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In the Matter of
The Principal Financial Group
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Agreement between the Attorney General of the State of Connecticut and Principal Financial Group, Inc. and its subsidiaries and affiliates (collectively "Principal") dated November 14, 2007 ("the Agreement")

WHEREAS, the Connecticut Attorney General caused an investigation to be made of Principal pursuant to Conn. Gen. Stat. § 35-24 et seq. (the Connecticut Antitrust Act) and Conn. Gen. Stat. § 42-110a et seq. (the Connecticut Unfair Trade Practices Act) related to Principal's practices in the marketing, sale or placement of Single Premium Group Annuities and Single Premium Guaranteed Immediate Annuities (with form numbers GP A 5951, GP A 5975, and GP A 5976) (collectively, "SPGAs") to defined benefit pension plan sponsors ("pension plan sponsors") (hereinafter, the "Investigation");

WHEREAS, the Connecticut Attorney General is prepared to make the following allegations (the "Allegations") based on the above Investigation:

1. Since at least 1998, in connection with less than 5% of its SPGA contracts, Principal has paid approximately $3.2 million dollars in undisclosed compensation to a small group of SPGA brokers (collectively, the "Brokers"), including BCG Terminal Funding Company ("BCG"), Brentwood Asset Advisors, LLC ("Brentwood"), Dietrich and Associates, Inc. ("Dietrich"), Sharp Benefits, Inc. ("Sharp Benefits") and USI Consulting Group ("USI").

2. Without the knowledge of pension plan sponsors, Principal and the Brokers entered into certain payment arrangements, at times called "Expense Reimbursement Agreements" ("ERA"), "Marketing Agreements" or "Service Agreements." Described in internal Principal emails as "expense incentive[s]" or "'rewards for performance," these arrangements provided a select group of brokers—who together controlled a significant share of

the market in the placement and sale of SPGA contracts nationwide—with compensation in addition to specified "commissions" in connection with the sale, marketing or placement of SPGAs.

3. In Principal's own words, the arrangements were fashioned as "a means of adding some additional compensation without having to be completely up-front" with the pension plan sponsors about the compensation that the Brokers received. In some cases, the compensation exceeded the specified "commission" by more than one-hundred percent. Principal failed to completely and accurately disclose the additional compensation and had reason to know that the Brokers were not disclosing these payments to their clients.

The Brokers

4. Due to the complexities associated with a pension plan's administrative requirements and legal obligations, the plan sponsor's fiduciary obligation to the plan, and the intricacies and complexity in evaluating and selecting an appropriate annuity, many plan sponsors turn to the services of an experienced pension broker to guide and navigate the plan through the myriad steps necessary to make the right annuity choice. The broker's role with respect to the purchase of a SPGA for a pension plan is to assist the client in selecting the safest available annuity at the best price for the benefit of retirement plan participants. Often, the process of purchasing an annuity requires a broker to arrange for and conduct a process of preliminary and final bidding among competing insurers. At the conclusion of the bidding, the broker will most often provide the plan with a written recommendation regarding the most appropriate annuity for the plan to purchase.

5. Brokers are generally compensated for their services to the pension plan in one of two ways: (a) a fee negotiated between the plan sponsor and the broker, which is paid directly

by the plan to the broker, or (b) a commission agreed to by the plan sponsor and paid by the selected insurance company, which builds the commission into the final annuity premium.

6. Consistent with the broker's role as the plan sponsor's independent expert and fiduciary hired to guide the plan sponsor through a sea of decisions, the plan expects that the broker act for the benefit of the plan and will help the plan sponsor find the most appropriate annuity for the plan at the best available price.

7. BCG markets itself as one of the largest SPGA consulting/placement firms in the Nation. On its website, BCG tells prospective clients that: "Towering amounts of information and a diverse set of choices in the marketplace can be an overwhelming proposition. YOUR ally and confidant in this process should be one you can trust to make the proper recommendations and possess the knowledge and relationships to navigate you through the sea of decisions needed to make proper fiduciary choices." In a description of the company to pension plan sponsors, BCG's website states: "Integrity is our mainstay as evidenced by our loyalty to our clientele, straight shooting approach and commitment to meet your needs and the interests of your participants and other stakeholders."

8. Brentwood advertises itself as "a national leader in the placement of group annuity contracts" that prides itself on the "unrivaled due diligence" that it provides clients searching for the right annuity for their plan. Brentwood claims to provide clients with services "that enable the fiduciary to make an informed decision," and, on its website, states that, in 2002, 2003 and 2005, Brentwood "placed more group annuity contracts . . . than anyone in the nation." According to Brentwood's website: "Navigating plan sponsors and financial intermediaries through the complicated maze of regulations and fluid economic changes associated with

employee benefits and investments are skills Brentwood Asset Advisors, LLC have taken many years to develop."

9. Dietrich is "a pension financial services firm providing specialized annuity brokerage and consulting services to institutional clients" that claims to be the "largest independent broker in the single premium group annuity market." Dietrich promotes itself as assisting clients in the evaluation and selection of group annuity products. Dietrich holds itself out to clients as "totally objective" in its "carrier evaluation and selection process," and it claims that "clients have the assurance that contracts purchased . . . are the most competitive available."

10. Sharp Benefits was established in 1996 with "the objective of providing" a means for "plan sponsors to obtain a fast and knowledgeable response to annuity" needs. Sharp Benefits claims to offer "honest, practical advice" and promises to provide clients with "the best service." According to its website in 2000 - 2001: "Many plan sponsors find that they are in need" of an "annuity contract for plan participants. The process of a plan termination requires that the plan sponsor and consultant make many important decisions. One important part" of the process is to "choose an insurance company" to issue "annuity contracts for the plan participants and beneficiaries. The purpose of Sharp Benefits is to handle the complete Annuity Search, from plan review to final contract issue." One of Sharp Benefits responsibilities is to negotiate "with each carrier on behalf of the plan sponsor to obtain the most competitive final bids." Debora Sharp, the president of Sharp Benefits, is now an independent marketing representative for BCG.

11. USI, headquartered in Glastonbury, Connecticut, is part of USI Holdings Corporation, one of the largest property and casualty benefits brokers in the United States. On its website and through other promotional materials, USI markets itself as a firm that does not address a client's particular needs with a "preconceived notion" as to what is the right solution.

Rather, USI claims that when a client "partners" with USI, that client taps into the company's many consultants whose claimed goal is to "maximize the value of every dollar spent" and to provide the best in "value-added service" in selecting the right investment.

The Additional Broker Compensation

12. While the Brokers claimed to act for the benefit of the plan and to obtain the best product at the best price, they received additional, undisclosed compensation from Principal. The additional broker compensation arrangements permitted the Brokers to show a lower "commission" to their clients while still receiving greater overall compensation. The extra compensation that Principal paid to the Brokers was in addition to, not in lieu of, the specified commission.

13. One example of Principal's additional compensation arrangements with the Brokers is the "Expense Reimbursement Agreement," often abbreviated by both the Brokers and by Principal as simply "ERA." As early as 1998, Principal entered into written and oral ERAs, without the knowledge of pension plan sponsors, to "reimburse" the Brokers for the so-called "expenses" that they incurred, up to one percent of the final net premium for a SPGA contract. The reason for the ERA was to provide additional compensation to the Brokers without revealing higher commission costs to clients.

14. In letters dated June 16, 2000, Principal wrote to the Brokers telling them that, after careful evaluation of "the nature of the agreement," Principal decided to terminate the arrangement and that, "since the ERA will no longer be used, the total amount of commission will be fully disclosed to the customer." An internal Principal email states: "The reason for dropping ERA had to do [with] the fact they [the Brokers] had to disclose it."

15. After June 2000, Principal worked extensively with the Brokers to "explore ways to recognize the volume of business" that the Brokers placed with Principal. In minutes taken

from a 2004 golf trip with Mike Devlin and Pat McLean of BCG, a Principal marketing executive writes: "We also discussed the Expense Reimbursement Agreement (ERA) that is in place with them. They like these agreements and consider them critical to their operation, but feel like Principal emphasizes broker comp and this expense too much in the quote and again in the Acceptance of Offer document that goes to the client. . . . [T]hey prefer commissions be displayed as a percentage rather than a dollar amount, and don't like reference to expense reimbursement." The minutes also state that the Brokers "expressed interest in having one contact at Principal that knew them, knew their business objectives, knew about ERA, and ensured that business they place with us or quotes they are working with us on are handled smoothly and efficiently. They feel like too many underwriters all being aware of ERA can result in one of them inadvertently conveying comp[ensation] and ERA type information to clients or other marketers. They want that sort of info to be more closely guarded even internally at PFG."

16. It was important to the Brokers that the plan sponsors were unaware of the specific amounts of any additional compensation. In a November 2000 Brentwood email to Principal, commenting on a new form that Principal proposed for use with all SPGA placements, Neil Ronco of Brentwood writes: "I understand . . . that the word 'marketing' came from your attorneys. My feeling is that marketing refers directly to us. Especially since it is on the form that we have our clients sign. We would have preferred 'administrative' as opposed to marketing. But clearly, the fact that the [expense reimbursement] is listed on a form that we are requiring our client to sign does not work for us."

17. Similarly, in a November 2000 email from Dietrich to Principal, criticizing the same form Principal proposed, Kurt Dietrich writes: "This new form does not even resemble the

one we forwarded you . . . You have made a single form for the acknowledgment of compensation. Why? This form does not work for us . . . If this is the direction you intend to take perhaps we should start fresh and begin talking in terms of incentive based production bonuses. Are these forms of compensation disclosed . . . ? If we were considered full time agents of Principal would this type of compensation be disclosed?"

18. Given the significant amount of criticism raised by the Brokers in response to Principal's decision to terminate the ERA agreements, Principal and the Brokers developed two new arrangements to implement after the June 2000 letters—a Marketing Agreement and a Service Agreement. The Marketing Agreement again provided additional, undisclosed compensation to the Brokers. As an internal Principal email states, "I'm still thinking we can have something pretty similar to current ERAs, but just not call it ERA." The Marketing Agreements provided that Principal would "reimburse" the Brokers for their "reasonable marketing expenses" up to one percent of the final net premium that the pension plans paid to Principal. As with the ERA, the Brokers thought of the "reimbursed expenses" as additional compensation, and the "expenses" were in connection with the placement of SPGA business.

19. Principal would often tell the Brokers how much the Brokers' "expenses" were for placing the SPGA contract with Principal. A Dietrich vice president writes to Principal: "Because it is so difficult to determine, can you please tell me the dollar amount of compensation" that Dietrich will receive? Principal writes back: "1% ERA = $11,103.37 (Before we can pay the 1% ERA, we'll need an expense statement from you, which totals this amount.)" Likewise, in a 2004 email, Principal tells BCG that "your ERA" is "$50,000—your expenses need to match what we priced on the case for commissions to pay your expenses. Therefore, please resubmit an expense sheet."

20. Beginning at least as early as January 2002, Principal also entered into a Service Agreement with Brentwood, in which Principal paid additional compensation to Neil Ronco in connection with the placement of SPGA business. The Service Agreement purported to pay Brentwood for "administrative and consulting services relating to the group single premium annuity market." But in an internal email, Principal referred to the Service Agreement as a "special commissions agreement," and the Service Agreement itself states that "[p]ayments for services under this [a]greement will be calculated based on the SPGA and SPGIA sales that Brentwood brings to Principal . . . ." Neil Ronco would provide a brief email, sent once every three months, to satisfy his "consulting" services to Principal. When Brentwood "had no new Single Premium sales during" a quarter, there was "no payment due under the Service Agreement."

Examples of Pension Plans Whose SPGA Business with Principal Resulted in the Payment of Additional Compensation to Brokers

21. Principal paid the Brokers additional compensation apart from specified "commissions" in 83 SPGA cases throughout the United States. The pension plans, who placed an SPGA with Principal that resulted in the additional payments to the Brokers, are comprised of a diverse set of private and public companies, government agencies, non-profit organizations and other establishments, including the Friends Hospital, located in Philadelphia, Pennsylvania, Macristy Industries, Inc., located in New Britain, Connecticut and ALLIANCE for Community Care, located in San Jose, California. Below are three examples in which Principal paid additional, undisclosed compensation in connection with its SPGA business.

A. Bull HN Information Systems, Inc. ("Bull")

22. In 2002, Bull hired Brentwood's Philip Harbin as its broker for the purchase of a SPGA on behalf of both its active and retired employees. Pursuant to its role as a fiduciary and

its legal obligation to seek the safest available annuity, Bull's plan sponsor agreed to pay Brentwood a flat $125,000 commission for independent, expert advice and for guiding and assisting Bull in the annuity selection process. Brentwood never disclosed to Bull that it had a separate compensation arrangement with Principal, and thus Bull believed that the $125,000 commission represented the full commission that Brentwood would receive.

23. In reality, when Brentwood placed Bull's SPGA business with Principal, Brentwood obtained an additional $594,734.50 from Principal for a total compensation of $719,734.50. Bull was unaware that Brentwood would receive $125,000 if it selected a company that did not pay additional compensation, but that Brentwood would receive $719,734.50 if Principal was awarded the business. The total compensation paid to Brentwood was built into the price of Bull's SPGA premium.

24. Principal did not disclose to Bull the additional compensation paid to Brentwood. In Principal's Acknowledgment of Compensation form, Principal affirmatively stated to Bull that "[t]he amount of compensation to be paid" to Brentwood "will not be greater than" a "flat $125,000."

B. The Hall Corporation (formerly, the Stackpole Corporation) ("Hall")

25. In 2003, Hall hired Mike Devlin of BCG as a "consultant" to provide "valuable industry knowledge" in the review of SPGA quotes. Since Hall wanted to ensure that "no fees were passed to participants," Hall sought quotes on its own from SPGA providers. For BCG's services in helping to review the quotes, Hall negotiated a flat fee of $20,000 that it paid directly to BCG.

26. BCG did very little of the heavy lifting on this placement. Instead, BCG's role was limited to providing Hall with supposedly independent and objective advice. The remainder of the work was either undertaken by Hall or outsourced to a separate consulting firm. As such,

the SPGA carriers competing for the placement were not to include commissions in the premiums.

27. Hall was very cost-conscious and took affirmative steps to inform SPGA carriers, including Principal, that "[c]omissions should not be included in the quote." Principal understood, and internal Principal documentation shows that fees/commissions were not to be paid. For instance, Principal's proposal to Hall states that "[c]ommissions have not been included in our cost," and an internal Principal email acknowledges that Hall is configured "as zero commissions on the regular commission record." Nevertheless, Principal paid $567,000 in additional, undisclosed compensation to Mike Devlin. Hall was not aware that BCG had a Marketing Agreement or any compensation arrangement with Principal, and the additional compensation paid to BCG was built into the price of Hall's SPGA.

C. Bead Industries, Inc. ("Bead")

28. Bead is located in Milford, Connecticut. In 1999 and 2000, Bead purchased two separate SPGA contracts from Principal with Sharp Benefits as the broker of record. In both cases, Principal and Sharp Benefits affirmatively represented to Bead that Sharp Benefits' "compensation" would be "not greater than 3% of the total premium." In reality, Sharp Benefits obtained four percent.

29. The extra one percent, in both cases, was the result of the ERA that Sharp Benefits had in place with Principal. With respect to one of the SPGA contracts purchased by Bead, Principal was not the lowest bidder.

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30. Based on these findings, the Connecticut Attorney General is prepared to allege that Principal: (a) unlawfully engaged in unfair and deceptive trade practices; (b) conspired with and aided and abetted the Brokers in a scheme to engage in unfair and deceptive trade practices

resulting in a breach of the Brokers' fiduciary duties; and (c) made affirmative misrepresentations of material fact to plan sponsors in contravention of established law.

* * *

WHEREAS, Principal denies the above Allegations and contends that: (1) Principal disclosed the overall cost of the SPGA contracts, which included the cost of broker payments; (2) the Brokers did not steer any business to Principal in return for these payments; (3) the pension plan sponsors suffered no harm as a result of any conduct by Principal; and (4) Principal is settling this matter to avoid the cost of litigation;

WHEREAS, Principal has been and is continuing to cooperate fully with the Investigation being conducted by the Connecticut Attorney General and wishes to resolve the Investigation;

WHEREAS, pursuant to the Investigation by the Connecticut Attorney General, Principal is entering into this Agreement prior to any court making any findings of fact or conclusions of law relating to the findings of the Connecticut Attorney General;

WHEREAS, as a result of the Connecticut Attorney General's Investigation, Principal agrees to implement the business reforms stated herein;

WHEREAS, the Connecticut Attorney General finds that the relief and agreements contained in this Agreement are appropriate and in the public interest, and is willing to accept this Agreement as a settlement of the Connecticut Attorney General's Investigation of Principal's SPGA business;

WHEREAS, the Connecticut Attorney General and Principal wish to enter into this Agreement to resolve the Connecticut Attorney General's Investigation of Principal's SPGA business;

WHEREAS, this Agreement is entered into solely for the purpose of resolving the Connecticut Attorney General's Investigation of Principal's SPGA business, and (1) will not be used for any other purpose, and (2) will not be offered, received or construed as an admission or evidence of any liability or wrongdoing by Principal; and

WHEREAS, nothing herein shall be construed to apply to any business or operations other than Principal's SPGAs;

NOW THEREFORE, Principal and the Connecticut Attorney General hereby enter into this Agreement, and agree as follows:

MONETARY RELIEF

A. Single Premium Group Annuity Fund

1. Within 10 business days of the date of this Agreement, Principal shall pay $4.4 million into a fund (the "Single Premium Group Annuity Fund") created and held by Principal to be paid to Principal's pension plan customers that (a) purchased Principal's SPGA(s) during the period from January 1, 1998 through January 13, 2006, (b) used BCG Terminal Funding Company, Brentwood Asset Advisors, LLC, Dietrich & Associates, Inc., Sharp Benefits, Inc., or USI Consulting Group, or those brokers' or consultants' predecessors (the "Brokerage Entities") as their broker or consultant, and (c) purchased an SPGA where the sale resulted in a payment to a broker or consultant pursuant to an expense reimbursement, marketing, or service agreement ("Broker Payment"). The pension plan customers who meet these criteria will be referred to in this Agreement as the "Eligible Customers." All of the money paid into the Single Premium Group Annuity Fund and any investment or interest income earned thereon shall be paid to the Eligible Customers under the formula set forth in paragraph A.3 of this Agreement, except as provided in paragraph A.9. No portion of the Single Premium Group Annuity Fund shall be considered a fine or penalty.

2. The Single Premium Group Annuity Fund shall be invested in a designated money market fund subject to the prior approval of the Connecticut Attorney General.

3. Principal shall (a) by January 15, 2008, identify the SPGAs purchased by the Eligible Customers ("the Eligible Annuities") and calculate the amount of money each of the Eligible Customers paid for the Eligible Annuities; (b) within ten business days of completing these calculations, file a report with the Connecticut Attorney General, certified by an officer of Principal, setting forth: (i) each Eligible Customer's name and last known address; (ii) the Eligible Customer's Eligible Annuity(ies) (by group annuity number(s)); (iii) the amount the Eligible Customer paid in premiums for each Eligible Annuity; and (iv) the amount each Eligible Customer is eligible to receive from the Single Premium Group Annuity Fund, which shall equal each Eligible Customer's pro rata share of the Single Premium Group Annuity Fund as calculated by multiplying the amount in the Single Premium Group Annuity Fund by the ratio of the Broker Payment that was made with respect to that Customer's Eligible Annuity(ies) divided by the total Broker Payments that were made with respect to all Eligible Annuity(ies); and (c) by January 31, 2008, send a notice to each Eligible Customer, setting forth the items in (b)(ii) through (iv), above, and stating that the amount paid may increase if there is less than full participation by Eligible Customers in the Single Premium Group Annuity Fund (the "Annuity Notice"). The form of the Annuity Notice shall be subject to the prior approval of the Connecticut Attorney General.

4. In the event impediments arise with respect to the identification of Eligible Customers, or the distribution from the Single Premium Group Annuity Fund to a particular Eligible Customer, both the Connecticut Attorney General and Principal agree to use their best efforts to achieve the parties' stated intention to distribute to each Eligible Customer their pro

rata share of the Single Premium Group Annuity Fund. Any amounts not distributed to Eligible Customers, despite the best efforts of the parties, shall be distributed in accordance with paragraph A.9 of this Agreement.

5. Eligible Customers who receive an Annuity Notice and who voluntarily elect to receive a cash distribution (the "Participating Customers") shall tender a release in the form attached hereto as Exhibit 1 on or before June 1, 2008.

6. On or before July 15, 2008, Principal shall pay each Participating Customer tendering a release the amount that that Participating Customer is eligible to receive from the Single Premium Group Annuity Fund as set forth in paragraph A.3(b)(iv) above, and any interest or investment income earned thereon.

7. On or before August 1, 2008, Principal shall file an interim report with the Connecticut Attorney General, certified by an officer of Principal, listing all amounts paid from the Single Premium Group Annuity Fund.

8. In the event that any Eligible Customer elects not to participate or otherwise does not respond to the Annuity Notice (the "Non-Participating Customers"), the amount that such policyholder was eligible to receive from the Single Premium Group Annuity Fund as set forth in paragraph A.3(b)(iv) may, up until January 15, 2009, be used by Principal to satisfy any pending or other claims asserted by Non-Participating Customers or any other person or entity (excluding shareholders of Principal or stakeholders of Principal that are not customers of Principal) relating to the payments made by Principal to the Brokers pursuant to the SPGA Allegations that are set forth above, provided that in no event shall a distribution be made from the Single Premium Group Annuity Fund to any Non-Participating Customer or other person or entity until all

Participating Customers have been paid the full aggregate amount set forth in paragraph A.3(b)(iv) above, and any interest or investment income earned thereon.

9. If any money remains in the Single Premium Group Annuity Fund as of January 15, 2009, after distribution as provided in paragraphs A.3(b)(iv) and A.6 to Participating Customers, and the amounts set forth in paragraph A.8 to Non-Participating Customers or other person or entity, any such funds shall be distributed by February 15, 2009, on a pro rata basis to the Participating Customers.

10. In no event shall any of the money in the Single Premium Group Annuity Fund or the investment or interest income earned thereon be used to pay or be considered in the calculation of attorneys' fees.

11. In no event shall any of the money in the Single Premium Group Annuity Fund or the investment or interest income earned thereon be used to pay or be considered in the calculation of commissions or administrative or other fees to Principal.

12. On or before March 15, 2009, Principal shall file a report with the Connecticut Attorney General, certified by an officer of Principal, listing all amounts paid from the Single Premium Group Annuity Fund, including any payments subsequent to the payments described in paragraph A.6 or pursuant to paragraphs A.8 and A.9.

B. Penalty

13. Within 10 business days of the date of this Agreement, Principal shall pay $600,000 as a penalty, by wire transfer to the State of Connecticut.

BUSINESS REFORMS

14. Within 90 days of the date of this Agreement, Principal shall undertake the following reforms with respect to its practices in the marketing, sale and placement of SPGAs. Principal will not undertake any transaction for the purpose of circumventing the prohibitions

contained in this Agreement. These reforms shall not apply to any other current business or products at Principal, or to any products or services that Principal may develop or acquire in the future.

15. For purposes of this Agreement, and subject to paragraph B.14 above, which limits these business reforms to the SPGA products and line of business, Compensation shall mean anything of material value given to a Producer,[1] provided that Compensation shall not mean: (a) a commission set at the time of each sale, placement or servicing of a particular SPGA that is agreed to, in writing, by the plan sponsor; (b) customary, non-excessive meals or entertainment expenses; (c) reasonable education, training or conference expenses; or (d) Compensation paid to employees of Principal or to Principal's Producers that are captive or are exclusive to Principal with respect to SPGAs and that are clearly and conspicuously identified in marketing materials as Principal's SPGA Producers. Principal shall develop and implement policies for its relevant employees explaining the provisions of this paragraph as part of the written standards described in paragraph B.19. Prior to December 15, 2007, Principal shall submit to the Office of the Connecticut Attorney General ("CTOAG") a draft of the intended policies for CTOAG approval, which approval shall be provided within 30 days or thereafter be deemed approved unless disapproved within that 30-day period.

16. Principal shall disclose in writing (a) to brokers in its initial SPGA proposal, and (b) to its SPGA customers, prior to binding, all Compensation and commissions paid to the Producer or, if not immediately calculable, Principal shall have complied with this provision by disclosing how such Compensation and commissions will be calculated in relation to that

[1] For purposes of this Agreement, "Producer" shall mean any insurance agent, as that term is defined in Conn. Gen. Stat § 38a-702a(1), who offers SPGAs from more than one insurer or affiliated group of insurers, or any insurance producer, as that term in defined in Conn. Gen. Stat § 38a-702a(6), who sells, places or consults with clients respecting SPGAs.

pension plan customer's SPGA, and shall, prior to binding, obtain the written consent of each of its SPGA pension plan customers to such terms of Compensation and commissions. Principal shall also disclose in writing to the pension plan customer, by the end of the calendar year in which each SPGA contract is executed, all Compensation and commissions paid or to be paid to the Producer in relation to that pension plan customer's SPGA. All disclosures and consents referred to in this Agreement may be delivered and obtained electronically. Additionally, beginning 60 days from the date of this Agreement, Principal shall disclose on its website, information relating to Principal's practices and policies regarding Compensation and commissions sufficient to inform pension plan sponsors of the nature and range of Compensation and commissions paid by Principal to Producers of SPGAs. Prior to posting this disclosure on its website, Principal shall submit to the CTOAG the proposed format and content of the website disclosure. The final form and content of the website disclosure shall be subject to the prior approval of the CTOAG, which approval shall be provided within 30 days from the date of the submission or thereafter be deemed approved unless disapproved within that 30-day period. After that approval has been obtained, Principal will not be required to submit such material in the future for approval.

17. For any SPGA placed with a pension plan governed by the Employee Retirement Income Security Act of 1974 ("ERISA"), Principal shall disclose all information as is contained within its business records and is needed by its SPGA pension plan customers to complete Schedule A of the Form 5500 Annual Report of Employee Benefit Plan, including but not limited to the name of each Producer, and the full amount of any Compensation and commissions paid or to be paid to that Producer that is attributable to a customer's SPGA, as required by ERISA or the Department of Labor regulations in effect.

18. **Prohibition on Compensation for SPGAs**. During the period of November 14, 2007, through November 14, 2011, and subject to paragraph B.14 above, which limits these business reforms to the SPGA products and line of business, Principal shall not pay any Producer any Compensation, as defined in paragraph B.15 herein. Regarding commissions, Principal shall pay only a specified dollar amount or percentage commission on the premium set at the time of each sale, placement or servicing of a particular SPGA that is agreed to, in writing, by the plan sponsor.

19. **Standards of Conduct and Training.** Principal shall implement written standards of conduct regarding Compensation and commissions paid to Producers of SPGAs, consistent with the terms of this Agreement, which implementation shall include, *inter alia*, appropriate training of relevant employees, including but not limited to training in business ethics, professional obligations, conflicts of interest, antitrust and trade practices compliance, and recordkeeping. Before January 15, 2008, Principal shall submit to the CTOAG a draft of these materials for approval, which approval shall be provided within 30 days or thereafter be deemed approved unless disapproved within that 30-day period. After that approval has been obtained, Principal will not be required to submit such material in the future for approval.

20. Principal shall not engage or attempt to engage in violations of the Connecticut Antitrust Act (§§ 35-24 et seq.), Connecticut Unfair Trade Practices Act, Conn. Gen. Stat. (§§ 42-110a et seq.), and/or the Connecticut Unfair Insurance Practices Act, (§§ 38a-815 et seq.).

COOPERATION WITH THE ATTORNEY GENERAL

21. Principal shall fully and promptly cooperate with the Connecticut Attorney General with regard to the Investigation, and related proceedings and actions regarding Principal's SPGA business. Principal shall use its best efforts to ensure that all its officers, directors, employees, and agents also fully and promptly cooperate with the Connecticut

Attorney General in the Investigation and related proceedings and actions regarding Principal's SPGA business. Cooperation shall include without limitation: (a) Principal shall accept service of subpoena(s) and produce pursuant thereto any information and all documents or tangible evidence, including any compilations or summaries thereof, related to the Investigation and reasonably requested by the Connecticut Attorney General, subject only to the receipt of reasonable assurance of confidential treatment of such production; (b) pursuant to a subpoena, having Principal's officers, directors, employees and agents attend any proceedings at which the presence of any such persons is reasonably requested by the Connecticut Attorney General and having such persons answer any and all related inquiries, subject to any applicable privilege or work product protection, that may be put to any of them by the Connecticut Attorney General (or any of the Attorney General's deputies, assistants or agents) ("proceedings" include but are not limited to any meetings, interviews, depositions, hearings, trial or other proceedings); (c) in the event any document is withheld or redacted on grounds of privilege, work-product or other legal doctrine, a statement shall be submitted in writing by Principal indicating: (i) the type of document; (ii) the date of the document; (iii) the author and recipient of the document; (iv) the general subject matter of the document; (v) the reason for withholding the document; and (vi) the Bates number or range of the withheld document. The Connecticut Attorney General may challenge such claim in any forum of its choice; and (d) Principal shall not jeopardize the confidentiality of any aspect of the Attorney General's Investigation, including sharing or disclosing evidence, documents, or other information (i) provided by the CTOAG or (ii) created by Principal for the Investigation, with others during the course of the Investigation, without the consent of the Connecticut Attorney General. Nothing herein shall prevent Principal from

providing such evidence, documents or other information to other regulators, or as otherwise required by law.

22. Principal shall comply fully with the terms of this Agreement. If Principal violates the terms of paragraph B.21 in any material respect, as determined solely by the Connecticut Attorney General, the Connecticut Attorney General may pursue any action against any entity for any violation or wrongdoing Principal has committed, as authorized by law, without limitation.

OTHER PROVISIONS

23. The provisions of this Agreement shall apply only to Principal's SPGAs and shall apply only where: (a) the pension plan customer is domiciled in the United States or its territories; or (b) the contract is principally associated with providing retirement benefits to residents of the United States or its territories.

24. Principal shall not seek or accept, directly or indirectly, indemnification pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to this Agreement.

25. The Connecticut Attorney General agrees that any prior approval required under the terms of this Agreement shall not be unreasonably withheld or delayed.

26. This Agreement is not intended to disqualify Principal, or any current employees of Principal, from engaging in any business in Connecticut or in any other jurisdiction. Nothing in this Agreement shall relieve Principal's obligations imposed by any applicable state insurance law or regulations or other applicable law.

27. This Agreement shall not confer any rights upon any persons or entities besides the Connecticut Attorney General and Principal. This Agreement shall not in any way release or

discharge any persons or entities other than Principal, or any of its present or former officers, directors or employees, of any claims by the Connecticut Attorney General.

28. Principal shall maintain custody of, or make arrangements to have maintained, all documents and records of Principal related to the Investigation for a period of not less than six years.

29. The Attorney General of the State of Connecticut agrees, covenants and acknowledges that he will not initiate, maintain or otherwise bring any complaints, claims, causes of action or other legal proceedings, in law or in equity, against Principal, or any of its present or former officers, directors or employees, with respect to Principal's SPGA line of business based on the underlying conduct giving rise to the Allegations raised in this Investigation and taking place prior to the date of this Agreement. The Connecticut Attorney General may make such applications as appropriate to enforce or interpret the provisions of this Agreement, or in the alternative, maintain any actions for such other and further relief as the Connecticut Attorney General may determine is proper and necessary for the enforcement of this Agreement. If compliance with any aspect of this Agreement proves impracticable, Principal reserves the right to request that the parties modify the Agreement accordingly or, after November 14, 2014, to seek modification from an appropriate court.

30. In any application or in any such action, facsimile transmission of a copy of any subpoena or complaint to current general counsel for Principal shall be good and sufficient service on Principal unless Principal designates in writing to the Connecticut Attorney General another person to receive service by facsimile transmission.

31. This Agreement shall be governed by the laws of the State of Connecticut without regard to conflict of laws principles.

32. Any disputes arising out of or related to this Agreement shall be subject to the exclusive jurisdiction of the Superior Court for the Judicial District of Hartford, or to the extent federal jurisdiction exists, the United States District Court for the District of Connecticut.

33. This Agreement may be executed in counterparts.

WHEREFORE, the following signatures are affixed hereto this November 14, 2007:

RICHARD BLUMENTHAL

_____

Attorney General of the State of Connecticut
55 Elm Street, P.O. Box 120
Hartford, CT 06141-0120

PRINCIPAL FINANCIAL GROUP, INC.

_____

Daniel J. Houston
Executive Vice President
Retirement and Investor Services
Principal Financial Group, Inc.
711 High Street
Des Moines, IA 50392

EXHIBIT 1

RELEASE

This RELEASE (the "Release") is executed this ___ day of _____, 2008 by RELEASOR (defined below) in favor of RELEASEE (defined below).

DEFINITIONS

"RELEASOR" refers to **[fill in name _____]**, its past, present and future parents, affiliates, subsidiaries, associates, general or limited partners or partnerships, predecessors, successors, or assigns, and any of their respective past, present or future officers, directors, trustees, employees, agents, brokers, producers, attorneys, representatives, shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns, insurers, reinsurers, indemnitors, or any other person or entity that has assumed any rights or obligations on behalf of RELEASOR.

"RELEASEE" refers to Principal Financial Group, Inc., its past, present and future parents, subsidiaries, affiliates, associates, general or limited partners or partnerships, predecessors, successors, or assigns, and any of their respective past, present or future officers, directors, trustees, employees, agents, attorneys, representatives, shareholders, affiliates, associates, general or limited partners or partnerships, heirs, executors, administrators, predecessors, successors, assigns, insurers, reinsurers, or any other person or entity that has assumed any rights or obligations on behalf of The RELEASEE (collectively, "Principal").

"AGREEMENT" refers to a certain agreement between Principal and the Attorney General of the State of Connecticut ("CTAG") dated November 14, 2007, relating to an Investigation (as defined in the AGREEMENT) commenced against Principal by CTAG pursuant to a January 9, 2006 subpoena. This RELEASE is referenced in paragraph A.5. of the AGREEMENT.

RELEASE

1. In consideration for the total payment of $ _____ in accordance with the terms of the AGREEMENT, RELEASOR does hereby fully release, waive and forever discharge RELEASEE from any and all past, present and future Claims that are based upon, arise out of or relate to, in whole or in part, directly or indirectly any of the allegations, acts, omissions, transactions, events, or matters discussed in the AGREEMENT or are subject to the Investigation (as that term is defined in the AGREEMENT), and occurring up to the date of the AGREEMENT. "Claims" are defined as any claims or causes of action (including any complaints, suits, or petitions in law or in equity) and any allegations of wrongdoing (including any allegations of debts, contracts, agreements, obligations, promises, unjust enrichment, breach of any duty, or any other improper acts, omissions, disclosures, non-disclosures, or representations) and any demands for legal, equitable, or administrative relief or remedies (including any claims for injunction, declaratory relief, rescission, reformations, restitution, disgorgement, damages, punitive damages, penalties, attorneys' fees, costs and expenses) that could have been, may be, or could be asserted before any proceeding (including in any court, arbitration, tribunal, or administrative body) regardless of whether the Claims are brought directly or derivatively or by a class, regardless of whether the Claims are based on federal, state

or local law, and regardless of whether the Claims are known or unknown, foreseen or unforeseen, suspected or unsuspected, or fixed or contingent; provided, however, that nothing in this Release shall waive or discharge any Claim that Releasor may have to enforce the terms of an SPGA contract issued by Principal.

2. RELEASOR acknowledges that it is releasing both known and unknown and suspected and unsuspected Claims, and is aware that RELEASOR may hereafter discover legal or equitable Claims or remedies presently unknown and unsuspected, or facts in addition to or different from those which RELEASOR now knows or believes to be true with respect to the allegations and subject matters discussed in this Agreement and related to this Investigation. Nevertheless, it is the intention of RELEASOR to fully, finally and forever settle and release all such matters, and all Claims relating thereto, which exist, hereafter may exist, or might have existed.

3. RELEASOR hereby expressly acknowledges certain principles of law applicable in some states, such as Section 1542 of the Civil Code of California, which provide that a general release does not extend to Claims that a RELEASOR does not know or suspect may exist in his or her favor, which if known by him or her must have materially affected his or her settlement with the RELEASEE. Notwithstanding the choice of law provision in this Agreement, to the extent that California or other law might be applicable, RELEASOR hereby agrees that the provisions of Section 1542 of the Civil Code of California and all similar federal and state laws, rights, rules or legal principles of any other jurisdiction that may be applicable are hereby knowingly, voluntarily, and expressly waived and relinquished by RELEASOR.

4. In the event that the total payment referred to in paragraph 1 is not made for any reason, then this RELEASE shall be deemed null and void, provided that any payments received by RELEASOR shall be credited to Principal in connection with any Claims that RELEASOR may assert against Principal, or that are asserted on behalf of RELEASOR or by a class of which RELEASOR is a member, against Principal.

5. This RELEASE may not be changed orally and shall be governed by and interpreted in accordance with the laws of the State of Connecticut, without regard to conflict of law principles, except to the extent that federal law requires that federal law govern. Any disputes arising out of or related to this RELEASE shall be subject to the exclusive jurisdiction of the Connecticut Superior Court for the Judicial District of Hartford or, to the extent federal jurisdiction exists, the United States District Court for the District of Connecticut.

6. RELEASOR represents and warrants that the Claims have not been sold, assigned or hypothecated in whole or in part.

Dated:_____

RELEASOR:_____

By:_____

Print Name:_____

Title:_____