



**Form ADV, Part 2A (Firm Disclosure Brochure) for  
Retirement Plan Consulting Services**

**Principal Securities, Inc.**

711 High Street  
Des Moines, IA 50309  
888-774-6267  
August 15, 2023

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**

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 found on [www.PrincipalSecurities.com](http://www.PrincipalSecurities.com) or 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**

### **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. We also offer Principal Direct Advisory Accounts and Financial Planning and Consulting Services, which are described in separate Form ADV Part 2A brochures. Additional information can also be found in Principal Securities’ Form CRS Client Relationship Summary. All are available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

As of 12/31/2022, Principal Securities client discretionary assets under management are \$6,955,842,506 and non-discretionary assets under management are \$2,461,012,356.

### **Financial Advisor vs Broker-Dealer Representative**

Principal Securities offers both brokerage and investment advisory services. All Financial Advisors are also registered representatives of the Principal Securities broker-dealer. By being dually-registered, a Principal Securities representative can act either in the capacity of a registered representative offering brokerage services (also known as a Broker-Dealer Representative) or in the capacity of an investment adviser representative (referred to here as a Financial Advisor). The programs described in this brochure are investment advisory services that can only be offered by a Financial Advisor that is working in the capacity of an investment adviser representative.

## **Advisory Services Offered**

Principal Securities authorizes Financial Advisors to act on its behalf to offer retirement plan consulting and educational services, as described below, collectively referred to as “Retirement Plan Consulting Services”, to qualified retirement plans (e.g., 401(a) and 403(b)) and certain nonqualified plans, such as 457(b) plans). Such services are provided to the plan sponsor or other advisors and fiduciaries appointed by the plan sponsor with respect to services provided to the plan. These services are not provided to plan participants. To obtain these services, a retirement plan consulting agreement (“agreement”) must be entered into by the Financial Advisor, Principal Securities, and the Advisory Client.

### ERISA 3(21) Fiduciary Program

Under the ERISA 3(21) Fiduciary Program, Financial Advisors provide non-discretionary investment advice services to plan sponsor clients. Such services include one or more of the following:

- Providing non-discretionary investment advice about asset classes and investment alternatives available for the plan;
- Assisting in the selection of a broad range of investment alternatives;
- Providing investment option monitoring, reporting and analysis; and
- Conducting periodic investment reviews.

When providing these services, 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”). In such situations, Principal Securities is also an investment advice fiduciary as defined by 3(21)(A)(ii) of ERISA, and the Financial Advisor and Principal Securities are subject to specific legal obligations that include among other things, restrictions concerning certain forms of compensation.

### ERISA 3(38) Fiduciary Program

In limited circumstances, Principal Securities through its Financial Advisors provide discretionary services to plan sponsor clients. The discretionary services 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. Neither Principal Securities nor its Financial Advisors provide discretionary 3(38) services to retirement plans that are recordkept by its affiliate, Principal Life Insurance Company (“Principal Life”), nor permit selection of investment options that are advised by its affiliates when providing discretionary advice. When providing these discretionary services to plans subject to ERISA, Principal Securities and the Financial Advisor acknowledge in writing their status as an “investment manager” as defined in Section 3(38) of ERISA.

When providing Investment Management services, the Financial Advisor functions as an investment advice fiduciary as defined by 3(21)(A)(i) under the Employee Retirement Income and Security Act of 1974 (“ERISA”). In such situations, Principal Securities is also an investment advice fiduciary as defined by 3(21)(A)(i) of ERISA, and the Financial Advisor and Principal Securities are subject to specific legal obligations that include among other things, restrictions concerning certain forms of compensation.

## Investment Education and Benchmarking Services

Financial Advisors can also provide investment education, investment benchmarking and other services to plan sponsors that are categorized under ERISA as educational or administrative and not fiduciary in nature. Educational services for plan participants, such as enrollment meetings and other educational meetings, are also offered. Any such plan participant meetings are for educational purposes only and are not for individualized investment advice. Certain Financial Advisors can offer financial wellness services to plan sponsors for the benefit of their employees. The services can include educational seminars, use of a financial wellness assessment tool, written financial education materials and/or educational meetings. When providing these educational and administrative services, the Financial Advisor and Principal Securities do not act as a fiduciary under ERISA section 3(21)(A)(ii).

Except under the limited ERISA 3(38) program noted above, 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.

Principal Securities and its Financial Advisors do not provide investment advice regarding 1) employer stock, including whether to offer employer stock as an investment option, or 2) the offering of an individual brokerage account or mutual fund window.

Principal Securities may provide other retirement plan consulting services as requested and agreed upon in writing.

## **Item 5 - Fees and Compensation**

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 1.00% of stated plan assets annually thereafter.
- Flat fees are generally not to exceed 1.00% of stated plan assets.
- For plans with up to \$750,000 in plan assets, an alternative flat fee arrangement, not to exceed \$7,500 per annum, is permitted. This fee arrangement is charged direct to the Advisory Client and not to be received directly from retirement 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.

Fees negotiated can exceed the levels mentioned above under certain circumstances when warranted by the services provided. Principal Securities monitors the reasonableness of total fees charged.

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. Fees are described in the agreement.

Principal Securities will pay part of the fee received as compensation to your Financial Advisor. The portion of compensation payable to the financial professional is between 50% - 95% of the fee paid to Principal Securities. The specific percentage the financial professional receives is found in what's called a payout grid (also referred to as the "grid") and is based on the financial professional's sales productivity and retention of business over time.

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 Advisory Client must sign the applicable agreement and receive a copy of Principal Securities' Retirement Plan Consulting Services Form ADV Part 2A Disclosure Brochure, Form ADV Part 2B Brochure Supplement for the Financial Advisor and Form CRS (if applicable).

The Agreement will remain in effect until terminated by the Advisory Client, Principal Securities, or the Principal Securities Financial Advisor 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 services provided under the Agreement at rates disclosed in the applicable 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 been terminated, a renewal Agreement will be required for an Advisory Client to continue receiving services.

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.

### **Conflicts of Interest**

Except as outlined in Agreements for ERISA 3(38) Program services, Advisory Clients are not required to implement the recommendations or advice provided through the Retirement Plan Consulting Services offered by Principal Securities and its Financial Advisors, including those contained in any monitoring or other reports. Similarly, there is no obligation, either before or after receiving Retirement Plan

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).

Should an Advisory Client decide to transact business with Principal Securities or its affiliates outside of the advisory services described in this Brochure, the Advisory Client will pay any applicable charges, commissions, or fees relating to the purchased product or service.

If the Advisory Client, in addition to the advisory services described in this Brochure, purchases securities or other financial products through Principal Securities, Principal Life, 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 agreement.

The compensation we receive from sales of employer-sponsored plan products varies from product to product. To mitigate the conflict this creates, Principal Securities reviews recommendations to ensure they are in a client's best interest. In addition, in deciding which products to include on its product platform, Principal Securities reviews compensation for each product to ensure it is reasonable in comparison to the compensation for other products of the same product type.

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.

### Proprietary Products

Principal Securities is a member company of the Principal Financial Group, a family of financial services companies. Companies that are affiliated with Principal Securities are involved in various activities relating to the proprietary financial products and services our financial professionals sell. Those activities include manufacturing the products, serving as principal underwriter for the products managing the funds, annuities and life insurance products as well as providing recordkeeping and/or trust or custodial services. Because we sell products and services offered by, manufactured by and managed by our affiliates, our financial professionals and the firm have an incentive to sell these products because the affiliated companies benefit financially when the proprietary products are sold.

Proprietary mutual funds pay certain agreed upon fees to affiliates of Principal Securities for fund transfer agent and administration and distribution services. Additionally, the proprietary funds are managed by investment adviser affiliates of Principal Securities. These affiliates receive management fees from the proprietary funds for the investment management services provided. Sub-advisers of mutual funds (as listed in the fund's prospectus) provided by investment providers affiliated with Principal Securities may acquire research products and services from broker-dealers in connection with brokerage transactions entered into on behalf of the mutual fund (as described in the mutual fund's Statement of Additional Information, as amended.)



Compensation Principal Securities receives from its affiliate product manufacturers generally is similar to the amounts Principal Securities receives from unaffiliated product manufacturers. However, there are instances where compensation our affiliates pay us - and indirectly our financial professionals - is higher than unaffiliated product manufacturers pay.

Principal Securities is affiliated with Principal Life, a retirement plan record keeper. Principal Securities and its affiliate have entered into selling/servicing agreements with certain affiliated and unaffiliated fund families and receive a fee from certain of those fund families in connection with the retirement plan business. When Principal Life is the plan's recordkeeper, revenue sharing fees are taken into consideration by Principal Life when pricing the retirement plan services. These amounts can be found in the Fee Summary and/or Confirmation of Investment Options letter provide by Principal Life. If Principal Life is the recordkeeper for your plan, see the Principal Disclosure Statement for additional information.

## **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 Retirement Plan Consulting Services to tax-qualified and nonqualified retirement plans and trusts.

## **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.

Except under the limited ERISA 3(38) program, Advisory Clients are not required to implement any of the suggestions that result from the utilization of Retirement Plan Consulting Services. Similarly, there is no obligation, either before or after receiving Retirement Plan 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).

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. To

analyze the investment options, Financial Advisors will conduct their own research and utilize third-party tools and databases. Financial Advisors make recommendations based on the needs of the Advisory Client and consistent with the retirement plan's stated investment objectives. The information provided by Advisory Clients about their specific situation drives the recommendations. Advisory Clients are encouraged to speak to their Financial Advisor to discuss the approach and strategy of the services to be provided.

When providing participant education including through enrollment meetings or educational seminars, Principal Securities and its Financial Advisors provide only impersonal advice. 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 also include educational material regarding general financial principles that are not investment-related. In the seminars and educational meetings, the Financial Advisor does not provide advice about specific securities or other investments and the information provided is not designed to meet the investment objectives or needs of specific individuals or accounts.

### **Item 9 - Disciplinary Information**

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 annuities and variable life insurance contracts but also includes the sale of general securities (as an introducing broker to its clearing firm, Fidelity Clearing & Custody Solutions ("FCCS"), on a fully disclosed basis).

Principal Funds Distributor, Inc., is the principal underwriter for an investment company (Principal Funds, Inc.). Principal Asset Management is the manager of Principal mutual funds, Inc., Principal exchange-traded funds and other products created by affiliates of Principal Securities ("Proprietary Products"). Shares of Proprietary Products 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 Asset Management, and all are subsidiaries of Principal Financial Services, Inc. Please see Principal Securities, Inc. Form CRS, the Financial Advisor's Form ADV Part 2B and PrincipalSecurities.com for additional details regarding Principal Securities role as a Broker-Dealer and the Principal Securities representative's role as a Broker-Dealer Representative when selling securities products of affiliates.

The advice provided on Proprietary Products, 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 requiring that this Firm Disclosure Brochure be delivered to Advisory Clients and Principal Securities, Inc. Form CRS be delivered to the Advisory Clients who are retail customers as defined under Regulation Best Interest.

#### **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**

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 agreement are tailored to the specific needs of the Advisory Client. Depending on the services desired, written reports are prepared, customized or developed for Advisory Clients to address their particular needs.

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

### **Transition Assistance**

Principal Securities provides some of our Financial Advisors various forms and amounts of transition assistance to encourage the Financial Advisor to transition to our firm and to help cover associated costs. Such transition assistance can include a lump sum payment, coverage of certain fees (such as registration fees, termination fees associated with moving accounts, and technology service fees), or both. Some other Financial Advisors receive transition assistance in the form of a loan and forgivable promissory note. The promissory notes vary in amount and terms, but the loan amount is largely based on the Financial Advisor's anticipated production. Portions of the loaned amount are forgiven on an annual basis if the Financial Advisor remains affiliated with the firm and meets the minimum production requirement set forth in the note. The minimum production requirement is based on commissions and fees paid for the sale of securities products and advisory services but does not include the sale of insurance or annuity contracts. If your Financial Advisor received a forgivable loan and has an outstanding loan balance, your Financial Advisor has an incentive to recommend that you purchase products and services that count toward the minimum production requirement for forgiveness, purchase products and services that result in higher compensation, and engage in other fee-generating activities that will assist your Financial Advisor in meeting the minimum production requirements for all or a portion of the outstanding loan balance to be forgiven. This conflict is heightened as a Financial Advisor approaches the deadline for meeting the annual qualification target for loan forgiveness, particularly in the final year of the note.

### **Cash/Non-Cash Compensation and Promoters**

Principal Securities, its Financial Advisors, and affiliates of Principal Securities enter into sponsorship or other marketing and promoter arrangements with third parties which include cash or non-cash compensation being paid to the third party individuals or entities. While this compensation is typically a flat dollar amount not directly tied to any resulting sale or fee revenue, there are certain scenarios where cash compensation is paid as a percentage of the advisory fee or commission charged to customers as permitted by applicable regulation. Some entities that are eligible for percentage of revenue share are banks, credit unions, savings institutions, and other Registered Investment Advisors. As part of these arrangements, the third parties could provide promotion or endorsement of Principal Securities products and services, Principal Securities' Financial Advisors, or affiliates of Principal Securities. The cash or non-cash compensation received creates incentive to the third party to promote and/or endorse Principal Securities, its Financial Advisors and its affiliates. This financial incentive creates a conflict of interest. As a control to address this conflict, Principal Securities has implemented policies and procedures to reasonably review arrangements where a third party receives compensation and intends to distribute communications that promote or endorse Principal Securities' Registered Investment Adviser's products or services or the investment advisory services offered by its Financial Advisors. These policies are also designed to comply with the books and records requirements under Rule 204-2, and the disclosure requirements under Rule 206(4)-1, under the Investment Advisers Act of 1940.

### **Other Compensation**

Principal Securities receives payments from certain product sponsors for making those sponsors' products available on Principal Securities' platform. Principal Securities also has relationships with a

number of third parties from which we receive compensation (beyond commissions) when we recommend or sell certain investments. Some of the third-party payments and revenue sharing Principal Securities receives include 12b-1 fees, marketing support, distribution, and stockholder servicing fees. The payments from product sponsors create conflicts of interest as they incentivize Principal Securities to select products for its platform for which it will receive such sponsor payments. To mitigate this conflict of interest, Principal Securities performs initial and ongoing due diligence of products proposed to be included on the firm's product platform. Principal Securities has a Conflicts Committee to identify conflicts and help with mitigation efforts related to the conflicts. Principal Securities also has a Product Committee that reviews products before they are put on the firm's platform.

Financial Advisors who meet certain sales thresholds are invited to educational recognition trips and events hosted by Principal Life and/or its affiliates. Qualification for these trips and events is based on the level of overall sales of products. This creates a conflict in that Financial Advisors have an incentive to sell more products in order to qualify for the trips and events. To mitigate this conflict, the qualification criteria are designed to not favor one product over any other product and non-proprietary products are treated the same as Proprietary Products.

Additionally, some Financial Advisors may be invited to attend due diligence events with outside investment firms. These events and trips create a conflict of interest as they incentivize the sale of certain companies' products. To mitigate such conflicts, all events and trips must be reviewed by Principal Securities to ensure reasonableness. Principal Securities also has a dedicated team that reviews transactions to make sure they are in clients' best interests and it has other surveillance tools to detect potential problems. We disclose these conflicts to you so that you can make fully informed decisions on what action to take.

Principal Securities also rewards Financial Advisors who meet certain production goals by application count of any new business within a calendar year through award of a gift card for \$100 to the Principal Corporate Store. As noted above, Principal Securities mitigates this conflict by reviewing transactions to make sure they are in the clients' best interests and using surveillance tools to detect potential problems.

Principal Securities receives direct and indirect reimbursements from certain sponsors or platform providers including but not limited to marketing reimbursements, meals and the cost of presentation facilities for Financial Advisors to attend sales presentations or education events. These reimbursements give Principal Securities an incentive to recommend to a Financial Advisor the use of one sponsor or provider over another.

Principal Securities offers sponsorship opportunities that allow approved product sponsor companies and technology vendors to financially support and participate in conferences, meetings, and other events held for Principal Securities' financial professionals. Participating companies have greater opportunity to market to and educate Principal Securities' financial professionals on their products and services as compared to non-participating companies. Our financial professionals sometimes receive promotional items from participating companies, such as pens, notebooks, bags and other miscellaneous items. As a result of the financial support it receives for these events, Principal Securities has an incentive to continue to offer and utilize participating companies' products and services. For more information, including a list of product sponsor companies and technology vendors that Principal Securities has received sponsorship payments from, please see PSI Third-Party Payments, available at [www.principalsecurities.com](http://www.principalsecurities.com).

Principal Securities has agreements for employer-sponsored plan business in place with certain investment companies who pay revenue sharing directly to Principal Securities. For information about the revenue sharing arrangements and companies involved, please see PSI Third-Party Payments, available at [www.principalsecurities.com](http://www.principalsecurities.com).

For retirement plans sold through Preferred Product Network, Inc., Principal Securities expects to receive compensation from the insurance companies as outlined in compensation agreements you have separately received from those insurance companies and/or recordkeepers.

### **Item 15 - Custody**

Principal Securities does not take custody of any Advisory Client assets when providing Retirement Plan 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 ERISA 3(38) services as described in Item 4. Other than those situations, Principal Securities and its Financial Advisors do not have investment discretion when providing Retirement Plan Consulting Services as described in this brochure.

### **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.