm was also required to pay disgorgement and prejudgment interest to affected investors totaling \$1,764,624.26, as well as to take other remedial actions.

Item 10 - Other Financial Industry Activities and Affiliations

Principal Securities' primary business is that of a securities broker-dealer and Registered Investment Adviser. Principal Securities' other financial activities primarily include the sale of mutual funds, variable annuity, indexed annuities and variable life insurance contracts. Principal Securities also markets unit investment trusts, direct participation programs, and general securities (as an introducing broker to its clearing firm, Fidelity Clearing & Custody Solutions ("FCCS"), on a fully disclosed basis). Principal Securities representatives receive compensation for the sale of these investment products and receives additional compensation from other sources outside of their securities activities, such as sales of fixed annuities and life insurance.

Principal Funds Distributor, Inc., is the principal underwriter for an investment company (Principal Funds, Inc.). Principal Global Investors, LLC is the manager of Principal Funds, Inc. and Principal Exchange-Traded Funds. Shares of Principal Funds, Inc. and Principal Exchange-Traded Funds sold in connection with Principal Securities' advisory products pose certain conflicts of interest. Principal Securities serves as distributor for the variable life and variable annuity contracts issued by Principal Life Insurance Company and Principal National Life Insurance Company. Principal Trust Company generally

serves as trustee or custodian for retirement plans utilizing Principal Life Insurance Company as the plan's recordkeeper. Banking products are offered through Principal Bank. Principal Securities is affiliated with Principal Funds Distributor, Inc., Principal Life Insurance Company, Principal National Life Insurance Company, Principal Trust Company, Principal Bank and Principal Global Investors Holding Company, LLC., and all are subsidiaries of Principal Financial Services, Inc. Please see the Financial Advisor'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. and Principal Exchange-Traded Funds in our Principal Securities Advisory Programs, advice provided on shares of Principal Funds, Inc. and Principal Exchange-Traded Funds, and on Principal Life Insurance Company or Principal National Life Insurance Company policies and retirement plan accounts present conflicts of interest. Such conflicts are discussed in Item 5 (Fees and Compensation).

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

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 or mitigate conflicts of interest that exist, or appear to exist, and to prevent any violations of applicable laws, when Principal Securities' Officers, Directors, Investment Adviser Representative 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 reportable 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 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 Investment Adviser Representative, those persons must furnish a copy of an initial holdings report on any such accounts and reportable securities. A copy of an account statement issued by or an electronic data transmission from the firm where the account is maintained can satisfy this requirement. Access Persons must also furnish copies of quarterly transaction reports and annual holding reports on reportable securities. Copies of quarterly and annual statements issued by or electronic data transmissions from the firm where the account is maintained can satisfy this requirement. These records are then reviewed as appropriate.

Principal Securities Role

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 offers 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 Financial Advisors 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 Firm Disclosure 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 third party in connection with client securities transactions ("soft dollar benefits").

Item 13 - Review of Accounts

Financial Advisors contact Advisory Clients with varying frequency, depending on the specific services agreed upon in the relevant Advisory Client agreement. Financial Planning and Business Exit Planning reports are reviewed by the financial planning team consultants after creation. Financial Advisors review the financial plan with their clients at or after delivery.

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 Financial Advisor. 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 are prepared, customized or developed for Advisory Clients to address their particular needs.

Item 14 - Client Referrals and Other Compensation

Principal Securities and MAI Capital Management, LLC ("MAI") are entering into an agreement whereby MAI may solicit and refer certain prospective Retirement Plan Consulting Services clients to Principal Securities for a fee ("Solicitor Fee") in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940. The Solicitor Fee paid to MAI will be disclosed in the Solicitation Fee Disclosure Statement. MAI's services may include obtaining information regarding the Plan's objectives, conducting an analysis to make a determination of the suitability of the services to be provided by Principal Securities and its representatives. MAI will provide the client with Principal Securities' disclosure documents, may assist the client with paperwork and reasonably available for ongoing consultations with the client regarding the Plan's objectives. MAI receives compensation as a result of clients' contracting for Principal Securities Retirement Plan Consulting Services. The amount of the Solicitor Fee payable to MAI is negotiated and is paid to MAI from the Retirement Plan Consulting Services fee paid to Principal Securities.

Item 15 - Custody

Principal Securities does not take custody of any Advisory Client assets when providing Planning/Consulting Services.

Item 16 - Investment Discretion

Principal Securities and certain of its Financial Advisors have discretionary authority with regard to certain retirement plan Advisory Clients who have entered into an agreement for such services as described in Item 4. Other than those situations, Principal Securities and its Financial Advisors do not have investment discretion when providing Planning/Consulting Services.

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 does not allow prepayment of fees in excess of \$1200 per client six months or more in advance of services rendered.

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.