

**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): June 14, 2005

**PRINCIPAL FINANCIAL GROUP, INC.**

(Exact name of registrant as specified in its charter)

**711 HIGH STREET, DES MOINES, IOWA 50392**  
(Address of principal executive offices)

(515) 247-5111  
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act

(17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act

(17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

DELAWARE  
(State or Jurisdiction of  
Incorporation)

1-16725  
(Commission File Number)

42-1520346  
(IRS Employer  
Identification Number)

### **Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year**

On June 16, 2005, in connection with the transactions described below, Principal Financial Group, Inc., a Delaware corporation (the "Company"), filed a certificate of designations setting forth the terms of its Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share (liquidation preference \$100 per share) (the "Series A Preferred Stock") and a certificate of designations setting forth the terms of its Series B Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share (liquidation preference \$25 per share) (the "Series B Preferred Stock", and together with the Series A Preferred Stock, the "Preferred Stock) (attached hereto as Exhibits 4.1 and 4.2, respectively, and each incorporated herein by reference) with the Secretary of State of the State of Delaware. The certificates of designations were effective upon filing.

### **Item 8.01 Other Events**

On June 14, 2005, the Company, entered into an underwriting agreement relating to 3,000,000 shares of the Series A Preferred Stock and 10,000,000 shares of the Series B Preferred Stock (attached hereto as Exhibit 1.1 and incorporated herein by reference) between the Company and Lehman Brothers Inc., as representative of the several underwriters (the "Underwriters"), pursuant to which the Underwriters agreed to purchase the Preferred Stock from the Company.

The Preferred Stock is being offered and sold pursuant to the registration statement (File No. 333-111352) (the "Registration Statement") filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), and the related prospectus supplement, dated June 14, 2005, with respect to the Series A Preferred Stock (the "Series A Prospectus Supplement") and the related prospectus supplement, dated June 14, 2005, with respect to the Series B Preferred Stock (the "Series B Prospectus Supplement"). The terms of the Series A Preferred Stock and the Series B Preferred Stock are set forth, respectively, in the Series A Prospectus Supplement and the Series B Prospectus Supplement (both filed with the Commission pursuant to Rule 424(b) under the Act on June 15, 2005).

On June 17, 2005, Debevoise & Plimpton LLP, attorneys for the Company, issued an opinion and consent (attached hereto as Exhibit 5.1 and 23.1, respectively, and incorporated herein by reference) as to the validity of the Preferred Stock.

### **Item 9.01 Financial Statements and Exhibits**

The following documents are filed with reference to and are hereby incorporated by reference into the Registration Statement.

(c) Exhibits:

- 1.1. Underwriting Agreement, dated June 14, 2005 between the Company and the Underwriters.
- 3.1. Amended and Restated Certificate of Incorporation of the Company.
- 3.2 Amended and Restated By-Laws of the Company.
- 4.1 Certificate of Designations of the Company's Series A Non-Cumulative Perpetual Preferred Stock, dated June 16, 2005.
- 4.2 Certificate of Designations of the Company's Series B Non-Cumulative Perpetual Preferred Stock, dated June 16, 2005.
- 4.3 Specimen Stock Certificate for the Company's Series A Non-Cumulative Perpetual Preferred Stock.
- 4.4 Specimen Stock Certificate for the Company's Series B Non-Cumulative Perpetual Preferred Stock.
- 5.1 Opinion of Debevoise & Plimpton LLP.
- 23.1 Consent of Debevoise & Plimpton LLP (included in Exhibit 5.1 above).
- 99.1 Form of Remarketing Agreement, between the Company and Lehman Brothers Inc., as Remarketing Agent.
- 99.2 Form of Calculation Agent Agreement, between the Company and Computershare Trust Company, Inc., as Calculation Agent.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### PRINCIPAL FINANCIAL GROUP, INC.

By: /S/ JOYCE N. HOFFMAN

Name: Joyce N. Hoffman

Title: Senior Vice President and  
Corporate Secretary

Date: June 17, 2005

**Exhibit 1.1**

**3,000,000 SHARES, SERIES A NON-CUMULATIVE PERPETUAL PREFERRED STOCK  
10,000,000 SHARES, SERIES B NON-CUMULATIVE PERPETUAL PREFERRED STOCK**

**PRINCIPAL FINANCIAL GROUP, INC.**

**UNDERWRITING AGREEMENT**

June 14, 2005

**LEHMAN BROTHERS INC.**

As Representative of the  
several underwriters named in Schedule I hereto

**c/o LEHMAN BROTHERS INC.**

745 Seventh Avenue  
New York, NY 10019

Ladies and Gentlemen:

Principal Financial Group Inc., a Delaware corporation ("the Company"), proposes to issue and sell to you and the other underwriters named in Schedule I hereto (the "Underwriters"), for whom you are acting as representative (the "Representative"), the number of shares identified in Schedule I hereto of the Company's Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share (the "Series A Preferred Stock") and the Company's Series B Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share (the "Series B Preferred Stock", and together with the Series A Preferred Stock, the "Preferred Stock"). This is to confirm the agreement concerning the purchase of the Preferred Stock from the Company by the Underwriters named in Schedule I hereto.

SECTION 1. Representations and Warranties. The Company represents and warrants to each Underwriter that:

(a) The Company meets the requirements for the use of Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations promulgated thereunder (the "Rules"), and has prepared and filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (the file number of which is set forth in Schedule I hereto), for the registration of the Preferred Stock under the Securities Act, which Registration Statement has become effective and no stop order suspending the effectiveness of the Registration Statement (as defined below) has been issued under the Securities Act and no proceedings for that purpose have been instituted or are pending or, to its knowledge, are threatened by the Commission, and any request by the Commission for additional information has been complied with. The Registration Statement meets the requirements set forth in Rule 415(a)(1)(x) under the Securities Act and complies in all other material respects with such rule. The Company proposes to file with the Commission pursuant to Rule 424 under the Securities

Act ("Rule 424") a supplement to the form of prospectus included in the registration statement relating to the initial offering of the Preferred Stock and the plan of distribution thereof and has previously advised you of all further information (financial and other) with respect to the Company to be set forth therein. The term "Registration Statement" means the registration statement, as amended at the date of this Agreement, including the exhibits thereto, financial statements, and all documents incorporated therein by reference pursuant to Form S-3 (the "Incorporated Documents"), and such prospectus as then amended, including the Incorporated Documents, is hereinafter referred to as the "Basic Prospectus"; such supplemented form of prospectus with respect to the offering of the Series A Preferred Stock, in the form in which it shall be filed with the Commission pursuant to Rule 424 (including the Basic Prospectus as so supplemented), is hereinafter called the "Series A Final Prospectus"; such supplemented form of prospectus with respect to the offering of the Series B Preferred Stock, in the form in which it shall be filed with the Commission pursuant to Rule 424 (including the Basic Prospectus as so supplemented), is hereinafter called the "Series B Final Prospectus"; and the Series A Final Prospectus and the Series B Final Prospectus is each a "Final Prospectus" and are herein together called the "Final Prospectuses". Any preliminary form of a Final Prospectus which has heretofore been filed pursuant to Rule 424 is hereinafter called an "Interim Prospectus". Any reference herein to the Registration Statement, the Basic Prospectus, any Interim Prospectus or either Final Prospectus shall be deemed to refer to and include the Incorporated Documents which were filed under the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder (the "Exchange Act"), on or before the date of this Agreement or the issue date of the Basic Prospectus, any Interim Prospectus or such Final Prospectus, as the case may be; and any reference herein to the terms "amend", "amendment" or "supplement" with respect to the Registration Statement, the Basic Prospectus, any Interim Prospectus or either Final Prospectus shall be deemed to refer to and include the filing of any Incorporated Documents under the Exchange Act after the date of this Agreement or the issue date of the Basic Prospectus, any Interim Prospectus or such Final Prospectus, as the case may be, and deemed to be incorporated therein by reference. Copies of the Registration Statement and each of the amendments thereto have been delivered by the Company to you as Representative of the Underwriters. If the Company has filed an abbreviated registration statement to register additional shares of Preferred Stock pursuant to Rule 462(b) under the Securities Act (the "Rule 462 Registration Statement"), then any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462 Registration Statement. The Commission has not issued any order preventing or suspending the use of any Interim Prospectus.

(b) As of the date hereof, when the Final Prospectuses are first filed with the Commission pursuant to Rule 424, when, before the Delivery Date (hereinafter defined), any amendment to the Registration Statement becomes effective, when, before the Delivery Date, any Incorporated Document is filed with the Commission, when any supplement to either Final Prospectus is filed with the Commission and at the Delivery Date, the Registration Statement, such Final Prospectus and any such amendment or supplement will comply in all material respects with the applicable requirements of the

Securities Act and the Rules, and the Incorporated Documents will comply in all material respects with the requirements of the Exchange Act, or the Securities Act and the Rules, as applicable, and on the date it became effective, the Registration Statement did not, and, on the date that any post-effective amendment to the Registration Statement becomes effective, the Registration Statement as amended by such post-effective amendment did not or will not, as the case may be, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; on the date the Final Prospectuses are filed with the Commission pursuant to Rule 424 and on the Delivery Date, each Final Prospectus, as it may be amended or supplemented, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading; and on said dates, the Incorporated Documents will comply in all material respects with the applicable provisions of the Exchange Act, and, when read together with each Final Prospectus, or such Final Prospectus as it may be then amended or supplemented, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; provided that the foregoing representations and warranties in this paragraph (b) shall not apply to statements or omissions made in reliance upon and in conformity with written information furnished to the Company by or through the Representative(s) on behalf of any Underwriter specifically for use in connection with the preparation of the Registration Statement or such Final Prospectus, as they may be amended or supplemented.

(c) Each of Principal Financial Services, Inc., an Iowa business corporation ("Principal Financial"), Principal Life Insurance Company, an Iowa insurance company ("PLIC"), and Principal Global Investors LLC, a Delaware limited liability company ("Principal Investors", and together with Principal Financial and PLIC, the "Significant Subsidiaries"), is a "significant subsidiary", as such term is defined in Rule 405 of the Rules, and the Company has no other subsidiary that is a "significant subsidiary" within the meaning of such Rule.

(d) Each of the Company and its Significant Subsidiaries has been duly incorporated and is validly existing as a corporation, partnership or limited partnership, as applicable, and is in good standing under the laws of its jurisdiction, with power and authority (corporate and other) to own its properties and conduct its business as described in each Final Prospectus; the Company is duly qualified to do business as a foreign corporation and is in good standing under the laws of each other jurisdiction in which its ownership or lease of property or the conduct of its business requires such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified and in good standing in any such jurisdiction; and each subsidiary of the Company is duly qualified to do business as a foreign corporation, partnership or limited partnership, as applicable, and is in good standing under the laws of each other jurisdiction in which its ownership or lease of property or the conduct of its business requires such qualification and good standing, except where the failure to be so qualified would not

have a material adverse effect on the general affairs, business, management, financial position, surplus, reserves, stockholders' equity or results of operations of the Company and its subsidiaries considered as a whole ("Material Adverse Effect").

(e) Each of the Company and its subsidiaries that are required to be organized and licensed or registered as an insurance or an insurance holding company (collectively, the "Insurance Entities") is duly organized and licensed or registered as an insurance or insurance holding company, as the case may be, in its jurisdiction of incorporation, and, in the case of an insurance company, is duly licensed or authorized in each other jurisdiction where it is required to be so licensed or authorized to conduct its business and all such licenses or authorizations are in full force and effect with such exceptions as would not have, individually or in the aggregate, a Material Adverse Effect; provided, however, that in the case of PLIC's insurance license in the State of Iowa and the Company's insurance holding company registration in the State of Iowa, such license and such registration are in full force and effect in all respects. Except as otherwise described in each of the Final Prospectuses, each of the Insurance Entities has all other approvals, orders, consents, authorizations, licenses, certificates, permits, registrations and qualifications (collectively, the "Approvals") of and from all insurance and regulatory authorities, as the case may be, to conduct its business, with such exceptions as would not have, individually or in the aggregate, a Material Adverse Effect, and all such Approvals are in full force and effect except where the failure of such Approvals to be in full force and effect would not have, individually or in the aggregate, a Material Adverse Effect. There is no pending or, to the knowledge of the Company after due inquiry, threatened action, suit, proceeding or investigation that could reasonably be expected to lead to the revocation, termination, suspension or limitation of any such Approval or otherwise impose any limitation on the conduct of business of any Insurance Entity, the revocation, termination or suspension of which would have, individually or in the aggregate, a Material Adverse Effect, and, to the knowledge of the Company after due inquiry, no insurance regulatory agency or body has issued any order or decree impairing, restricting or prohibiting the payment of dividends by any Insurance Entity. Except as otherwise described in each of the Final Prospectuses, none of the Insurance Entities has received any notification from any applicable regulatory authority to the effect that any additional Approvals from such regulatory authority are needed to be obtained by such Insurance Entity in any case where it could be reasonably expected that (i) any of the Insurance Entities would in fact be required either to obtain any such additional Approvals or cease or otherwise limit engaging in certain business and (ii) the failure to have such Approvals or limiting such business would have, individually or in the aggregate, a Material Adverse Effect. Each of the Company and its Insurance Entities is in compliance with all applicable insurance laws, rules, regulations, orders, bylaws and similar requirements which are applicable to it, and has filed all notices, reports, documents or other information required to be filed thereunder, in each case with such exceptions as would not have, individually or in the aggregate, a Material Adverse Effect.

(f) Each of the Company and its subsidiaries that is engaged in the business of acting as a bank, broker-dealer or an investment advisor (respectively, a "Bank



Subsidiary", a "Broker-Dealer Subsidiary" and "Investment Advisor Subsidiary") is duly licensed or registered as a bank, broker-dealer or investment advisor, as the case may be, in each jurisdiction where it is required to be so licensed or registered to conduct its business, in each case with such exceptions as would not have, individually or in the aggregate, a Material Adverse Effect. Each Bank Subsidiary, Broker-Dealer Subsidiary and Investment Advisor Subsidiary has all other necessary Approvals of and from all applicable regulatory authorities, including any self-regulatory organization, to conduct its businesses, in each case with such exceptions as would not have, individually or in the aggregate, a Material Adverse Effect. There is no pending or, to the knowledge of the Company after due inquiry, threatened action, suit, proceeding or investigation that could reasonably be expected to lead to the revocation, termination, suspension or limitation of any such Approval or otherwise impose any limitation on the conduct of business of any Bank Subsidiary, Broker-Dealer Subsidiary or Investment Advisor Subsidiary, the revocation, termination or suspension of which would have, individually or in the aggregate, a Material Adverse Effect. Except as otherwise described in each of the Final Prospectuses, none of the Bank Subsidiaries, Broker-Dealer Subsidiaries or Investment Advisor Subsidiaries has received any notification from any applicable regulatory authority to the effect that any additional Approvals from such regulatory authority are needed to be obtained by such Bank Subsidiary, Broker-Dealer Subsidiary or Investment Advisor Subsidiary in any case where it could be reasonably expected that (i) any of the Bank Subsidiaries, Broker-Dealer Subsidiaries or Investment Advisor Subsidiaries would in fact be required either to obtain any such additional Approvals or cease or otherwise limit engaging in certain business and (ii) the failure to have such Approvals or limiting such business would have, individually or in the aggregate, a Material Adverse Effect; and each Bank Subsidiary, Broker-Dealer Subsidiary and Investment Advisor Subsidiary is in compliance with the requirements of the banking, broker-dealer and investment advisor laws and regulations of each jurisdiction which are applicable to such subsidiary, and has filed all notices, reports, documents or other information required to be filed thereunder, in each case with such exceptions as would not have, individually or in the aggregate, a Material Adverse Effect.

(g) The Company has an authorized capitalization as set forth in each of the Final Prospectuses. All of the issued and outstanding shares of capital stock of the Company have been duly authorized and validly issued, and are fully paid and non-assessable and conform to the description thereof contained in each of the Final Prospectuses. None of the outstanding shares of the Company's capital stock was issued in violation of preemptive or other similar rights of any of its security holders. All of the Company's outstanding options, warrants and other rights to purchase or exchange any securities for shares of the Company's capital stock have been duly authorized and validly issued and conform to the description thereof contained in each of the Final Prospectuses. None of the Company's outstanding options, warrants, or other rights to purchase or exchange any securities for shares of its capital stock was issued in violation of preemptive or other similar rights of any of its security holders. All of the issued shares of capital stock of each subsidiary of the Company have been duly authorized and

validly issued and are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims.

(h) The shares of the Preferred Stock to be issued and sold by the Company to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor in accordance with this Agreement, will be duly and validly issued, fully paid and non-assessable; and the Preferred Stock will conform to the descriptions thereof contained in each of the Final Prospectuses. Upon payment for the shares of the Preferred Stock to be sold by the Company on the Delivery Date pursuant to this Agreement, and the crediting of such shares of Preferred Stock on the records of the Depository Trust Company ("DTC") to securities accounts in the name of the Underwriters, (A) DTC shall be a "protected purchaser" (within the meaning of Section 8-303 of the Uniform Commercial Code as in effect in the State of New York (the "Code")), (B) the Underwriters will acquire a valid "security entitlement" (within the meaning of Section 8-501 of the Code) in respect of such Preferred Stock and (C) no action based on any "adverse claim" (within the meaning of Section 8-102 of the Code) to such Preferred Stock may be asserted against the Underwriters with respect to such security entitlement (it being assumed that for the purposes of this representation and warranty that when such payment, delivery and crediting occur, (x) such Shares will have been registered in the name of Cede & Co. ("Cede") or another nominee designated by DTC, in each case on the Company's share registry in accordance with its certificate of incorporation, by-laws and applicable law, (y) DTC will be registered as a "clearing corporation" within the meaning of Section 8-102 of the Code and (z) appropriate entries to the account(s) of the Underwriters on the records of DTC will have been made pursuant to the Code).

(i) Each of this Agreement and the Remarketing Agreement has been duly authorized, executed and delivered by the Company.

(j) The issue and sale of the shares of the Preferred Stock being delivered on the Delivery Date by the Company pursuant to this Agreement and the execution, delivery and performance of this Agreement and the Remarketing Agreement, to be dated as of the Delivery Date, between the Company and Lehman Brothers Inc., as Remarketing Agent (the "Remarketing Agreement"), by the Company and the consummation of the transactions contemplated hereby and thereby will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or its subsidiaries is a party or by which the Company or its subsidiaries is bound or to which any of the property or assets of the Company or its subsidiaries is subject or give the holder of any of the notes, debentures, or other evidence of indebtedness of the Company or its subsidiaries the right to require repurchase, redemption or repayment of all or a portion of such indebtedness by any of the Company or its subsidiaries, or result in the creation or imposition of any lien, charge or encumbrance upon any of the assets, properties or operations of any of the Company or its subsidiaries, nor will such actions result in any violation of the provisions of the

certificate of incorporation or by-laws or similar organizational documents of the Company or its subsidiaries or the plan of conversion of Principal Mutual Holding Company adopted on March 31, 2001 (the "Demutualization Plan"), or any statute or any order, rule or regulation of any court or insurance or other regulatory agency or governmental agency or body having jurisdiction over the Company or its subsidiaries or any of their respective properties or assets, in each case the effect of which (other than any violation of the provisions of the certificate of incorporation or by-laws or similar organizational documents of the Company or any of its subsidiaries), individually or in the aggregate, would be either to affect the validity of the Preferred Stock or their issue or affect adversely the consummation of the transactions contemplated hereby or by the Remarketing Agreement, or to have a Material Adverse Effect; and no notice, consent, approval, authorization, order, registration or qualification of or with or to any court or governmental agency or body is required for the issue and sale of the Preferred Stock, including without limitation pursuant to the Demutualization Plan, except for the registration of the Preferred Stock under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act, and applicable state securities laws in connection with the purchase and distribution of the Preferred Stock by the Underwriters and except for the filing of the Certificates of Designations with the Delaware Secretary of State.

(k) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Securities Act. Except as described in each of the Final Prospectuses, the holders of outstanding shares of the Company's capital stock are not entitled to preemptive or other rights to subscribe for the Preferred Stock.

(l) Neither the Company nor any of its subsidiaries has sustained, since the date of the latest audited financial statements included in each of the Final Prospectuses, any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in each of the Final Prospectuses, except for such losses or interferences as would not have, individually or in the aggregate, a Material Adverse Effect; and, since the respective dates as of which information is given in the Registration Statement and each of the Final Prospectuses, there has not been any (i) (A) decrease in the outstanding capital stock of the Company in excess of 10 million shares or (B) increase in the consolidated long-term debt of the Company in excess of \$10,000,000 or (ii) any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, business, management, financial position, surplus, reserves, stockholders' equity or results of operations (in each case considered either on a statutory or U.S. generally accepted accounting principles ("GAAP") basis, as applicable) of the Company and its

subsidiaries, otherwise than as set forth or contemplated in each of the Final Prospectuses.

(m) The audited consolidated financial statements (including the related notes and supporting schedules) filed as part of the Registration Statement or included or incorporated by reference in each of the Final Prospectuses present fairly in all material respects on a consolidated basis the financial condition, the results of operations, changes in common stock and other shareholder's equity and cash flows of the entities purported to be shown thereby, at the dates and for the periods indicated, and have been prepared in conformity with GAAP applied on a consistent basis throughout the periods involved. The unaudited consolidated financial statements included in each of the Final Prospectuses and the Registration Statement and the related notes are true, complete and correct, subject to normally recurring changes resulting from year-end audit adjustments, and have been prepared in accordance with the instructions to Form 10-Q.

(n) The statutory annual and quarterly statements of PLIC and the statutory balance sheets and income statements included in such statutory annual and quarterly statements, most recently filed in its domiciliary jurisdictions have been prepared in conformity with required or permitted or prescribed statutory accounting principles or practices applied on a consistent basis, except as may otherwise be indicated in the notes thereto and any normal year-end adjustments, and present fairly in all material respects the financial position of PLIC (on a statutory basis) for the period covered thereby.

(o) Ernst & Young LLP, who have certified certain of the financial statements of the Company, whose report appears in each of the Final Prospectuses and who have delivered the letters referred to in paragraphs (f) and (g) of Section 7, are independent public accountants as required by the Securities Act and the Rules.

(p) Each of the Company and its subsidiaries has good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by it, in each case free and clear of all liens, encumbrances and defects, except such as are described in each of the Final Prospectuses or such as would not have, individually or in the aggregate, a Material Adverse Effect and do not materially interfere with the use made and proposed to be made of such property by the Company or any of its subsidiaries; and any real property and buildings held under lease by the Company and any of its subsidiaries are held by them under valid, subsisting and enforceable leases, with such exceptions as would not have, individually or in the aggregate, a Material Adverse Effect and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries.

(q) Each of the Company and its subsidiaries owns or possesses or can acquire on reasonable terms adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights and licenses (collectively, the "Intellectual Property") necessary for the conduct of their respective businesses, except where the failure to own, possess or

have the ability to acquire such patents, rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names would not, individually or in the aggregate, have a Material Adverse Effect, and none of the Company or any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a Material Adverse Effect.

(r) Other than as set forth in each of the Final Prospectuses, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property or assets of the Company or any of its subsidiaries is the subject which, if determined adversely to the Company or any of its subsidiaries, would, individually or in the aggregate, have a Material Adverse Effect; and to the knowledge of the Company after due inquiry, no such proceedings are threatened or contemplated by governmental authorities.

(s) There are no contracts or other documents which are required to be described in either of the Final Prospectuses or filed as exhibits to the Registration Statement by the Securities Act or by the Rules which have not been described in such Final Prospectus or filed as exhibits to the Registration Statement.

(t) None of the Company or any of its subsidiaries is in violation of its certificate of incorporation or by-laws or similar organizational documents; and none of the Company or any of its subsidiaries is in default in the performance or observance of any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any of its subsidiaries, which violation or default would have, individually or in the aggregate, a Material Adverse Effect.

(u) The Company and its subsidiaries (i) are in compliance with any and all applicable foreign, Federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"),

(ii) have received all approvals required of them under applicable Environmental Laws to conduct their respective businesses, and (iii) are in compliance with all terms and conditions of any such approval, except where such noncompliance with Environmental Laws, failure to receive required approvals or failure to comply with the terms and conditions of such approvals would not, individually or in the aggregate, have a Material Adverse Effect.

(v) Neither of the Company nor any of its subsidiaries is, or as of the Delivery Date will be, an "investment company" as defined in the Investment Company Act of 1940, as amended (the "Investment Company Act"), it being understood that certain

separate accounts of PLIC are registered as investment companies under the Investment Company Act in the ordinary course of PLIC's business.

(w) The Company has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-15 and 15d-15 under the Exchange Act) that (i) are designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's Chief Executive Officer and its Chief Financial Officer by others within those entities, particularly during the periods in which the filings made by the Company with the Commission which it may make under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act are being prepared, (ii) have been evaluated for effectiveness as of the end of the Company's most recent fiscal quarter and (iii) are effective to perform the functions for which they were established. comply with the requirements of the Exchange Act.

(x) Not later than the date of the filing with the Commission of the Company's most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as the case may be, each of the accountants and the Audit Committee of the Board of Directors of the Company had been advised of (i) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

SECTION 2. Purchase of the Preferred Stock by the Underwriters. On the basis of the representations and warranties contained in, and subject to the terms and conditions of, this Agreement, the Company agrees to sell 3,000,000 shares of the Series A Preferred Stock and 10,000,000 shares of the Series B Preferred Stock to the several Underwriters and each of the Underwriters, severally and not jointly, agrees to purchase the number of shares of the Series A Preferred Stock and the Series B Preferred Stock set forth opposite that Underwriter's name in Schedule I hereto. The respective purchase obligations of the Underwriters with respect to the Series A Preferred Stock and the Series B Preferred Stock shall be rounded among the Underwriters to avoid fractional shares, as the Representative may determine.

The price of the Series A Preferred Stock shall be \$100 per share and the price of the Series B Preferred Stock shall be \$25 per share.

SECTION 3. Offering of Preferred Stock by the Underwriters. Upon authorization by the Representative of the release of the Preferred Stock, the several Underwriters propose to offer the Preferred Stock for sale upon the terms and conditions set forth in each of the related Final Prospectuses and in Annex I.

SECTION 4. Delivery of and Payment for the Preferred Stock. The Preferred Stock to be purchased by each of the Underwriters hereunder will be represented by one or more definitive global certificates in book-entry form which will be deposited by or on behalf

of the Company with The Depository Trust Company ("DTC") or its designated custodian. The Company will deliver the Preferred Stock to Lehman Brothers Inc., for the account of each Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer in immediately available funds, by causing DTC to credit the Preferred Stock to the account of Lehman Brothers Inc. at DTC. Delivery of the Preferred Stock shall be made at the offices of Sullivan & Cromwell LLP, 125 Broad Street, at 10:00 A.M., New York City time, on the third full business day following the date of this Agreement or at such other date or place as shall be determined by agreement between the Representative and the Company. This date and time are sometimes referred to as the "Delivery Date." Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. Upon delivery, the Preferred Stock shall be registered in such names and in such denominations as the Representative shall request in writing not less than two full business days prior to the Delivery Date. For the purpose of expediting the checking and packaging of the certificates for the Preferred Stock, the Company shall make the certificates representing the Preferred Stock available for inspection by the Representative in New York, New York, not later than 2:00 P.M., New York City time, on the business day prior to the Delivery Date.

SECTION 5. Further Agreements of the Company. The Company covenants and agrees:

- (a) To prepare the Final Prospectuses in a form approved by the Representative and to file each of the Final Prospectuses pursuant to Rule 424(b) under the Securities Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Securities Act; to make no further amendment or any supplement to the Registration Statement or to either Final Prospectus except as permitted herein; to advise the Representative, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to either Final Prospectus or any amended Final Prospectus has been filed and to furnish the Representative with copies thereof; to advise the Representative, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Interim Prospectus or either Final Prospectus, of the suspension of the qualification of the Preferred Stock for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or either Final Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Basic Prospectus, Interim Prospectus or either Final Prospectus or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal;
- (b) To furnish promptly to each of the Representative and to counsel for the Underwriters a signed copy of the Registration Statement as originally filed with the

Commission, and each amendment thereto filed with the Commission, including all consents and exhibits filed therewith;

(c) To deliver promptly to the Representative such number of the following documents as the Representative shall reasonably request: (i) conformed copies of the Registration Statement as originally filed with the Commission and each amendment thereto (in each case excluding exhibits) and (ii) each Interim Prospectus, each Final Prospectus and any amended or supplemented Final Prospectus; and, if the delivery of a prospectus is required at any time after the Effective Time in connection with the offering or sale of the Preferred Stock or any other securities relating thereto and if at such time any events shall have occurred as a result of which either Final Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Final Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary to amend or supplement such Final Prospectus in order to comply with the Securities Act, to notify the Representative and, upon their request, to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as the Representative may from time to time reasonably request of such amended or supplemented Final Prospectus which will correct such statement or omission or effect such compliance;

(d) To file promptly with the Commission any amendment to the Registration Statement or either Final Prospectus or any supplement to either Final Prospectus that may, in the judgment of the Company or the Representative, be required by the Securities Act or requested by the Commission;

(e) Prior to filing with the Commission any amendment to the Registration Statement or supplement to either Final Prospectus or any prospectus pursuant to Rule 424 of the Rules, to furnish a copy thereof to the Representative and counsel for the Underwriters and obtain the consent of the Representative to the filing such consent, which consent shall not be unreasonably withheld;

(f) As soon as practicable after the date of each Final Prospectus, to make generally available to the Company's security holders and to deliver to the Representative an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Securities Act and the Rules (including, at the option of the Company, Rule 158);

(g) For a period of five years following the date of each of the Final Prospectuses, upon request by the Representative, to furnish to the Representative copies of all materials furnished by the Company to its shareholders and all public reports and all reports and financial statements furnished by the Company to the Commission pursuant to the Exchange Act or any rule or regulation of the Commission thereunder;



(h) Promptly from time to time to take such action as the Representative may reasonably request to qualify the Preferred Stock for offering and sale under the securities laws of such jurisdictions as the Representative may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Preferred Stock; provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(i) For a period of 90 days from the date of each of the Final Prospectuses, not to, directly or indirectly, (1) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of preferred stock or securities convertible into or exchangeable for preferred stock of the Company (other than the Preferred Stock and shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans existing on the date hereof or pursuant to currently outstanding options, warrants or rights), or sell or grant options, rights or warrants with respect to any shares of Preferred Stock or securities convertible into or exchangeable for Preferred Stock (other than the grant of options pursuant to option plans existing on the date hereof), (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such shares of Preferred Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Preferred Stock or other securities, in cash or otherwise, or (3) file or cause to be filed a registration statement on Form S-8 or other similar form with respect to any shares of Preferred Stock or securities convertible, exercisable or exchangeable into Preferred Stock or any other securities of the Company, in each case without the prior written consent of Lehman Brothers Inc. on behalf of the Underwriters; and

(j) To apply the net proceeds from the sale of the Preferred Stock as set forth in each of the Final Prospectuses.

SECTION 6. Expenses. The Company agrees to pay (a) the costs incident to the authorization, issuance, sale and delivery of the Preferred Stock and any taxes payable in that connection; (b) the costs incident to the preparation, printing and filing under the Securities Act of the Registration Statement and any amendments and exhibits thereto; (c) the costs of distributing the Registration Statement as originally filed and each amendment thereto and any post-effective amendments thereof (including, in each case, exhibits), any Interim Prospectus, each Final Prospectus and any amendment or supplement to either Final Prospectus, all as provided in this Agreement; (d) the costs of producing this Agreement, any supplemental agreement among the Underwriters and any other related documents in connection with the offering, purchase, sale and delivery of the Preferred Stock; (e) any applicable listing or other fees; (f) the fees and expenses of qualifying the Preferred Stock under the securities laws of the several jurisdictions as provided in Section 5(h) and of preparing, printing and distributing a Blue Sky Memorandum (including related fees and expenses of counsel to the Underwriters); (g)

the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing or the offering of the Preferred Stock, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the Representative and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road show; and (h) all other costs and expenses incident to the performance of the obligations of the Company under this Agreement; provided that, except as provided in this Section 6 and in Section 11 the Underwriters shall pay their own costs and expenses, including the costs and expenses of their counsel, any transfer taxes on the Preferred Stock which they may sell and the expenses of advertising any offering of the Preferred Stock made by the Underwriters.

SECTION 7. Conditions of Underwriters' Obligations. The respective obligations of the Underwriters hereunder are subject to the accuracy, when made and on the Delivery Date, of the representations and warranties of the Company contained herein, to the performance by the Company of its obligations hereunder, and to each of the following additional terms and conditions:

(a) Each Final Prospectus shall have been timely filed with the Commission in accordance with Section 5(a); no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and any request of the Commission for inclusion of additional information in the Registration Statement or either Final Prospectus or otherwise shall have been complied with.

(b) All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the Preferred Stock, the Registration Statement and each Final Prospectus, and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be reasonably satisfactory in all material respects to counsel for the Underwriters, and the Company shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters.

(c) Debevoise & Plimpton LLP shall have furnished to the Representative their written opinion, as counsel to the Company, addressed to the Underwriters and dated the Delivery Date, in form and substance reasonably satisfactory to the Representative, to the effect that:

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own its properties and conduct its business as described in each Final Prospectus.

(ii) The Company has an authorized capitalization as set forth in each of the Final Prospectuses.

(iii) The shares of the Preferred Stock being delivered on the Delivery Date to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor will be duly and validly issued, fully paid and non-assessable; and the Preferred Stock conforms to the descriptions thereof contained in each of the Final Prospectuses.

(iv) Except as described in the Final Prospectuses, the holders of outstanding shares of the Company's capital stock are not entitled to preemptive or other rights to subscribe for the Preferred Stock.

(v) The Registration Statement was declared effective under the Securities Act as of the date and time specified in such opinion, each of the Final Prospectuses was filed with the Commission pursuant to the subparagraph of Rule 424(b) of the Rules specified in such opinion on the date specified therein and to the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose is pending or threatened by the Commission.

(vi) The Registration Statement and each of the Final Prospectuses and any further amendments or supplements thereto made by the Company prior to the Delivery Date (except for the financial statements and related schedules therein, as to which such counsel need express no belief) appear on their face to be appropriately responsive in all material respects with the requirements of the Securities Act and the Rules.

(vii) The statements contained in the Basic Prospectus under the caption "Description of Capital Stock of Principal Financial Group Inc.", in the Series A Final Prospectus under the caption "Description of the Shares", in the Series B Final Prospectus under the caption "Description of the Shares", and in each Final Prospectus under the caption "Certain U.S. Federal Income Tax Consequences", insofar as they describe the terms of agreements, the Preferred Stock or Federal statutes, rules and regulations, constitute a fair summary thereof.

(viii) Each of this Agreement and the Remarketing Agreement has been duly authorized, executed and delivered by the Company.

(ix) The issue and sale of the shares of the Preferred Stock being delivered on the Delivery Date by the Company pursuant to this Agreement and the execution, delivery and performance of this Agreement and the Remarketing Agreement by the Company and the consummation of the transactions contemplated hereby and thereby will not conflict with or result in a breach or violation of (A) any of the provisions of the certificate of incorporation or by-laws or similar organizational documents of the Company or any of its Significant

Subsidiaries (B) any agreement or instrument listed as an exhibit to the Registration Statement, or (C) any New York or Federal statute or the Delaware General Corporation Law or any rule or regulation of any New York or Federal governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, in the case of clauses (B) and (C), the effect of which, individually or in the aggregate, would be to affect the validity of the Preferred Stock, their issue or affect adversely the consummation of the transactions contemplated hereby or by the Remarketing Agreement, or to have a Material Adverse Effect; and no notice, consent, approval, authorization, order, registration or qualification of or with or to any court or governmental agency or body is required for the issue and sale of the Preferred Stock, except for the registration of the Preferred Stock under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act and applicable state securities laws in connection with the purchase and distribution of the Preferred Stock by the Underwriters and except for the filing of the Certificates of Designations with the Delaware Secretary of State.

(x) Neither the Company nor any of its subsidiaries is an "investment company" as defined in the Investment Company Act of 1940, as amended, it being understood that certain separate accounts of PLIC are registered as investment companies under the Investment Company Act in the ordinary course of PLIC's business.

In rendering such opinion, such counsel may state that their opinion is limited to matters governed by the Federal laws of the United States of America, the laws of the State of New York and the Delaware General Corporation Law.

Such counsel shall also state that in the course of its review and discussion of the contents of the Registration Statement with certain officers and employees of the Company and representatives of the Company's independent accountants, but without independent check or verification, no facts have come to the attention of such counsel which cause them to believe that the Registration Statement (except for the financial statements, the related notes and schedules therein, as to which such counsel need express no belief) as of the date of each Final Prospectus, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that, as of the date of each Final Prospectus or as of the date of such opinion, either Final Prospectus (except for the financial statements, the related notes and schedules therein, as to which such counsel need express no belief) contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The foregoing opinion and statement may be qualified by a statement to the effect that such counsel does not assume any responsibility for the

accuracy, completeness or fairness of the statements contained in the Registration Statement or either Final Prospectus.

(d) Karen E. Shaff, General Counsel to the Company, shall have furnished to the Representative their written opinion, as counsel to the Company, addressed to the Underwriters and dated the Delivery Date, in form and substance reasonably satisfactory to the Representative, to the effect that:

(i) Each of the Company and its Significant Subsidiaries has been duly incorporated and is validly existing as a corporation, partnership or limited partnership, as applicable, and is in good standing under the laws of its jurisdiction, with corporate power and authority to own its properties and conduct its business as described in each Final Prospectus; the Company is duly qualified to do business as a foreign corporation and is in good standing under the laws of each other jurisdiction in which its ownership or lease of property or the conduct of its business requires such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified and in good standing in any such jurisdiction; and each subsidiary of the Company is duly qualified to do business as a foreign corporation, partnership or limited partnership, as applicable, and is in good standing under the laws of each other jurisdiction in which its ownership or lease of property or the conduct of its business requires such qualification and good standing, except where the failure to be so qualified would not have a Material Adverse Effect.

(ii) The Company has an authorized capitalization as set forth in each of the Final Prospectuses. All of the issued shares of capital stock of the Company conform to the description thereof contained in each of the Final Prospectuses. All of the issued shares of capital stock of each Significant Subsidiary of the Company have been duly authorized and validly issued and are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims.

(iii) The shares of the Preferred Stock being delivered on the Delivery Date to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor will be duly and validly issued, fully paid and non-assessable; and the Preferred Stock conforms to the descriptions thereof contained in each of the Final Prospectuses.

(iv) Except as described in the Final Prospectuses, the holders of outstanding shares of the Company's capital stock are not entitled to preemptive or other rights to subscribe for the Preferred Stock.

(v) To the best of such counsel's knowledge, and other than as set forth in each of the Final Prospectuses, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property or assets of the Company or any of its subsidiaries is the

subject which, if determined adversely to the Company or any of its subsidiaries, would, individually or in the aggregate, have a Material Adverse Effect; and to the best of such counsel's knowledge after due inquiry, no such proceedings are threatened or contemplated by governmental authorities.

(vi) The Registration Statement was declared effective under the Securities Act as of the date and time specified in such opinion, the Final Prospectuses were filed with the Commission pursuant to the subparagraph of Rule 424(b) of the Rules specified in such opinion on the date specified therein and to the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose is pending or threatened by the Commission.

(vii) To the best of such counsel's knowledge, there are no contracts or other documents which are required to be described in either Final Prospectus or filed as exhibits to the Registration Statement by the Securities Act or by the Rules which have not been described or filed as exhibits to the Registration Statement.

(viii) Each of this Agreement and the Remarketing Agreement has been duly authorized, executed and delivered by the Company.

(ix) The issue and sale of the shares of the Preferred Stock being delivered on the Delivery Date by the Company pursuant to this Agreement and the execution, delivery and performance of this Agreement and the Remarketing Agreement by the Company and the consummation of the transactions contemplated hereby and thereby will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or its subsidiaries is a party or by which the Company or its subsidiaries is bound or to which any of the property or assets of the Company or its subsidiaries is subject or give the holder of any of the notes, debentures, or other evidence of indebtedness of the Company or its subsidiaries the right to require repurchase, redemption or repayment of all or a portion of such indebtedness by any of the Company or its subsidiaries, or result in the creation or imposition of any lien, charge or encumbrance upon any of the assets, properties or operations of any of the Company or its subsidiaries, nor will such actions result in any violation of the provisions of the certificate of incorporation or by-laws or similar organizational documents of the Company or its subsidiaries or the Demutualization Plan, or any statute or any order, rule or regulation of any court or insurance or other regulatory agency or governmental agency or body having jurisdiction over the Company or its subsidiaries or any of their respective properties or assets, in each case the effect of which (other than any violation of the provisions of the certificate of incorporation or by-laws or similar organizational documents of the Company or any of its subsidiaries), individually

or in the aggregate, would be either to affect the validity of the Preferred Stock or their issue or affect adversely the consummation of the transactions contemplated hereby or by the Remarketing Agreement, or to have a Material Adverse Effect; and no notice, consent, approval, authorization, order, registration or qualification of or with or to any court or governmental agency or body is required for the issue and sale of the Preferred Stock, including without limitation pursuant to the Demutualization Plan, except for the registration of the Preferred Stock under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act and applicable state securities laws in connection with the purchase and distribution of the Preferred Stock by the Underwriters and except for the filing of the Certificate of Designations with the Delaware Secretary of State.

(x) Each of the Company and its Insurance Entities is duly organized and licensed or registered as an insurance or insurance holding company, as the case may be, in its jurisdiction of incorporation, and, in the case of an insurance company, is duly licensed or authorized in each other jurisdiction where it is required to be so licensed or authorized to conduct its business and all such licenses or authorizations are in full force and effect. Except as otherwise described in each of the Final Prospectuses, each of the Insurance Entities has all Approvals of and from all insurance and regulatory authorities, as the case may be, to conduct its business, with such exceptions as would not have, individually or in the aggregate, a Material Adverse Effect, and all such Approvals are in full force and effect except where the failure of such Approvals to be in full force and effect would not have, individually or in the aggregate, a Material Adverse Effect. There is no pending or, to the knowledge of such counsel after due inquiry, threatened action, suit, proceeding or investigation that could reasonably be expected to lead to the revocation, termination, suspension or limitation of any such Approval or otherwise impose any limitation on the conduct of business of any Insurance Entity, the revocation, termination or suspension of which would have, individually or in the aggregate, a Material Adverse Effect, and, to the knowledge of such counsel after due inquiry, no insurance or regulatory agency or body has issued any order or decree impairing, restricting or prohibiting the payment of dividends by any Insurance Entity. Except as otherwise described in each of the Final Prospectuses, none of the Insurance Entities has received any notification from any applicable regulatory authority to the effect that any additional Approvals from such regulatory authority are needed to be obtained by such Insurance Entity in any case where it could be reasonably expected that (i) any of the Insurance Entities would in fact be required either to obtain any such additional Approvals or cease or otherwise limit engaging in certain business and (ii) the failure to have such Approvals or limiting such business would have, individually or in the aggregate, a Material Adverse Effect. Each of the Company and its Insurance Entities is in compliance with all applicable insurance laws, rules, regulations, orders, bylaws and similar requirements which are applicable to it, and has filed all notices, reports, documents or other information required to be

filed thereunder, in each case with such exceptions as would not have, individually or in the aggregate, a Material Adverse Effect.

(xi) Each of the Company and its Bank Subsidiaries, Broker-Dealer Subsidiaries and Investment Advisor Subsidiaries is duly licensed or registered as a bank, broker-dealer or investment advisor, as the case may be, in each jurisdiction where it is required to be so licensed or registered to conduct its business. Each Bank Subsidiary, Broker-Dealer Subsidiary and Investment Advisor Subsidiary has all other necessary Approvals of and from all applicable regulatory authorities, including any self-regulatory organization, to conduct its businesses, in each case with such exceptions as would not have, individually or in the aggregate, a Material Adverse Effect. There is no pending or, to the knowledge of such counsel after due inquiry, threatened action, suit, proceeding or investigation that could reasonably be expected to lead to the revocation, termination, suspension or limitation of any such Approval or otherwise impose any limitation on the conduct of business of any Bank Subsidiary, Broker-Dealer Subsidiary or Investment Advisor Subsidiary, the revocation, termination or suspension of which would have, individually or in the aggregate, a Material Adverse Effect. Except as otherwise described in each of the Final Prospectuses, none of the Bank Subsidiaries, Broker-Dealer Subsidiaries or Investment Advisor Subsidiaries has received any notification from any applicable regulatory authority to the effect that any additional Approvals from such regulatory authority are needed to be obtained by such Bank Subsidiary, Broker-Dealer Subsidiary or Investment Advisor Subsidiary in any case where it could be reasonably expected that (i) any of the Bank Subsidiaries, Broker-Dealer Subsidiaries or Investment Advisor Subsidiaries would in fact be required either to obtain any such additional Approvals or cease or otherwise limit engaging in certain business and (ii) the failure to have such Approvals or limiting such business would have, individually or in the aggregate, a Material Adverse Effect; and each Bank Subsidiary, Broker-Dealer Subsidiary and Investment Advisor Subsidiary is in compliance with the requirements of the banking, broker-dealer and investment advisor laws and regulations of each jurisdiction which are applicable to such subsidiary, and has filed all notices, reports, documents or other information required to be filed thereunder, in each case with such exceptions as would not have, individually or in the aggregate, a Material Adverse Effect.

(xii) Except as described in the Final Prospectuses, to the best of such counsel's knowledge, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered



pursuant to the Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Securities Act.

In rendering such opinion, such counsel may state that her opinion is limited to matters governed by the Federal laws of the United States of America, the laws of the State of Iowa and the Delaware General Corporation Law.

Such counsel shall also state that in the course of review and discussion of the contents of the Registration Statement by her or by lawyers in the Company's law department under her supervision, but without independent check or verification, no facts have come to her attention which lead her to believe that the Registration Statement (except for the financial statements, the related notes and schedules therein, as to which such counsel need express no belief) as of the date of each Final Prospectus, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that, as of the date of the Final Prospectuses or as of the date of such opinion, either Final Prospectus (except for the financial statements, the related notes and schedules therein, as to which such counsel need express no belief) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The foregoing opinion and statement may be qualified by a statement to the effect that she does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or either Final Prospectus.

(e) The Representative shall have received from Sullivan & Cromwell LLP, counsel for the Underwriters, such opinion or opinions, dated the Delivery Date, with respect to the issuance and sale of the Preferred Stock, the Registration Statement, each Final Prospectus and other related matters as the Representative may reasonably require, and the Company shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(f) At the time of execution of this Agreement, the Representative shall have received from Ernst & Young LLP a letter or letters, in form and substance satisfactory to the Representative, addressed to the Underwriters and dated the date hereof (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission and (ii) stating, as of the date hereof (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Final Prospectuses, as of a date not more than five days prior to the date hereof), the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings.

(g) With respect to the letter or letters of Ernst & Young LLP referred to in the preceding paragraph and delivered to the Representative concurrently with the execution of this Agreement (the "initial letters"), the Company shall have furnished to the Representative a letter (the "bring-down letter") of such accountants, addressed to the Underwriters and dated the Delivery Date (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date of the bring-down letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Final Prospectuses, as of a date not more than five days prior to the date of the bring-down letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by the initial letters and (iii) confirming in all material respects the conclusions and findings set forth in the initial letters.

(h) The Company shall have furnished to the Representative a certificate, dated the Delivery Date, of its Chairman of the Board, its President or a Vice President and its chief financial officer stating that:

(i) The representations, warranties and agreements of the Company in Section 1 are true and correct as of the Delivery Date; the Company has complied with all its agreements contained herein; and the conditions set forth in paragraphs (a) and (i) of this Section 7 have been fulfilled; and

(ii) They have carefully examined the Registration Statement and the Final Prospectuses and, in their opinion (A) as of the date of each of the Final Prospectuses, the Registration Statement and the Final Prospectuses did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (B) since the date of each of the Final Prospectuses, no event has occurred which should have been set forth in a supplement or amendment to the Registration Statement or the Final Prospectuses which has not been so set forth.

(i) (A) Neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included in the Final Prospectuses any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Final Prospectuses, or (B) since such date, there has not been any decrease in the outstanding capital stock of the Company in excess of 10 million shares or increase in the consolidated long-term debt of the Company in excess of \$10,000,000, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Final Prospectuses, the effect of which, in any such case described in clause (A) or (B), is, in

the judgment of the Representative, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Preferred Stock being delivered on the Delivery Date on the terms and in the manner contemplated in the Final Prospectuses.

(j) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading of any securities of or guaranteed by the Company shall have been suspended on any exchange or in any over-the-counter market, (ii) trading in securities on the New York Stock Exchange, the American Stock Exchange, and the National Association of Securities Dealers, Inc., shall have been generally suspended, or there shall have been a material disruption in settlement of securities generally, (iii) minimum or maximum ranges for prices shall have been generally established on the New York Stock Exchange by the Commission or by the New York Stock Exchange, (iv) a general banking moratorium shall have been declared by federal or New York State authorities, (v) any major disruption of settlements of securities or clearance services in the United States, or (vi) any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by the United States Congress or any other substantial national or international calamity, crisis or emergency (including, without limitation, acts of terrorism) affecting the United States, in any such case provided for in clauses (i) through (vi), as to make it, in the judgment of the Representative, impracticable or inadvisable to proceed with the public offering or delivery of the Preferred Stock being delivered on the Delivery Date on the terms and in the manner contemplated in the Final Prospectuses.

(k) On or after the date of this Agreement, (i) no downgrading shall have occurred in the rating accorded the Company's debt securities or the debt securities of any of its Significant Subsidiaries (including any "surplus notes" of PLIC) or PLIC's claims paying ability or financial strength by any "nationally recognized statistical rating organization", as such term is defined in Rule 436(g)(2) of the Rules, (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities or the debt securities of any of its Significant Subsidiaries (including any "surplus notes" of PLIC) or PLIC's claims paying ability or financial strength and (iii) the Preferred Stock shall continue to be rated BBB by Standard & Poor's and Baa2 by Moody's.

(l) No Underwriter shall have discovered and disclosed to the Company on or prior to the Delivery Date that the Registration Statement or the Final Prospectuses or any amendment or supplement thereto contains an untrue statement of a fact which, in the reasonable opinion of Sullivan & Cromwell LLP, counsel for the Underwriters, is material or omits to state a fact which, in the reasonable opinion of such counsel, is material and is required to be stated therein or is necessary to make the statements therein not misleading.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Underwriters.

#### SECTION 8. Indemnification and Contribution.

(a) The Company shall indemnify and hold harmless each Underwriter, its directors, officers and employees and each person, if any, who controls any Underwriter within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Preferred Stock), to which that Underwriter, director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Interim Prospectus or either Final Prospectus or in any amendment or supplement thereto or the omission or alleged omission to state in the Registration Statement, any Interim Prospectus or either Final Prospectus, or in any amendment or supplement thereto, any material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse each Underwriter and each such director, officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Underwriter, director, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Interim Prospectus or either Final Prospectus, or in any such amendment or supplement, in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representative by or on behalf of any Underwriter specifically for inclusion therein which information consists solely of the information specified in Section 8(e). The foregoing indemnity agreement is in addition to any liability which the Company may otherwise have to any Underwriter or to any director, officer, employee or controlling person of that Underwriter.

(b) Each Underwriter, severally and not jointly, shall indemnify and hold harmless the Company, its officers and employees, each of its directors, and each person, if any, who controls the Company within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Interim Prospectus or either Final Prospectus or in any amendment or supplement thereto, or (ii) the omission or alleged omission to state in the Registration Statement, any Interim

Prospectus or either Final Prospectus, or in any amendment or supplement thereto, any material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representative by or on behalf of that Underwriter specifically for inclusion therein, which information is limited to the information set forth in Section 8(e), and shall reimburse the Company and any such director, officer or controlling person for any legal or other expenses reasonably incurred by the Company or any such director, officer or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Underwriter may otherwise have to the Company or any such director, officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 8(a) or (b) except to the extent it has been materially prejudiced by such failure and, provided further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8(a) or (b). If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party). After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or 8(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Preferred Stock or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Underwriters on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Preferred Stock purchased under this Agreement (before deducting expenses) received by the Company, on the one hand, and the total underwriting discounts and commissions received by the Underwriters with respect to the shares of the Preferred Stock purchased under this Agreement, on the other hand, bear to the total gross proceeds from the offering of the shares of the Preferred Stock under this Agreement, in each case as set forth in the table on the cover pages of the Final Prospectuses. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section shall be deemed to include, for purposes of this Section 8(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8(d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the shares of Preferred Stock underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section 8(d) are several in proportion to their respective underwriting obligations and not joint.

(e) The Underwriters severally confirm and the Company acknowledges that the statements with respect to the public offering of the Preferred Stock by the Underwriters set forth on the cover page of and the concession and reallocation figures appearing under the caption "Underwriting" in, the Prospectus are correct and constitute the only information concerning such Underwriters furnished in writing to the Company by or on behalf of the Underwriters specifically for inclusion in the Registration Statement and the Final Prospectuses.

#### SECTION 9. Defaulting Underwriters.

If, on the Delivery Date, any Underwriter defaults in the performance of its obligations under this Agreement, the remaining non-defaulting Underwriters shall be obligated to purchase the Preferred Stock which the defaulting Underwriter agreed but failed to purchase on the Delivery Date in the respective proportions which the number of shares of the Preferred Stock set opposite the name of each remaining non-defaulting Underwriter in Schedule I hereto bears to the total number of shares of the Preferred Stock set opposite the names of all the remaining non-defaulting Underwriters in Schedule I hereto; provided, however, that the remaining non-defaulting Underwriters shall not be obligated to purchase any of the Preferred Stock on the Delivery Date if the total number of shares of the Preferred Stock which the defaulting Underwriter or Underwriters agreed but failed to purchase on such date exceeds 9.09% of the total number of shares of the Preferred Stock to be purchased on the Delivery Date, and any remaining non-defaulting Underwriter shall not be obligated to purchase more than 110% of the number of shares of the Preferred Stock which it agreed to purchase on the Delivery Date pursuant to the terms of Section 2. If the foregoing maximums are exceeded, the remaining non-defaulting Underwriters, or those other underwriters satisfactory to the Representative who so agree, shall have the right, but shall not be obligated, to purchase, in such proportion as may be agreed upon among them, all the Preferred Stock to be purchased on the Delivery Date. If the remaining Underwriters or other underwriters satisfactory to the Representative do not elect to purchase the shares which the defaulting Underwriter or Underwriters agreed but failed to purchase on the Delivery Date, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company, except that the Company will continue to be liable for the payment of expenses to the extent set forth in Sections 6 and 11. As used in this Agreement, the term "Underwriter" includes, for all purposes of this Agreement unless the context requires otherwise, any party not listed in Schedule I hereto who, pursuant to this Section 9, purchases Preferred Stock which a defaulting Underwriter agreed but failed to purchase.

Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company for damages caused by its default. If other Underwriters are obligated or agree to purchase the Preferred Stock of a defaulting or withdrawing Underwriter, either the Representative or the Company may postpone the Delivery Date for up to seven full business days in order to effect any changes that in the opinion of

counsel for the Company or counsel for the Underwriters may be necessary in the Registration Statement, the Final Prospectuses or in any other document or arrangement.

SECTION 10. Termination. The obligations of the Underwriters hereunder may be terminated by the Representative by notice given to and received by the Company prior to delivery of and payment for the Preferred Stock if, prior to that time, any of the events described in Sections 7(i), 7(j) or 7(k), shall have occurred or if the Underwriters shall decline to purchase the Preferred Stock for any reason permitted under this Agreement.

SECTION 11. Reimbursement of Underwriters' Expenses. If the Company shall fail to tender the Preferred Stock for delivery to the Underwriters by reason of any failure, refusal or inability on the part of the Company to perform any agreement on its part to be performed, or because any other condition of the Underwriters' obligations hereunder required to be fulfilled by the Company is not fulfilled, the Company will reimburse the Underwriters for all reasonable out-of-pocket expenses (including fees and disbursements of counsel) incurred by the Underwriters in connection with this Agreement and the proposed purchase of the Preferred Stock, and upon demand the Company shall pay the full amount thereof to the Representative. If this Agreement is terminated pursuant to SECTION 9 by reason of the default of one or more Underwriters, the Company shall not be obligated to reimburse any defaulting Underwriter on account of those expenses.

SECTION 12. Notices, Etc. All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Underwriters, shall be delivered or sent by mail, telex or facsimile transmission to Lehman Brothers Inc., 745 Seventh Avenue, New York, N.Y. 10019, Attention: Syndicate Registration Department, Fax (212) 526-0943, with a copy, in the case of any notice pursuant to Section 8(c), to the Director of Litigation, Office of the General Counsel, Lehman Brothers Inc., 399 Park Avenue, 15th Floor, New York, NY 10022;

(b) if to the Company, shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: General Counsel (Fax: 515-235-9852); provided, however, that any notice to an Underwriter pursuant to Section 8(c) shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its acceptance telex to the Representative, which address will be supplied to any other party hereto by the Representative upon request. Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Company shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Underwriters by Lehman Brothers Inc. on behalf of the Representative.

SECTION 13. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company, and their respective successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that (A) the representations, warranties, indemnities and



agreements of the Company contained in this Agreement shall also be deemed to be for the benefit of the directors, officers and the person or persons, if any, who control any Underwriter within the meaning of Section 15 of the Securities Act and (B) the indemnity agreement of the Underwriters contained in Section 8(b) of this Agreement shall be deemed to be for the benefit of directors of the Company, officers of the Company who have signed the Registration Statement and any person controlling the Company within the meaning of Section 15 of the Securities Act. Nothing in this Agreement is intended or shall be construed to give any person, other than the persons referred to in this Section 13, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

SECTION 14. Survival. The respective indemnities, representations, warranties and agreements of the Company and the Underwriters contained in this Agreement or made by or on behalf on them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Preferred Stock and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

SECTION 15. Definition of the Terms "Business Day" and "Subsidiary". For purposes of this Agreement, (a) "business day" means each Monday, Tuesday, Wednesday, Thursday or Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close and (b) "subsidiary" has the meaning set forth in Rule 405 of the Rules.

SECTION 16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of New York.

SECTION 17. Counterparts. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

SECTION 18. Headings. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing correctly sets forth the agreement between the Company and the Underwriters, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

**PRINCIPAL FINANCIAL GROUP, INC.**

By /s/ Joyce N. Hoffman

-----  
Name: Joyce N. Hoffman  
Title: Senior Vice President  
and Corporate Secretary

By /s/ Craig Bassett

-----  
Name: Craig Bassett  
Title: Vice President and Treasurer

**Accepted:**

**LEHMAN BROTHERS INC.**

For themselves and as Representative  
of the several Underwriters named  
in Schedule I hereto

**By LEHMAN BROTHERS INC.**

By /s/ Russell Hackmann

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Authorized Representative

## ANNEX I

(1) Each Underwriter represents and agrees that: (i) it has not offered or sold and, prior to the expiry of a period six months from the date of issuance of the Preferred Stock, will not offer or sell any Preferred Stock to any persons in the United Kingdom, except to persons whose ordinary activities involved them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended); (ii) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Preferred Stock in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and (iii) it has complied, and will comply with, all applicable provisions of the FSMA with respect to anything done by it in relation to the Preferred Stock in, from or otherwise involving the United Kingdom.

## SCHEDULE I

Underwriter	Number of shares of Series A Preferred Stock to be purchased	Number of shares of Series B Preferred Stock to be purchased
Lehman Brothers Inc.	1,770,000	5,900,000
UBS Securities LLC	600,000	2,000,000
Goldman, Sachs & Co.	300,000	1,000,000
Banc of America Securities LLC	150,000	500,000
JP Morgan	75,000	250,000
Wachovia Capital Markets, LLC	75,000	250,000
Guzman & Company	30,000	100,000

**Exhibit 3.1**

**AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
PRINCIPAL FINANCIAL GROUP, INC.**

**ARTICLE I**

**NAME OF CORPORATION**

The name of the corporation is Principal Financial Group, Inc. (the "Corporation").

**ARTICLE II**

**REGISTERED OFFICE**

The Corporation's registered office in the State of Delaware is at 1209 N. Orange Street, City of Wilmington, County of Newcastle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

**ARTICLE III**

**PURPOSE**

The nature of the business of the Corporation and its purpose is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

**ARTICLE IV**

**STOCK**

Section 1. Authorized Stock. The aggregate number of shares of stock that the Corporation shall have authority to issue is 2,500,000,000 shares of common stock, par value \$.01 per share (the "Common Stock"), and 500,000,000 shares of preferred stock, par value \$.01 per share (the "Preferred Stock"). The number of authorized shares of the Common Stock and the Preferred Stock or any other class of stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the combined voting power of the outstanding shares of stock of the Corporation entitled to vote thereon, and, irrespective of Section 242(b)(2) of the Delaware General Corporation Law, no vote of the holders of any of the Common Stock, the Preferred Stock or any other class of stock, voting separately as a class, shall be required therefor.

## Section 2. Preferred Stock.

(a) The Preferred Stock may be issued at any time and from time to time in one or more series. The Board of Directors is hereby authorized to provide for the issuance of shares of Preferred Stock in series and, by filing a certificate of designation pursuant to the applicable provisions of the General Corporation Law of the State of Delaware (hereinafter referred to as a "Preferred Stock Certificate of Designation"), to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of shares of each such series and the qualifications, limitations and restrictions thereof.

(b) The authority of the Board of Directors with respect to each series of Preferred Stock shall include, but not be limited to, determination of the following:

(i) the designation of the series, which may be by distinguishing number, letter or title;

(ii) the number of shares of the series, which number the Board of Directors may thereafter (except where otherwise provided in the applicable Preferred Stock Certificate of Designation) increase or decrease (but not below the number of shares thereof then outstanding);

(iii) whether dividends, if any, shall be cumulative or noncumulative and the dividend rate of the series;

(iv) whether dividends, if any, shall be payable in cash, in kind or otherwise;

(v) the dates on which dividends, if any, shall be payable;

(vi) the redemption rights and price or prices, if any, for shares of the series;

(vii) the terms and amount of any sinking fund provided for the purchase or redemption of shares of the series;

(viii) the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

(ix) whether the shares of the series shall be convertible or exchangeable into shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates as of which such shares shall

be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made;

(x) restrictions on the issuance of shares of the same series or of any other class or series; and

(xi) whether or not the holders of the shares of such series shall have voting rights, in addition to the voting rights provided by law, and if so, the terms of such voting rights, which may provide, among other things and subject to the other provisions of this Amended and Restated Certificate of Incorporation, that each share of such series shall carry one vote or more or less than one vote per share, that the holders of such series shall be entitled to vote on certain matters as a separate class (which for such purpose may be comprised solely of such series or of such series and one or more other series or classes of stock of the Corporation) and that all the shares of such series entitled to vote on a particular matter shall be deemed to be voted on such matter in the manner that a specified portion of the voting power of the shares of such series or separate class are voted on such matter.

(c) The Common Stock shall be subject to the express terms of the Preferred Stock and any series thereof.

(d) Subject to the rights of the holders of any series of Preferred Stock, the number of authorized shares of any series of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by resolution of the Board of Directors and approved by the affirmative vote of the holders of a majority of the voting power of all outstanding shares of Common Stock of the Corporation and all other outstanding shares of stock of the Corporation entitled to vote on such matter irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of the State of Delaware or any corresponding provision hereafter enacted, with such outstanding shares of Common Stock and other stock considered for this purpose a single class.

(e) Except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Amended and Restated Certificate of Incorporation or to a Preferred Stock Certificate of Designation that alters or changes the powers, preferences, rights or other terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other series of Preferred Stock, to vote thereon as a separate class pursuant to this Amended and Restated Certificate of Incorporation or a Preferred Stock Certificate of Designation or pursuant to the General Corporation Law of the State of Delaware as currently in effect or as the same may hereafter be amended.

Section 3. Voting in Election of Directors. Except as may be required by law or as provided in this Amended and Restated Certificate of Incorporation or in a Preferred Stock Certificate of Designation, holders of Common Stock shall have the exclusive right to vote for the election of Directors and for all other purposes, and holders of Preferred Stock shall not be entitled to vote on any matter or receive notice of any meeting of stockholders.

Section 4. Owner. The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

Section 5. Shareholder Rights Plans. The Board of Directors is hereby authorized to create and issue, whether or not in connection with the issuance and sale of any of the Corporation's stock or other securities or property, rights entitling the holders thereof to purchase from the Corporation shares of stock or other securities of the Corporation or any other corporation. The times at which and the terms upon which such rights are to be issued will be determined by the Board of Directors and set forth in the contracts or instruments that evidence such rights. The authority of the Board of Directors with respect to such rights shall include, but not be limited to, determination of the following:

- (a) the initial purchase price per share or other unit of the stock or other securities or property to be purchased upon exercise of such rights;
- (b) provisions relating to the times at which and the circumstances under which such rights may be exercised or sold or otherwise transferred, either together with or separately from, any other stock or other securities of the Corporation;
- (c) provisions which adjust the number or exercise price of such rights, or amount or nature of the stock or other securities or property receivable upon exercise of such rights, in the event of a combination, split or recapitalization of any stock of the Corporation, a change in ownership of the Corporation's stock or other securities or a reorganization, merger, consolidation, sale of assets or other occurrence relating to the Corporation or any stock of the Corporation, and provisions restricting the ability of the Corporation to enter into any such transaction absent an assumption by the other party or parties thereto of the obligations of the Corporation under such rights;
- (d) provisions which deny the holder of a specified percentage of the outstanding stock or other securities of the Corporation the right to



exercise such rights and/or cause the rights held by such holder to become void;

(e) provisions which permit the Corporation to redeem such rights; and

(f) the appointment of a rights agent with respect to such rights.

## **ARTICLE V**

### **BOARD OF DIRECTORS; MANAGEMENT OF THE CORPORATION**

Section 1. Classified Board. The Directors of the Corporation, subject to the rights of the holders of shares of any class or series of Preferred Stock, shall be classified with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the By-laws of the Corporation, one class ("Class I") whose initial term expires at the 2002 annual meeting of stockholders, another class ("Class II") whose initial term expires at the 2003 annual meeting of stockholders, and another class ("Class III") whose initial term expires at the 2004 annual meeting of stockholders, with each class to hold office until its successors are elected and qualified. At each annual meeting of stockholders of the Corporation, the date of which will be fixed pursuant to the By-Laws of the Corporation, and subject to the rights of the holders of shares of any class or series of Preferred Stock, the successors of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

Section 2. Director Discretion. In determining what he or she reasonably believes to be in the best interests of the Corporation in the performance of his or her duties as a director, a Director may consider, to the extent permitted by law, both in the consideration of tender and exchange offers, mergers, consolidations and sales of all or substantially all of the Corporation's assets and otherwise, such factors as the Board of Directors determines to be relevant, including without limitation:

(a) the interests of the policyholders of the Corporation's subsidiaries;

(b) the long-term and short-term interests of the Corporation and its stockholders, including the possibility that the interests may be best served by the continued independence of the Corporation;

(c) whether the proposed transaction might violate state or federal laws;

(d) if applicable, not only the consideration being offered in a proposed transaction, in relation to the then current market price for the outstanding capital stock of the Corporation over a period of years, the estimated price that might be achieved in a negotiated sale of the Corporation as a whole or in part through orderly liquidation, the premiums over market price for

the securities of other corporations in similar transactions, current political, economic and other factors bearing on securities prices and the Corporation's financial condition and future prospects; and

(e) the interests of the Corporation's employees, suppliers, creditors and customers, the economy of the state, region and nation, and community and societal considerations.

In connection with any such evaluation, the Board of Directors is authorized to conduct such investigations and to engage in such legal proceedings as the Board of Directors may determine.

Section 3. Management of Business. The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation and for the purpose of creating, defining, limiting and regulating the powers of the Corporation and its Directors and stockholders:

(a) Subject to the rights of any holders of any series of Preferred Stock, if any, to elect additional Directors under specified circumstances, the holders of a majority of the combined voting power of the then outstanding stock of the Corporation entitled to vote generally in the election of Directors may remove any Director or the entire Board of Directors, but only for cause.

(b) Vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause and newly created Directorships resulting from any increase in the authorized number of Directors shall be filled in the manner provided in the By-Laws of the Corporation.

(c) Advance notice of nominations for the election of Directors shall be given in the manner and to the extent provided in the By-Laws of the Corporation.

(d) The election of Directors may be conducted in any manner approved by the Board of Directors at the time when the election is held and need not be by written ballot.

(e) All corporate powers and authority of the Corporation (except as at the time otherwise provided by law, by this Amended and Restated Certificate of Incorporation or by the By-Laws) shall be vested in and exercised by the Board of Directors.

(f) The Board of Directors shall have the power without the assent or vote of the stockholders to adopt, amend, alter or repeal the By-Laws of the Corporation, except to the extent that the By-Laws or this Amended and Restated Certificate of Incorporation otherwise provide. In addition to any requirements of law and any other provision of this Amended and Restated Certificate of Incorporation, the stockholders of the Corporation

may adopt, amend, alter or repeal any provision of the By-Laws upon the affirmative vote of the holders of three-fourths (3/4) or more of the combined voting power of the then outstanding stock of the Corporation entitled to vote generally in the election of Directors.

## **ARTICLE VI**

### **LIABILITY OF DIRECTORS**

Section 1. General. No Director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of his or her fiduciary duty as a Director, except to the extent that such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law as currently in effect or as the same may hereafter be amended.

Section 2. Repeal or Modification. Any repeal or modification of this Article VI by the stockholders of the Corporation shall not adversely affect any right or protection of a Director, officer or the Corporation existing at the time of such repeal or modification. If the General Corporation Law of the State of Delaware is amended after the filing of this Amended and Restated Certificate of Incorporation to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of a Director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended.

## **ARTICLE VII**

### **NO STOCKHOLDER ACTIONS BY WRITTEN CONSENT**

Effective as of the time the Common Stock shall be registered pursuant to the provisions of the Securities Exchange Act of 1934, as amended, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of the stockholders of the Corporation, and the ability of the stockholders to consent in writing to the taking of any action is specifically denied.

## **ARTICLE VIII**

### **PROHIBITION ON ACQUISITION OF SECURITIES**

Pursuant to Section 13 of Chapter 508B of Title XIII of the Code of Iowa (2001), a person shall not directly or indirectly acquire or offer to acquire the beneficial ownership of more than five percent of any class of voting security of the Corporation for a period of five years following the effective date of the conversion of Principal Mutual Holding Company from a mutual insurance holding company into a stock company pursuant to the Plan of Conversion adopted March 31, 2001, without the prior approval of the Insurance Commissioner of the State of Iowa and the Board of Directors of the reorganized company. For the purposes of this Article IX, the term "beneficial ownership" has the meaning set forth in Section 13 of Chapter 508B of Title XIII of the

Code of Iowa (2001) and the term "reorganized company" has the meaning set forth in Section 1 of Chapter 508B of Title XIII of the Code of Iowa (2001).

## **ARTICLE IX**

### **AMENDMENT**

The Corporation reserves the right to amend or repeal any provision contained in this Amended and Restated Certificate of Incorporation in the manner now or hereafter prescribed by the laws of the State of Delaware, and all rights herein conferred upon stockholders or Directors (in the present form of this Amended and Restated Certificate of Incorporation or as hereinafter amended) are granted subject to this reservation; provided, however, that any amendment or repeal of Article VI of this Amended and Restated Certificate of Incorporation shall not adversely affect any right or protection existing hereunder immediately prior to such amendment or repeal; and, provided, further, that Articles V, VI, VII, VIII or IX of this Amended and Restated Certificate of Incorporation shall not be amended, altered or repealed without the affirmative vote of the holders of at least three-fourths (3/4) of the combined voting power of the then outstanding stock of the Corporation entitled to vote generally in the election of Directors.

**Exhibit 3.2**

**PRINCIPAL FINANCIAL GROUP, INC.**

**AMENDED AND RESTATED BY-LAWS**

**Effective February 26, 2002**

**ARTICLE I**

**STOCKHOLDERS**

Section 1.01. Annual Meetings. The annual meeting of the stockholders of the Corporation for the election of Directors and for the transaction of such other business as properly may come before such meeting shall be held at such place, either within or without the State of Delaware, or, within the sole discretion of the Board of Directors, by remote electronic communication technologies and at such date and at such time, as may be fixed from time to time by resolution of the Board of Directors and set forth in the notice or waiver of notice of the meeting.

Section 1.02. Special Meetings. Special meetings of the stockholders may be called at any time by the Chairman of the Board, Chief Executive Officer (or, in the event of his or her absence or disability, by the President or any Executive Vice President), or by the Board of Directors. A special meeting shall be called by the Chairman of the Board, Chief Executive Officer (or, in the event of his or her absence or disability, by the President or any Executive Vice President), or by the Secretary of the Corporation pursuant to a resolution approved by a majority of the entire Board of Directors. Such special meetings of the stockholders shall be held at such places, within or without the State of Delaware, or, within the sole discretion of the Board of Directors, by remote electronic communication technologies, as shall be specified in the respective notices or waivers of notice thereof. Any power of the stockholders of the Corporation to call a special meeting is specifically denied.

Section 1.03. Notice of Meetings; Waiver.

(a) The Secretary of the Corporation or any Assistant Secretary shall cause written notice of the place, if any, date and hour of each meeting of the stockholders, and, in the case of a special meeting, the purpose or purposes for which such meeting is called, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, to be given personally by mail or by electronic transmission, not fewer than ten (10) nor more than sixty (60) days prior to the meeting, to each stockholder of record entitled to vote at

such meeting. If such notice is mailed, it shall be deemed to have been given personally to a stockholder when deposited in the United States mail, postage prepaid, directed to the stockholder at his or her address as it appears on the record of stockholders of the Corporation, or, if a stockholder shall have filed with the Secretary of the Corporation a written request that notices to such stockholder be mailed to some other address, then directed to such stockholder at such other address. Such further notice shall be given as may be required by law.

(b) A written waiver of any notice of any annual or special meeting signed by the person entitled thereto, or a waiver by electronic transmission by the person entitled to notice, shall be deemed equivalent to notice. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders need be specified in a written waiver of notice. Attendance of a stockholder at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting is not lawfully called or convened.

(c) For notice given by electronic transmission to a stockholder to be effective, such stockholder must consent to the Corporation's giving notice by that particular form of electronic transmission. A stockholder may revoke consent to receive notice by electronic transmission by written notice to the Corporation. A stockholder's consent to notice by electronic transmission is automatically revoked if the Corporation is unable to deliver two consecutive electronic transmission notices and such inability becomes known to the Secretary of the Corporation, any Assistant Secretary, the transfer agent or other person responsible for giving notice.

(d) Notices are deemed given (i) if by facsimile, when faxed to a number where the stockholder has consented to receive notice; (ii) if by electronic mail, when mailed electronically to an electronic mail address at which the stockholder has consented to receive such notice; (iii) if by posting on an electronic network (such as a website or chatroom) together with a separate notice to the stockholder of such specific posting, upon the later to occur of (A) such posting or (B) the giving of the separate notice of such posting; or (iv) if by any other form of electronic communication, when directed to the stockholder in the manner consented to by the stockholder.

(e) If a stockholder meeting is to be held via electronic communications and stockholders will take action at such meeting, the notice of such meeting must: (i) specify the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present and vote at such meeting; and (ii) provide the information required to access the stockholder list. A waiver of notice may be given by electronic transmission.

Section 1.04. Quorum. Except as otherwise required by law or by the Certificate of Incorporation, the presence in person or by proxy of the holders of record of one-third of the shares entitled to vote at a meeting of stockholders shall constitute a quorum for the transaction of business at such meeting.

Section 1.05. Voting. If, pursuant to Section 5.05 of these By-Laws, a record date has been fixed, every holder of record of shares entitled to vote at a meeting of stockholders shall be entitled to one (1) vote for each share outstanding in his or her name on the books of the Corporation at the close of business on such record date. If no record date has been fixed, then every holder of record of shares entitled to vote at a meeting of stockholders shall be entitled to one (1) vote for each share of stock standing in his or her name on the books of the Corporation at the close of business on the day next preceding the day on which notice of the meeting is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. Except as otherwise required by law, the Certificate of Incorporation or these By-Laws, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at a meeting and voting for nominees in the election of directors, and in all other matters, the affirmative vote of the majority of shares present in person or represented by proxy at a meeting and voting on the subject matter shall be the act of the stockholders.

Section 1.06. Voting by Ballot. No vote of the stockholders on an election of Directors need be taken by written ballot or by electronic transmission unless otherwise required by law. Any vote not required to be taken by ballot or by electronic transmission may be conducted in any manner approved by the Board of Directors prior to the meeting at which such vote is taken.

Section 1.07. Adjournment. If a quorum is not present at any meeting of the stockholders, the stockholders present in person or by proxy shall have the power to adjourn any such meeting from time to time until a quorum is present. Notice of any adjourned meeting of the stockholders of the Corporation need not be given if the place, if any, date and hour thereof are announced at the meeting at which the adjournment is taken, provided, however, that if the adjournment is for more than thirty (30) days, or if after the adjournment a new record date for the adjourned meeting is fixed pursuant to Section 5.05 of these By-Laws, a notice of the adjourned meeting, conforming to the requirements of Section 1.03 hereof, shall be given to each stockholder of record entitled to vote at such meeting. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted on the original date of the meeting.

Section 1.08. Proxies. Any stockholder entitled to vote at any meeting of the stockholders may authorize another person or persons to vote at any such meeting and express such consent or dissent for him or her by proxy. A stockholder may authorize a valid proxy by executing a written instrument signed by such stockholder, or by causing

his or her signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature, or by transmitting or authorizing the transmission of a telegram, cablegram or other means of electronic transmission to the person designated as the holder of the proxy, a proxy solicitation firm or a like authorized agent. No such proxy shall be voted or acted upon after the expiration of three years from the date of such proxy, unless such proxy provides for a longer period. Every proxy shall be revocable at the pleasure of the stockholder executing it, except in those cases where applicable law provides that a proxy shall be irrevocable. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing with the Secretary of the Corporation either an instrument in writing revoking the proxy or another duly executed proxy bearing a later date. Proxies by telegram, cablegram or other electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. Any copy, facsimile telecommunication or other reliable reproduction of a writing or transmission created pursuant to this section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

Section 1.09. Organization; Procedure. At every meeting of stockholders the presiding officer shall be the Chairman of the Board or, in the event of his or her absence or disability, a presiding officer chosen by the Board of Directors. The Secretary of the Corporation, or in the event of his or her absence or disability, an Assistant Secretary, if any, or if there be no Assistant Secretary, in the absence of the Secretary of the Corporation, an appointee of the presiding officer, shall act as Secretary of the meeting. The order of business and all other matters of procedure at every meeting of stockholders may be determined by such presiding officer.

Section 1.10. Notice of Stockholder Business and Nominations.

(a) Annual Meetings of Stockholders.

(i) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (A) by or at the direction of the Board of Directors or the Chairman of the Board, or (B) by any stockholder of the Corporation who is entitled to vote at the meeting, who complies with the notice procedures set forth in clauses (ii) and (iii) of this paragraph and who was a stockholder of record at the time such notice is delivered to the Secretary of the Corporation.



(ii) For nominations or other business to be properly brought before an annual meeting by a stockholder, pursuant to clause (B) of paragraph (a)(i) of this Section 1.10, the stockholder must have given timely notice thereof in writing or by electronic transmission to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not fewer than ninety (90) days nor more than one hundred twenty (120) days prior to the first anniversary of the preceding year's annual meeting and in any event at least forty-five (45) days prior to the first anniversary of the date on which the registrant first mailed its proxy materials for the prior year's annual meeting of stockholders; provided, that if the date of the annual meeting is advanced by more than thirty (30) days or delayed by more than seventy (70) days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than one hundred twenty (120) days prior to such annual meeting and not later than the close of business on the later of the ninetieth day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. In no event shall the adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (A) as to each person whom the stockholder proposes to nominate for election or reelection as a Director all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14a-11 thereunder, or any successor provisions, including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected; (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and of any beneficial owner on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and any beneficial owner on whose behalf the nomination or proposal is made (1) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (2) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(iii) Notwithstanding anything in the second sentence of paragraph (a)(ii) of this Section 1.10 to the contrary, in the event that the number of Directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for Director or specifying the size of the increased Board of Directors made by the Corporation at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice under this paragraph shall also be considered

timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such business as shall have been brought before the special meeting of the stockholders pursuant to the Corporation's notice of meeting pursuant to Section 1.03 of these By-Laws shall be conducted at such meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which Directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board of Directors or (2) by any stockholder of the Corporation who is entitled to vote at the meeting, who complies with the notice procedures set forth in this Section 1.10 and who is a stockholder of record at the time such notice is delivered to the Secretary of the Corporation. Nominations by stockholders of persons for election to the Board of Directors may be made at such special meeting of stockholders if the stockholder's notice as required by paragraph (a)(ii) of this Section 1.10 shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not earlier than the one hundred and twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(c) General.

(i) Only persons who are nominated in accordance with the procedures set forth in this Section 1.10 shall be eligible to serve as Directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.10. Except as otherwise provided by law, the Certificate of Incorporation or these By-Laws, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 1.10 and, if any proposed nomination or business is not in compliance with this

Section 1.10, to declare that such defective proposal or nomination shall be disregarded.

(ii) For purposes of this Section 1.10, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the

Corporation with the Securities and Exchange Commission pursuant to Section 13, 14, or 15(d) of the Exchange Act.

(iii) Notwithstanding the foregoing provisions of this Section 1.10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 1.10. Nothing in this Section 1.10 shall be deemed to affect any rights (A) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act, or (B) of the holders of any series of Preferred Stock, if any, to elect Directors if so provided under any applicable Preferred Stock Certificate of Designation (as defined in the Certificate of Incorporation).

Section 1.11. Inspectors of Elections. Preceding any meeting of the stockholders, the Board of Directors shall appoint one (1) or more persons to act as Inspectors of Elections, and may designate one (1) or more alternate inspectors. In the event no inspector or alternate is able to act, the person presiding at the meeting shall appoint one (1) or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of the duties of an inspector, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector shall:

- (a) ascertain the number of shares outstanding and the voting power of each;
- (b) determine the shares represented at a meeting and the validity of proxies and ballots;
- (c) specify the information relied upon to determine the validity of electronic transmissions in accordance with Section 1.08 hereof;
- (d) count all votes and ballots;
- (e) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors; and
- (f) certify his or her determination of the number of shares represented at the meeting, and his or her count of all votes and ballots;
- (g) appoint or retain other persons or entities to assist in the performance of the duties of inspector; and
- (h) when determining the shares represented and the validity of proxies and ballots, be limited to an examination of the proxies, any envelopes submitted with those proxies, any information provided in accordance with Section 1.08 of these By-Laws,

ballots and the regular books and records of the Corporation. The inspector may consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of banks, brokers or their nominees or a similar person which represent more votes than the holder of a proxy is authorized by the record owner to cast or more votes than the stockholder holds of record. If the inspector considers other reliable information as outlined in this section, the inspector, at the time of his or her certification pursuant to paragraph (f) of this section, shall specify the precise information considered, the person or persons from whom the information was obtained, when this information was obtained, the means by which the information was obtained, and the basis for the inspector's belief that such information is accurate and reliable.

Section 1.12. Opening and Closing of Polls. The date and time for the opening and the closing of the polls for each matter to be voted upon at a stockholder meeting shall be announced at the meeting. The inspector shall be prohibited from accepting any ballots, proxies or votes or any revocations thereof or changes thereto after the closing of the polls, unless the Court of Chancery upon application by a stockholder shall determine otherwise.

Section 1.13. No Stockholder Action by Written Consent. Effective as of the time the Common Stock shall be registered pursuant to the provisions of the Exchange Act, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of the stockholders of the Corporation, and the ability of the stockholders to consent in writing to the taking of any action is specifically denied.

## **ARTICLE II**

### **BOARD OF DIRECTORS**

Section 2.01. General Powers. Except as may otherwise be provided by law, the Certificate of Incorporation or these By-Laws, the property, affairs and business of the Corporation shall be managed by or under the direction of the Board of Directors and the Board of Directors may exercise all the powers of the Corporation.

Section 2.02. Number of Directors. Subject to the rights of the holders of any class or series of Preferred Stock, if any, the number of Directors shall be fixed from time to time exclusively pursuant to a resolution adopted by a majority of the entire Board of Directors; provided, however, that the Board of Directors shall at no time consist of fewer than three (3) Directors.

Section 2.03. Classified Board of Directors; Election of Directors. The Directors of the Corporation, subject to the rights of the holders of shares of any class or series of

Preferred Stock, shall be classified with respect to the time for which they severally hold office, into three (3) classes, as nearly equal in number as possible, one class ("Class I") whose initial term expires at the 2002 annual meeting of stockholders, another class ("Class II") whose initial term expires at the 2003 annual meeting of stockholders, and another class ("Class III") whose initial term expires at the 2004 annual meeting of stockholders, with each class to hold office until its successors are elected and qualified. Except as otherwise provided in Sections 2.12 and 2.13 of these By-Laws, at each annual meeting of stockholders of the Corporation, and subject to the rights of the holders of shares of any class or series of Preferred Stock, the successors of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

Section 2.04. The Chairman of the Board. The Directors shall elect from among the members of the Board a "Chairman of the Board". The Chairman of the Board shall be deemed an officer of the Corporation and shall have such duties and powers as set forth in these By-Laws or as shall otherwise be conferred upon the Chairman of the Board from time to time by the Board of Directors. The Chairman of the Board shall, if present, preside over all meetings of the Stockholders and of the Board of Directors. The Board of Directors shall by resolution establish a procedure to provide for an acting Chairman of the Board in the event the current Chairman of the Board is unable to serve or act in that capacity.

Section 2.05. Annual and Regular Meetings. The annual meeting of the Board of Directors for the purpose of electing officers and for the transaction of such other business as may come before the meeting shall be held as soon as reasonably practicable following adjournment of the annual meeting of the stockholders at the place of such annual meeting of the stockholders. Notice of such annual meeting of the Board of Directors need not be given. The Board of Directors from time to time may by resolution provide for the holding of regular meetings and fix the place (which may be within or without the State of Delaware) and the date and hour of such meetings. Notice of regular meetings need not be given, provided, however, that if the Board of Directors shall fix or change the time or place of any regular meeting, notice of such action shall be mailed promptly, or sent by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail or other electronic means, to each Director who shall not have been present at the meeting at which such action was taken, addressed to him or her at his or her usual place of business, or shall be delivered to him or her personally. Notice of such action need not be given to any Director who attends the first regular meeting after such action is taken without protesting the lack of notice to him or her, prior to or at the commencement of such meeting, or to any Director who submits a signed waiver of notice, whether before or after such meeting.

Section 2.06. Special Meetings; Notice. Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, Chief Executive Officer (or, in the event of his or her absence or disability, by the President or any Executive Vice President), or by the Board of Directors, at such place (within or without the State of Delaware), date and hour as may be specified in the respective notices or waivers of notice of such meetings. Special meetings of the Board of Directors also may be held whenever called pursuant to a resolution approved by a majority of the entire Board of Directors. Special meetings of the Board of Directors may be called on twenty-four (24) hours' notice, if notice is given to each Director personally or by telephone, including a voice messaging system, or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail or other electronic means, or on five (5) days' notice, if notice is mailed to each Director, addressed to him or her at his or her usual place of business or to such other address as any Director may request by notice to the Secretary. Notice of any special meeting need not be given to any Director who attends such meeting without protesting the lack of notice to him or her, prior to or at the commencement of such meeting, or to any Director who submits a signed waiver of notice, whether before or after such meeting, and any business may be transacted thereat.

Section 2.07. Quorum; Voting. At all meetings of the Board of Directors, the presence of at least a majority of the total authorized number of Directors shall constitute a quorum for the transaction of business. Except as otherwise required by law, the vote of at least a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.08. Adjournment. A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting of the Board of Directors to another time or place. No notice need be given of any adjourned meeting unless the time and place of the adjourned meeting are not announced at the time of adjournment, in which case notice conforming to the requirements of Section 2.05 of these By-Laws shall be given to each Director.

Section 2.09. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board of Directors consent thereto in writing or by electronic transmission, and such writing, writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 2.10. Regulations; Manner of Acting. To the extent consistent with applicable law, the Certificate of Incorporation and these By-Laws, the Board of Directors may adopt by resolution such rules and regulations for the conduct of meetings

of the Board of Directors and for the management of the property, affairs and business of the Corporation as the Board of Directors may deem appropriate. The Directors shall act only as a Board of Directors and the individual Directors shall have no power in their individual capacities unless expressly authorized by the Board of Directors.

Section 2.11. Action by Telephonic Communications. Members of the Board of Directors may participate in a meeting of the Board of Directors by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

Section 2.12. Resignations. Any Director may resign at any time by submitting an electronic transmission or by delivering a written notice of resignation, signed by such Director, to the Chairman of the Board or the Secretary. Unless otherwise specified therein, such resignation shall take effect upon delivery.

Section 2.13. Removal of Directors. Subject to the rights of the holders of any class or series of Preferred Stock, if any, to elect additional Directors under specified circumstances, any Director may be removed at any time, but only for cause, upon the affirmative vote of the holders of a majority of the combined voting power of the then outstanding stock of the Corporation entitled to vote generally in the election of Directors. Any vacancy in the Board of Directors caused by any such removal may be filled at such meeting by the stockholders entitled to vote for the election of the Director so removed. If such stockholders do not fill such vacancy at such meeting, such vacancy may be filled in the manner provided in Section 2.14 of these By-Laws.

Section 2.14. Vacancies and Newly Created Directorships. Subject to the rights of the holders of any class or series of Preferred Stock, if any, to elect additional Directors under specified circumstances, and except as provided in Section 2.13, if any vacancies shall occur in the Board of Directors, by reason of death, resignation, removal or otherwise, or if the authorized number of Directors shall be increased, the Directors then in office shall continue to act, and such vacancies and newly created Directorships may be filled by a majority of the Directors then in office, although less than a quorum. Any Director filling a vacancy shall be of the same class as that of the Director whose death, resignation, removal or other event caused the vacancy, and any Director filling a newly created Directorship shall be of the class specified by the Board of Directors at the time the newly created Directorships were created. A Director elected to fill a vacancy or a newly created Directorship shall hold office until his or her successor has been elected and qualified or until his or her earlier death, resignation or removal.

Section 2.15. Compensation. The amount, if any, which each Director shall be entitled to receive as compensation for such Director's services as such shall be fixed from time to time by resolution of the Board of Directors.

Section 2.16. Reliance on Accounts and Reports, etc. A Director, or a member of any committee designated by the Board of Directors shall, in the performance of such Director's or member's duties, be fully protected in relying in good faith upon the records of the Corporation and upon information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees designated by the Board of Directors, or by any other person as to the matters the Director or the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

### **ARTICLE III**

#### **EXECUTIVE COMMITTEE AND OTHER COMMITTEES**

Section 3.01. Executive Committee. The Board of Directors shall appoint an Executive Committee consisting of five (5) Directors. Members of the Executive Committee shall be appointed by and serve at the pleasure of the Board of Directors. The Chairman of the Board shall be a member of the Executive Committee and shall, if present, preside at each meeting of the Executive Committee. The Chief Executive Officer, if different than the Chairman of the Board, shall be a member of the Executive Committee and in the event of an absence or vacancy in the office of the Chairman of the Board, shall preside at meetings of the Executive Committee. If the Chairman of the Board is also the Chief Executive Officer, any other member of the Executive Committee, as determined by the members of the Executive Committee present, shall preside at a meeting of the Executive Committee in the absence of the Chairman of the Board. The Secretary shall act as secretary of the Executive Committee and shall keep a record of all proceedings of the Executive Committee. A majority of the members of the Executive Committee shall constitute a quorum.

Section 3.02. Powers of Executive Committee. The Executive Committee shall have and, to the extent permitted by law, may exercise all of the powers of the Board of Directors in the management and affairs of the Corporation except when the Board of Directors is in session.

Section 3.03. Other Committees. The Board of Directors, by resolution adopted by the affirmative vote of a majority of Directors then in office, may establish one (1) or more other committees of the Board of Directors, each committee to consist of such number of Directors as from time to time may be fixed by the Board of Directors. Any such committee shall serve at the pleasure of the Board of Directors. Each such committee shall have the powers and duties delegated to it by the Board of Directors, subject to the limitations set forth in applicable Delaware law. The Board of Directors



may elect one or more of its members as alternate members of any such committee who may take the place of any absent member or members at any meeting of such committee, upon request of the Chairman of the Board or the Chairman of such committee.

Section 3.04. Powers. Each committee, except as otherwise provided in this section, shall have and may exercise such powers of the Board of Directors as may be provided by resolution or resolutions of the Board of Directors. Neither the Executive Committee nor any other committee shall have the power or authority:

(a) to approve or adopt, or recommend to the stockholders, any action or matter expressly required by the General Corporation Law to be submitted to the stockholders for approval; or

(b) to adopt, amend or repeal the By-Laws of the Corporation.

Section 3.05. Proceedings. Each such committee may fix its own rules of procedure and may meet at such place (within or without the State of Delaware), at such time and upon such notice, if any, as it shall determine from time to time. Each such committee shall keep minutes of its proceedings and shall report such proceedings to the Board of Directors at the meeting of the Board of Directors next following any such proceedings.

Section 3.06. Quorum and Manner of Acting. Except as may be otherwise provided in the resolution creating such committee, at all meetings of any committee, the presence of members (or alternate members) constituting a majority of the total authorized membership of such committee shall constitute a quorum for the transaction of business. The act of the majority of the members present at any meeting at which a quorum is present shall be the act of such committee. Any action required or permitted to be taken at any meeting of any such committee may be taken without a meeting, if all members of such committee shall consent to such action in writing or by electronic transmission and such writing, writings or electronic transmission or transmissions are filed with the minutes of the proceedings of the committee. Such filing shall be in paper form if the minutes are in paper form and shall be in electronic form if the minutes are maintained in electronic form. The members of any such committee shall act only as a committee, and the individual members of such committee shall have no power in their individual capacities unless expressly authorized by the Board of Directors.

Section 3.07. Action by Telephonic Communications. Unless otherwise provided by the Board of Directors, members of any committee may participate in a meeting of such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

Section 3.08. Absent or Disqualified Members. In the absence or disqualification of a member of any committee, if no alternate member is present to act in his or her stead, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Section 3.09. Resignations. Any member (and any alternate member) of any committee may resign at any time by delivering a written notice of resignation, signed by such member, to the Board of Directors or the Chairman of the Board. Unless otherwise specified therein, such resignation shall take effect upon delivery.

Section 3.10. Removal. Any member (and any alternate member) of any committee may be removed at any time, either for or without cause, by resolution adopted by a majority of the whole Board of Directors.

Section 3.11. Vacancies. If any vacancy shall occur in any committee, by reason of disqualification, death, resignation, removal or otherwise, the remaining members (and any alternate members) shall continue to act, and any such vacancy may be filled by the Board of Directors.

## **ARTICLE IV**

### **OFFICERS**

Section 4.01. Chief Executive Officer. The Board of Directors shall elect a Chief Executive Officer to serve at the pleasure of the Board of Directors who shall (a) supervise the carrying out of policies adopted or approved by the Board of Directors, (b) exercise a general supervision and superintendence over all the business and affairs of the Corporation, and (c) possess such other powers and perform such other duties as may be assigned to him or her by these By-Laws, as may from time to time be assigned by the Board of Directors and as may be incident to the office of Chief Executive Officer.

Section 4.02. Secretary of the Corporation. The Board of Directors shall appoint a Secretary of the Corporation to serve at the pleasure of the Board of Directors. The Secretary of the Corporation shall (a) keep minutes of all meetings of the stockholders and of the Board of Directors, (b) authenticate records of the Corporation and (c) in general, have such powers and perform such other duties as may be assigned to him or her by these By-Laws, as may from time to time be assigned to him or her by the Board of Directors or the Chief Executive Officer and as may be incident to the office of Secretary of the Corporation.

Section 4.03. Other Officers Elected by Board of Directors. At any meeting of the Board of Directors, the Board of Directors may elect a President, Vice Presidents, a Chief Financial Officer, a Treasurer, Assistant Treasurers, Assistant Secretaries, or such other officers of the Corporation as the Board of Directors may deem necessary, to serve at the pleasure of the Board of Directors. Other officers elected by the Board of Directors shall have such powers and perform such duties as may be assigned to such officers by or pursuant to authorization of the Board of Directors or by the Chief Executive Officer.

Section 4.04. Other Officers. The Board of Directors may authorize the Corporation to elect or appoint other officers, each of whom shall serve at the pleasure of the Corporation. Officers elected or appointed by the Corporation shall have such powers and perform such duties as may be assigned to them by the Corporation.

Section 4.05. Salaries. The salaries of all officers and agents of the Corporation shall be fixed by or pursuant to authorization of the Board of Directors.

Section 4.06. Removal and Resignation; Vacancies. Any officer may be removed for or without cause at any time by the Board of Directors. Any officer may resign at any time by delivering a written notice of resignation, signed by such officer, to the Board of Directors or the Chief Executive Officer. Unless otherwise specified therein, such resignation shall take effect upon delivery. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise, shall be filled by or pursuant to authorization of the Board of Directors.

Section 4.07. Authority and Duties of Officers. The officers of the Corporation shall have such authority and shall exercise such powers and perform such duties as may be specified in these By-Laws, except that in any event each officer shall exercise such powers and perform such duties as may be required by law.

## **ARTICLE V**

### **CAPITAL STOCK**

Section 5.01. Certificates of Stock, Uncertificated Shares. The shares of the Corporation shall be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of the stock of the Corporation shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until each such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock in the Corporation represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of, the Corporation, by the Chairman of the Board, the Chief Executive

Officer or the President, and by the Chief Financial Officer, the Treasurer or an Assistant Treasurer, or the Secretary of the Corporation or an Assistant Secretary, representing the number of shares registered in certificate form. Such certificate shall be in such form as the Board of Directors may determine, to the extent consistent with applicable law, the Certificate of Incorporation and these By-Laws.

Section 5.02. Signatures; Facsimile. All signatures on the certificate referred to in Section 5.01 of these By-Laws may be in facsimile, engraved or printed form, to the extent permitted by law. In case any officer, transfer agent or registrar who has signed, or whose facsimile, engraved or printed signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 5.03. Lost, Stolen or Destroyed Certificates. The Board of Directors may direct that a new certificate be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon delivery to the Corporation of an affidavit of the owner or owners of such certificate, setting forth such allegation. The Corporation may require the owner of such lost, stolen or destroyed certificate, or his or her legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate.

Section 5.04. Transfer of Stock. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares, duly endorsed or accompanied by appropriate evidence of succession, assignment or authority to transfer, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Within a reasonable time after the transfer of uncertificated stock, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to the laws of the General Corporation Law of the State of Delaware. Subject to the provisions of the Certificate of Incorporation and these By-Laws, the Board of Directors may prescribe such additional rules and regulations as it may deem appropriate relating to the issue, transfer and registration of shares of the Corporation.

Section 5.05. Record Date. In order to determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted by the Board of Directors, and which shall not be more than sixty (60) nor fewer than ten (10) days before the date of such meeting. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting,

provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights of the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 5.06. Registered Stockholders. Prior to due surrender of a certificate for registration of transfer, the Corporation may treat the registered owner as the person exclusively entitled to receive dividends and other distributions, to vote, to receive notice and otherwise to exercise all the rights and powers of the owner of the shares represented by such certificate, and the Corporation shall not be bound to recognize any equitable or legal claim to or interest in such shares on the part of any other person, whether or not the Corporation shall have notice of such claim or interests. Whenever any transfer of shares shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer if, when the certificates are presented to the Corporation for transfer or uncertificated shares are requested to be transferred, both the transferor and transferee request the Corporation to do so.

Section 5.07. Transfer Agent and Registrar. The Board of Directors may appoint one (1) or more transfer agents and one (1) or more registrars, and may require all certificates representing shares to bear the signature of any such transfer agents or registrars.

## **ARTICLE VI**

### **INDEMNIFICATION**

Section 6.01. Nature of Indemnity. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (a "Proceeding"), whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was or has agreed to become a Director or officer of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as a Director or officer, of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to

have been taken or omitted in such capacity, and may indemnify any person who was or is a party or is threatened to be made a party to such a Proceeding by reason of the fact that he or she is or was or has agreed to become an employee or agent of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her or on his or her behalf in connection with such Proceeding and any appeal therefrom, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful; except that in the case of a Proceeding by or in the right of the Corporation to procure a judgment in its favor (1) such indemnification shall be limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in the defense or settlement of such Proceeding, and (2) no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper. Notwithstanding the foregoing, but subject to Section 6.05 of these By-Laws, the Corporation shall not be obligated to indemnify a Director or officer of the Corporation in respect of a Proceeding (or part thereof) instituted by such Director or officer, unless such Proceeding (or part thereof) has been authorized by the Board of Directors.

The termination of any Proceeding by judgment, order settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal Proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 6.02. Successful Defense. To the extent that a present or former Director or officer of the Corporation has been successful on the merits or otherwise in defense of any Proceeding referred to in Section 6.01 hereof or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 6.03. Determination that Indemnification is Proper. Any indemnification of a present or former Director or officer of the Corporation under Section 6.01 hereof (unless ordered by a court) shall be made by the Corporation unless a determination is made that indemnification of the present or former Director or officer is not proper in the

circumstances because he or she has not met the applicable standard of conduct set forth in Section 6.01 hereof. Any indemnification of a present or former employee or agent of the Corporation under Section 6.01 hereof (unless ordered by a court) may be made by the Corporation upon a determination that indemnification of the present or former employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 6.01 hereof. Any such determination shall be made, with respect to a person who is a Director or officer at the time of such determination, (1) by a majority vote of the Directors who are not parties to such Proceeding, even though less than a quorum, or (2) by a committee of such Directors designated by majority vote of such Directors, even though less than a quorum, or (3) if there are no such Directors, or if such Directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

Section 6.04. Advance Payment of Expenses. Expenses (including attorneys' fees) incurred by a Director or officer in defending any civil, criminal, administrative or investigative Proceeding shall be paid by the Corporation in advance of the final disposition of such Proceeding upon receipt of an undertaking by or on behalf of the Director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article. Such expenses (including attorneys' fees) incurred by former Directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the Corporation deems appropriate. The Board of Directors may authorize the Corporation's counsel to represent such Director, officer, employee or agent in any Proceeding, whether or not the Corporation is a party to such Proceeding.

Section 6.05. Procedure for Indemnification of Directors and Officers. Any indemnification of a Director or officer of the Corporation under Sections 6.01 and 6.02, or advance of costs, charges and expenses to a Director or officer under Section 6.04 of these By-Laws, shall be made promptly, and in any event within thirty (30) days, upon the written request of the Director or officer. If a determination by the Corporation that the Director or officer is entitled to indemnification pursuant to this Article VI is required, and the Corporation fails to respond within thirty (30) days to a written request for indemnity, the Corporation shall be deemed to have approved such request. If the Corporation denies a written request for indemnity or advancement of expenses, in whole or in part, or if payment in full pursuant to such request is not made within thirty (30) days, the right to indemnification or advances as granted by this Article VI shall be enforceable by the Director or officer in any court of competent jurisdiction. Such person's costs and expenses incurred in connection with successfully establishing his or her right to indemnification, in whole or in part, in any such Proceeding shall also be indemnified by the Corporation. It shall be a defense to any such Proceeding (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 6.04 of these By-Laws where the required undertaking, if any, has been received by the Corporation) that the claimant has not met the standard of conduct set forth in

Section 6.01 of these By-Laws, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, its independent legal counsel, and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 6.01 of these By-Laws, nor the fact that there has been an actual determination by the Corporation (including its Board of Directors, its independent legal counsel, and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 6.06. Survival; Preservation of Other Rights. The foregoing indemnification provisions shall be deemed to be a contract between the Corporation and each Director, officer, employee and agent who serves in any such capacity at any time while these provisions as well as the relevant provisions of the Delaware General Corporation Law are in effect and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any Proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a "contract right" may not be modified retroactively without the consent of such Director, officer, employee or agent.

The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any by-law, agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 6.07. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was or has agreed to become a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director or officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person or on such person's behalf in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article VI.

Section 6.08. Severability. If this Article VI or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Director or officer and may indemnify each employee or agent of the Corporation as to costs, charges and expenses (including attorneys' fees),



judgments, fines and amounts paid in settlement with respect to a Proceeding, whether civil, criminal, administrative or investigative, including a Proceeding by or in the right of the Corporation, to the fullest extent permitted by any applicable portion of this Article VI that shall not have been invalidated and to the fullest extent permitted by applicable law.

## **ARTICLE VII**

### **OFFICES**

Section 7.01. Initial Registered Office. The initial registered office of the Corporation in the State of Delaware shall be located at Corporation Trust Center, 1209 N. Orange Street in the City of Wilmington, County of New Castle.

Section 7.02. Other Offices. The Corporation may maintain offices or places of business at such other locations within or without the State of Delaware as the Board of Directors may from time to time determine or as the business of the Corporation may require.

## **ARTICLE VIII**

### **GENERAL PROVISIONS**

Section 8.01. Dividends. Subject to any applicable provisions of law and the Certificate of Incorporation, dividends upon the shares of the Corporation may be declared by the Board of Directors at any regular or special meeting of the Board of Directors and any such dividend may be paid in cash, property, or shares of the Corporation's capital stock.

A member of the Board of Directors, or a member of any committee designated by the Board of Directors shall be fully protected in relying in good faith upon the records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors, or by any other person as to matters the Director reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation, as to the value and amount of the assets, liabilities and/or net profits of the Corporation, or any other facts pertinent to the existence and amount of surplus or other funds from which dividends might properly be declared and paid.

Section 8.02. Reserves. There may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, thinks proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall think conducive to the interest of the Corporation, and the Board of Directors may similarly modify or abolish any such reserve.

Section 8.03. Execution of Instruments. The Board of Directors may authorize, or provide for the authorization of, officers, employees or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. Any such authorization must be in writing or by electronic transmission and may be general or limited to specific contracts or instruments.

Section 8.04. Corporate Indebtedness. No loan shall be contracted on behalf of the Corporation, and no evidence of indebtedness shall be issued in its name, unless authorized by the Board of Directors. Such authorization may be general or confined to specific instances. Loans so authorized may be effected at any time for the Corporation from any bank, trust company or other institution, or from any firm, corporation or individual. All bonds, debentures, notes and other obligations or evidences of indebtedness of the Corporation issued for such loans shall be made, executed and delivered as the Board of Directors shall authorize. When so authorized by the Board of Directors, any part of or all the properties, including contract rights, assets, business or good will of the Corporation, whether then owned or thereafter acquired, may be mortgaged, pledged, hypothecated or conveyed or assigned in trust as security for the payment of such bonds, debentures, notes and other obligations or evidences of indebtedness of the Corporation, and of the interest thereon, by instruments executed and delivered in the name of the Corporation.

Section 8.05. Disposition of Funds. The funds of the Corporation shall be paid out, transferred or otherwise disposed of only in such manner and under such controls as may be authorized by resolution of the Board of Directors or as may be authorized by such officers of the Corporation as the Board of Directors designates.

Section 8.06. Sale, Transfer, etc. of Securities. To the extent authorized by the Board of Directors or by the Chief Executive Officer, the President, any Vice President, the Secretary of the Corporation, the Chief Financial Officer or the Treasurer or any other officers designated by the Board of Directors or the Chief Executive Officer may sell, transfer, endorse, and assign any shares of stock, bonds or other securities owned by or held in the name of the Corporation, and may make, execute and deliver in the name of the Corporation, under its corporate seal, any instruments that may be appropriate to effect any such sale, transfer, endorsement or assignment.

Section 8.07. Voting as Stockholder. Unless otherwise determined by resolution of the Board of Directors, the Chief Executive Officer, the President, any Executive Vice President or any Senior Vice President shall have full power and authority on behalf of the Corporation to attend any meeting of stockholders of any corporation in which the Corporation may hold stock, and to act, vote (or execute proxies to vote) and exercise in person or by proxy all other rights, powers and privileges incident to the ownership of such stock. Such officers acting on behalf of the Corporation shall have full power and authority to execute any instrument expressing consent to or dissent from any action of any such corporation without a meeting. The Board of Directors may by resolution from time to time confer such power and authority upon any other person or persons.

Section 8.08. Fiscal Year. The fiscal year of the Corporation shall commence on the first day of January of each year (except for the Corporation's first fiscal year which shall commence on the date of incorporation) and shall terminate in each case on December 31.

Section 8.09. Seal. The seal of the Corporation shall be in such form as the Board of Directors may from time to time determine and shall contain the name of the Corporation, the year of its incorporation and the words "Corporate Seal" and "Delaware". The form of such seal shall be subject to alteration by the Board of Directors. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or reproduced, or may be used in any other lawful manner.

Section 8.10. Books and Records; Inspection. Except to the extent otherwise required by law, the books and records of the Corporation shall be kept at such place or places within or without the State of Delaware as may be determined from time to time by the Board of Directors.

## **ARTICLE IX**

### **AMENDMENT OF BY-LAWS**

Section 9.01. Amendment. These By-Laws may be amended, altered or repealed:

(a) by resolution adopted by a majority of the Board of Directors at any special or regular meeting of the Board of Directors if, in the case of such special meeting only, notice of such amendment, alteration or repeal is contained in the notice or waiver of notice of such meeting; or

(b) at any regular or special meeting of the stockholders upon the affirmative vote of the holders of three-fourths ( 3/4) or more of the combined voting power of the outstanding shares of the Corporation entitled to vote

generally in the election of Directors if, in the case of such special meeting only, notice of such amendment, alteration or repeal is contained in the notice or waiver of notice of such meeting.

## **ARTICLE X**

### **CONSTRUCTION**

Section 10.01. Construction. In the event of any conflict between the provisions of these By-Laws as in effect from time to time and the provisions of the Certificate of Incorporation of the Corporation as in effect from time to time, the provisions of such Certificate of Incorporation shall be controlling.

**AMENDED AND RESTATED BY-LAWS**

**OF**

**PRINCIPAL FINANCIAL GROUP, INC.**

**As Adopted on February 26, 2002**

**PRINCIPAL FINANCIAL GROUP, INC.  
AMENDED AND RESTATED BY-LAWS**

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**Exhibit 4.1**

**CERTIFICATE OF DESIGNATIONS**

**OF**

**SERIES A NON-CUMULATIVE PERPETUAL PREFERRED STOCK**

**OF**

**PRINCIPAL FINANCIAL GROUP, INC.**

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Principal Financial Group, Inc., a Delaware corporation (the "Corporation"), does hereby certify:

That the following resolutions were duly adopted by the Board of Directors of the Corporation (the "Board of Directors") at a meeting duly convened and held on June 7, 2005 (the "June 7 Resolutions") and by the Pricing Committee (the "Committee") of the Board of Directors by unanimous written consent on June 14, 2005 (the "June 14 Resolutions") pursuant to authority conferred upon the Board of Directors by the provisions of the amended and restated certificate of incorporation of the Corporation authorizing the Corporation to issue up to 500 million shares of preferred stock, par value \$0.01 per share ("Preferred Stock"), and pursuant to authority conferred upon the Committee in accordance with Section 141(c) of the General Corporation Law of the State of Delaware, Article III, Section 3.01 of the amended and restated by-laws of the Corporation (the "by-laws") and resolutions of the Board of Directors adopted at a meeting duly convened and held on June 7, 2005:

1. On June 7, 2005, the Board of Directors adopted the following resolution authorizing the Committee to act on behalf of the Board of Directors in connection with the issuance of a new series of Preferred Stock:

"RESOLVED, that Principal Financial Group, Inc. (the "Corporation") be, and it hereby is, authorized to issue shares of the Corporation's Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share (the "Series A Preferred Shares"), and shares of the Series B Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share (the "Series B Preferred Shares", and together with the Series A Preferred Shares, the "Preferred Shares"), with an initial public offering price of the Preferred Shares not to exceed US\$550 million in the aggregate, and individually not to exceed US\$325 million per series, to be issued from time to time, together or separately, upon such terms as the Pricing Committee (as defined below) or the officers designated below shall determine, as provided in the immediately succeeding resolutions."

2. On June 14, 2005, the Committee, pursuant to the authority conferred upon it by Section 141(c) of the General Corporation Law of the State of Delaware, Article III, Section 3.01 of the by-laws of the

Corporation and the June 7 Resolutions, duly adopted the following resolution:

"RESOLVED, that pursuant to a resolution of the Board of Directors (the "Board of Directors") of Principal Financial Group, Inc., a Delaware corporation (the "Corporation") adopted on June 7, 2005, the issuance of two series of preferred stock of the Corporation, designated as the Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share (the "Series A Preferred Shares") and the Series B Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share (the "Series B Preferred Shares"), respectively, is hereby authorized, and the designation, voting powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations and restrictions of the Series A Preferred Shares and Series B Preferred Shares, in addition to those set forth in the amended and restated certificate of incorporation of the Corporation, are hereby fixed as set forth on Annex A and Annex B, respectively."

3. Accordingly, the designation, voting powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations and restrictions of the Series A Preferred Shares, as set forth in Annex A to the June 14 Resolutions, have been fixed as follows:

SECTION 1. Designation. The distinctive serial designation of such series is "Series A Non-Cumulative Perpetual Preferred Stock" ("Series A Preferred Stock"). Each share of Series A Preferred Stock shall be identical in all respects to every other share of Series A Preferred Stock.

SECTION 2. Number of Shares. The number of shares of Series A Preferred Stock shall be 3,000,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series A Preferred Stock then outstanding) by the Board of Directors. Shares of Series A Preferred Stock that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series.

SECTION 3. Definitions. As used herein with respect to the Series A Preferred Stock:

"3-Month LIBOR" means, with respect to any Dividend Period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a 3-month period commencing on the first day of that Dividend Period that appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the Dividend Determination Date for that Dividend Period. If such rate does not appear on Telerate Page 3750, 3-Month LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a 3-month period commencing on the first day of that Dividend Period and in a principal amount of not less

than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Calculation Agent, at approximately 11:00 a.m., London time on the Dividend Determination Date for that Dividend Period. The Calculation Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, 3-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of such quotations. If fewer than two quotations are provided, 3-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of the rates quoted by three major banks in New York City selected by the Calculation Agent, at approximately 11:00 a.m., New York City time, on the first day of that Dividend Period for loans in U.S. dollars to leading European banks for a 3-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000. However, if the banks selected by the Calculation Agent to provide quotations are not quoting as described above, 3-Month LIBOR for that Dividend Period will be the same as 3-Month LIBOR as determined for the previous Dividend Period. The establishment of 3-Month LIBOR for each Dividend Period by the Calculation Agent shall (in the absence of manifest error) be final and binding.

"10-year Treasury CMT" means the rate determined in accordance with the following provisions:

- (a) With respect to any Dividend Determination Date and the Dividend Period that begins immediately thereafter, the 10-year Treasury CMT means the rate per annum for deposits for a 10-year period commencing on the Dividend Determination Date displayed on the Bloomberg interest rate page most nearly corresponding to Telerate Page 7051 containing the caption "...Treasury Constant Maturities... Federal Reserve Board Release H.15...Mondays Approximately 3:45 P.M.," and the column for the Designated CMT Maturity Index.
- (b) If such rate is no longer displayed on the relevant page, or is not so displayed by 3:00 P.M., New York City time, on the applicable Dividend Determination Date, then the 10-year Treasury CMT for such Dividend Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index as is published in H.15(519).
- (c) If such rate is no longer displayed on the relevant page, or if not published by 3:00 P.M., New York City time, on the applicable Dividend Determination Date, then the 10-year Treasury CMT for such Dividend Determination Date will be such constant maturity treasury rate for the Designated CMT Maturity Index (or other United States Treasury rate for the Designated CMT Maturity Index) for the applicable Dividend Determination Date as may then be published by either the Board of Governors of the Federal Reserve

System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate formerly displayed on the Bloomberg interest rate page most nearly corresponding to Telerate Page 7051 and published in H.15(519).

(d) If such information is not provided by 3:00 P.M., New York City time, on the applicable Dividend Determination Date, then the 10-year Treasury CMT for such Dividend Determination Date will be calculated by the Calculation Agent and will be a yield to maturity, based on the arithmetic mean of the secondary market offered rates as of approximately 3:30 P.M., New York City time, on such Dividend Determination Date reported, according to their written records, by three leading primary United States government securities dealers in The City of New York (each, a "Reference Dealer") selected by the Calculation Agent (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for the most recently issued direct noncallable fixed rate obligations of the United States ("Treasury Debentures") with an original maturity of approximately the Designated CMT Maturity Index and a remaining term to maturity of not less than such Designated CMT Maturity Index minus one year.

(e) If the Calculation Agent is unable to obtain three such Treasury Debentures quotations, the 10-year Treasury CMT for the applicable Dividend Determination Date will be calculated by the Calculation Agent and will be a yield to maturity based on the arithmetic mean of the secondary market offered rates as of approximately 3:30 P.M., New York City time, on the applicable Dividend Determination Date of three Reference Dealers in The City of New York (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for Treasury Debentures with an original maturity of the number of years that is the next highest to the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in an amount of at least \$100 million.

(f) If three or four (and not five) of such Reference Dealers are quoting as set forth above, then the 10-year Treasury CMT will be based on the arithmetic mean of the offered rates obtained and neither the highest nor lowest of such quotes will be eliminated; provided, however, that if fewer than three Reference Dealers selected by the Calculation Agent are quoting as set forth above, the 10-year Treasury CMT with respect to the applicable Dividend Determination Date will remain the 10-year Treasury CMT for the immediately preceding Dividend Period. If two Treasury Debentures with an original maturity as described in the second preceding sentence have remaining terms to maturity

equally close to the Designated CMT Maturity Index, then the quotes for the Treasury Debentures with the shorter remaining term to maturity will be used.

"30-year Treasury CMT" has the meaning specified under the definition of 10-year Treasury CMT, except that (i) each reference to "10-year" in the definition of the "10-year Treasury CMT" will be "30-year" for the purposes of the "30-year Treasury CMT" and (ii) the Designated CMT Maturity Index for the 30-year Treasury CMT shall be 30 years.

"Adjustable Rate" has the meaning assigned to such term in Section 4(b)(ii).

"Adjusted Shareholders' Equity Amount" has the meaning assigned to such term in Section 5(e).

"Annual Statement" has the meaning assigned to such term in Section 5(e).

"Benchmark Quarter End Test Date" has the meaning assigned to such term in Section 5(a)(ii).

"Benchmark Rates" has the meaning assigned to such term in Section 4(b)(ii).

"Bloomberg" means Bloomberg Financial Markets Commodities News.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in the City of New York are not authorized or obligated by law, regulation or executive order to close.

"Calculation Agent" means Computershare Trust Company, Inc., or its successor appointed by the Corporation, acting as calculation agent.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Securities Exchange Act. The Depository Trust Corporation will be the initial Clearing Agency.

"Clearing Agency Participant" means a broker, dealer, bank, other financial institution or other Person for whom from time to time the Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency.

"Commission" has the meaning assigned to such term in Section 5(e).

"Common Stock" means the common stock of the Corporation.

"Company Action Level RBC" has the meaning assigned to such term in Section 5(e).

"Consolidated Net Income Amount" has the meaning assigned to such term in Section 5(e).

"Covered Insurance Subsidiaries" has the meaning assigned to such term in Section 5(e).

"Covered Insurance Subsidiaries' Most Recent Weighted Average NAIC RBC Ratio" has the meaning assigned to such term in Section 5(e).

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities with respect to which the 10-year Treasury CMT or 30-year Treasury CMT, as applicable, will be calculated (which are ten years and thirty years, respectively).

"Dividend Declaration Date" has the meaning assigned to such term in Section 5(a).

"Dividend Determination Date" means the second London Banking Day immediately preceding the first day of the relevant Dividend Period in the Floating Rate Period.

"Dividend Parity Stock" has the meaning assigned to such term in Section 8(b).

"Dividend Payment Date" has the meaning assigned to such term in Section 4(a).

"Dividend Period" means each period commencing on a Dividend Payment Date and continuing to but not including the next succeeding Dividend Payment Date (except that the first Dividend Period shall commence upon the date of initial issuance of the Series A Preferred Stock).

"Dividend Rate" means the rate at which dividends will accrue in respect of any Dividend Period, as determined pursuant to the terms of Section 4, whether by Remarketing or otherwise.

"Election Date" means, with respect to any proposed Remarketing, a date as determined by the Corporation that is no later than the fifth Business Day prior to the proposed Remarketing Date.

"Final Quarter End Test Date" and "Preliminary Quarter End Test Date" have the meanings assigned to such terms in Section 5(e).

"Fixed Rate" means the Dividend Rate during the Initial Fixed Rate Period and any subsequent Fixed Rate Period as determined by a Remarketing.

"Fixed Rate Period" means the Initial Fixed Rate Period and each period set by the Corporation during a Remarketing for which the Fixed Rate determined in such Remarketing will apply; provided, however, that a Fixed Rate Period must be for a duration of at least six months and may not end on a day other than a Dividend Payment Date.

"Floating Rate" means the Dividend Rate during a Floating Rate Period calculated pursuant to Section 4(b)(ii).

"Floating Rate Period" means any period during which a Floating Rate is in effect.

"General Account Admitted Assets" has the meaning assigned to such term in Section 5(e).

"Initial Dividend Rate" means 5.563% per annum.

"Initial Fixed Rate Period" means June 17, 2005 until the Dividend Payment Date in June 2015.

"Insurance Subsidiary" has the meaning assigned to such term in Section 5(e).

"Issue Date" means the initial date of delivery of shares of Series A Preferred Stock.

"Junior Stock" means the Common Stock and any other class or series of stock of the Corporation hereafter authorized over which Series A Preferred Stock has preference or priority in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

"Liquidation Preference" has the meaning assigned to such term in Section 6(a).

"London Banking Day" means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London.

"Model Act" has the meaning assigned to such term in Section 5(e).

"NAIC" has the meaning assigned to such term in Section 5(e).

"New Common Equity Amount" has the meaning assigned to such term in Section 5(e).

"Notice of Election" has the meaning assigned to such term in Section 4(b)(iii).

"Owner" means each Person who is the beneficial owner of a Series A Preferred Stock Certificate as reflected in the records of the Clearing Agency or, if a Clearing Agency Participant is not the Owner, then as reflected in the records of a Person maintaining an account with the Clearing Agency (directly or indirectly, in accordance with the rules of the Clearing Agency).

"Parity Stock" means any other class or series of stock of the Corporation that ranks on a parity with Series A Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation. Any other class or series of stock of the Corporation will not be deemed to rank senior to (or other than on a parity with) the Series A Preferred Stock in the payment of dividends solely because such other class or series of stock does not include the limitation on payment of dividends (and the related exceptions) provided for in Section 5 and, accordingly, the Corporation may pay dividends on the shares of any such other class or series of stock that is otherwise Parity Stock for periods during which the Corporation may not pay dividends on the Series A Preferred Stock because of such limitation without violating the requirements of Section 4(d).

"Person" means any individual, corporation, partnership, joint venture, trust, limited liability company or corporation, unincorporated organization or government or any agency or political subdivision thereof.

"Quarter End" has the meaning assigned to such term in Section 5(e).

"Remarketing" means the conduct by which a Fixed Rate shall be determined in accordance with the Remarketing Procedures.

"Remarketing Agent" means Lehman Brothers, Inc., its successors or assigns, or such other remarketing agent appointed to such capacity by the Corporation.

"Remarketing Agreement" means the agreement between the Corporation and Lehman Brothers Inc., as Remarketing Agent, dated as of the Issue Date.

"Remarketing Date" means any Business Day no later than the third Business Day prior to any Remarketing Settlement Date.

"Remarketing Procedures" means those procedures set forth in Section 4(b)(iii) hereof.

"Remarketing Settlement Date" means, to the extent applicable, (i) the first Business Day of the next Dividend Period following the expiration of the Initial Fixed Rate Period; (ii) any Dividend Payment Date during a Floating Rate Period; or



(iii) any Dividend Payment Date during a time in which shares of Series A Preferred Stock are not redeemable in a subsequent Fixed Rate Period and the date set by the Corporation during a time in which shares of Series A Preferred Stock are redeemable in a subsequent Fixed Rate Period.

"Securities Act" has the meaning assigned to such term in Section 5(e).

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Series A Preferred Stock Certificate" means a certificate evidencing ownership of a share or shares of Series A Preferred Stock.

"Telerate Page 3750" means the display page so designated on the Moneyline/Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to London Interbank Offered Rate for U.S. dollar deposits).

"Telerate Page 7051" means the display page so designated on the MoneyLine/Telerate Service (or any successor service), on such page (or any other page as may replace such page on that service), for the purpose of displaying Treasury Constant Maturities as reported in H.15(519).

"Total Adjusted Capital" has the meaning assigned to such term in Section 5(e).

"Trailing Four Quarters Consolidated Net Income" has the meaning assigned to such term in Section 5(e).

"U.S. GAAP" has the meaning assigned to such term in Section 5(e).

"Year End" has the meaning assigned to such term in Section 5(e).

#### SECTION 4. Dividends.

(a) General.

(i) DIVIDEND PAYMENT DATES, DIVIDEND RATE, ETC. Subject to Section 5, holders of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, but only out of funds legally available therefor, cash dividends at the applicable Dividend Rate applied to the Liquidation Preference per share, accruing on each share of Series A Preferred Stock (i) if issued on the Issue Date, from June 17, 2005, and (ii) if issued thereafter, from (x) the date of issue if such date is

a Dividend Payment Date and (y) from the immediately preceding Dividend Payment Date if the date of issue is other than a Dividend Payment Date, payable quarterly on the 30th day of each March, June, September and December in each year (each such date a "Dividend Payment Date"), commencing on September 30, 2005, with respect to the Dividend Period (or portion thereof) ending on the day preceding such respective Dividend Payment Date, to holders of record on the respective date, not more than 60 nor less than 10 days preceding such Dividend Payment Date, fixed for that purpose by the Board of Directors in advance of payment of each particular dividend. During the Initial Fixed Rate Period, the Dividend Rate shall be the Initial Dividend Rate. For each Dividend Period thereafter, the Dividend Rate shall be determined in accordance with Section 4(b).

(ii) **BUSINESS DAY CONVENTION.** If any Dividend Payment Date with respect to a Fixed Rate Period is not a Business Day, then dividends will be payable on the first Business Day following such Dividend Payment Date, without accrual to the actual payment date. If any Dividend Payment Date with respect to a Floating Rate Period is not a Business Day, then dividends will be payable on the first Business Day following such Dividend Payment Date unless such day is in the next calendar month, in which case dividends shall be payable on the first Business Day preceding such Dividend Payment Date and dividends, in each case, shall accrue to the actual payment date.

(iii) **DAY COUNT CONVENTION.** The amount of dividends payable per share of Series A Preferred Stock on each Dividend Payment Date relating to a Fixed Rate Period will be computed on the basis of a 360-day year of twelve-30 day months. The amount of dividends payable per share of Series A Preferred Stock on each Dividend Payment Date relating to a Floating Rate Period will be computed by multiplying the per annum Dividend Rate in effect for such Dividend Period by a fraction, the numerator of which will be the actual number of days in such Dividend Period (or portion thereof) (determined by including the first day thereof and excluding the last day thereof) and the denominator of which will be 360, and multiplying the rates obtained by \$100.

(b) Remarketing.

(i) **FIXED RATE PERIOD.** Prior to the expiration of the Initial Fixed Rate Period, the Corporation will have the option to remarket the Series A Preferred Stock to establish a new Fixed Rate with respect to the Series A Preferred Stock (to be in effect after the Initial Fixed Rate Period); provided, however, that (A) the Corporation may effect a

Remarketing only if and for so long as the Series A Preferred Stock is issued solely in global, fully registered form to a Clearing Agency and (B) if the Corporation has initiated a Remarketing but at or prior to the related Remarketing Settlement Date the Series A Preferred Stock is no longer issued solely in global, fully registered form to a Clearing Agency, the Remarketing shall terminate and shall not be consummated. In the event that clause (A) or clause (B) of the proviso set forth in the previous sentence applies, the Dividend Rate for the next succeeding Dividend Period shall be determined pursuant to Section 4(b)(ii). Any new Fixed Rate so established will be in effect for such Fixed Rate Period as the Corporation determines in connection with the Remarketing, provided that a Fixed Rate Period must be for a duration of at least six months and must end on a Dividend Payment Date. Prior to the expiration of any Fixed Rate Period after the Initial Fixed Rate Period, the Corporation will have the option, subject to the proviso set forth in the first sentence of this Section 4(b)(i), to remarket the Series A Preferred Stock to establish a new Fixed Rate for a new Fixed Rate Period (to be in effect after the expiration of the then current Dividend Period).

If the Remarketing Agent, pursuant to the Remarketing Procedures described in Section 4(b)(iii), has determined that it will be able to remarket all Series A Preferred Stock tendered or deemed tendered for purchase in the Remarketing at a Fixed Rate and at the per share Liquidation Preference, prior to 4:00 P.M., New York City time, on any Remarketing Date, the Dividend Rate for the new Fixed Rate Period will be the Fixed Rate determined by the Remarketing Agent, which will be the rate per annum (rounded to the nearest one-thousandth (0.001) of one percent per annum) that the Remarketing Agent determines, in its sole judgment, to be the lowest Fixed Rate per annum that will enable it to remarket all Series A Preferred Stock tendered or deemed tendered for Remarketing at the per share Liquidation Preference.

(ii) FLOATING RATE PERIOD. If the Series A Preferred Stock is not redeemed and the Corporation does not elect or is not entitled to remarket the Series A Preferred Stock pursuant to this Section 4 or has terminated a Remarketing or if the Remarketing Agent is unable to remarket all of the Series A Preferred Stock tendered or deemed tendered for a purchase price of \$100 per share of Series A Preferred Stock pursuant to the Remarketing procedures described above or if the Remarketing has been terminated in accordance with the requirements of Section 4(b)(i)(B), the Dividend Rate shall be the Floating Rate and the new Dividend Period shall be a Floating Rate Period, subject to the Corporation's right to subsequently remarket the Series A

Preferred Stock to again establish a Fixed Rate for a new Fixed Rate Period. During any Floating Rate Period, the Corporation may elect to remarket the Series A Preferred Stock prior to any Dividend Payment Date relating to a Floating Rate Period in order to again establish a new Fixed Rate for a new Fixed Rate Period (to be in effect after the expiration of the then current Dividend Period).

The Calculation Agent shall calculate the Floating Rate on the applicable Dividend Determination Date relating to that Floating Rate Period as follows:

Except as provided below, the Floating Rate for any Floating Rate Period for the Series A Preferred Stock will be reset quarterly and will be equal to the Adjustable Rate plus 1.45%. The "Adjustable Rate" for any Dividend Period will be equal to the highest of the 3-month LIBOR, the 10-year Treasury CMT and the 30-year Treasury CMT (collectively, the "Benchmark Rates") for such Dividend Period during the Floating Rate Period. In the event that the Calculation Agent determines in good faith that for any reason:

- (1) any one of the Benchmark Rates cannot be determined for any Dividend Period, the Adjustable Rate for such Dividend Period will be equal to the higher of whichever two of such rates can be so determined;
- (2) only one of the Benchmark Rates can be determined for any Dividend Period, the Adjustable Rate for such Dividend Period will be equal to whichever such rate can be so determined; or
- (3) none of the Benchmark Rates can be determined for any Dividend Period, the Adjustable Rate for the preceding Dividend Period will be continued for such Dividend Period, provided that if such preceding Dividend Period was a Fixed Rate Period, the Fixed Rate for the preceding Dividend Period will be continued for such Dividend Period.

Each of the 10-year Treasury CMT and the 30-year Treasury CMT shall be rounded to the nearest hundredth (0.01) of one percent and 3-month LIBOR shall be rounded to the nearest one-hundred-thousandth (0.00001) of one percent. The Floating Rate with respect to each Dividend Period that occurs within a Floating Rate Period will be calculated as promptly as practicable by the Calculation Agent according to the appropriate method described above.

If a new Fixed Rate for a new Fixed Rate Period is set in a Remarketing (as described in this Section 4), a new Fixed Rate Period shall commence following the expiration of the then current Dividend Period. If a new Fixed Rate for a new Fixed Rate Period is not set, for any reason, including after the expiration of the Initial Fixed Rate Period, in accordance with the terms of

Section 4(b)(iii) hereof, a Floating Rate Period and the corresponding Floating Rate determined or redetermined in accordance with this Section 4(b)(ii) shall be in effect unless and until the Corporation remarkets the Series A Preferred Stock and sets a new Fixed Rate for a new Fixed Rate Period in accordance with this Section 4(b)(i) and 4(b)(iii).

(iii) **REMARKETING PROCEDURES.** If the Corporation elects to conduct a Remarketing of the Series A Preferred Stock for the purpose of establishing a new Fixed Rate for a new Fixed Rate Period, the Corporation shall, not less than 10 nor more than 35 Business Days prior to the related Election Date, notify in writing the Clearing Agency, the Remarketing Agent and the Calculation Agent. Such notice shall describe the Remarketing and shall indicate the length of the proposed new Fixed Rate Period, the proposed Remarketing Date and any redemption provisions that will apply during such new Fixed Rate Period. The Corporation shall have the right to terminate a Remarketing on any day prior to the date of the Remarketing of the Series A Preferred Stock by notice of such termination to the Clearing Agency (or the holders, as applicable), the Remarketing Agent and the Calculation Agent.

Not later than 4:00 P.M., New York City time, on an Election Date, each Owner of Series A Preferred Stock may give, through the facilities of the Clearing Agency, a written notice to the Corporation of its election ("Notice of Election") (i) to retain and not to have all or any portion of the Series A Preferred Stock owned by it remarketed in the Remarketing or (ii) to tender all or any portion of such Series A Preferred Stock for purchase in the Remarketing (such portion, in either case, is to be at the per share Liquidation Preference or any integral multiple thereof). Any Notice of Election given to the Corporation will be irrevocable and may not be conditioned upon the level at which the Fixed Rate is established in the Remarketing. Promptly after 4:30 P.M., New York City time, on such Election Date, the Corporation, based on the Notices of Election received by it through the Clearing Agency prior to such time, will notify the Remarketing Agent of the number of shares of Series A Preferred Stock to be retained by holders of Series A Preferred Stock and the number of shares of Series A Preferred Stock tendered or deemed tendered for purchase in the Remarketing.

If any holder gives a Notice of Election to tender shares of Series A Preferred Stock as described in (ii) in the immediately preceding paragraph, the Series A Preferred Stock so subject to such Notice of Election will be deemed tendered for purchase in the Remarketing, notwithstanding any failure by such holder to deliver or properly deliver such Series A Preferred Stock to the Remarketing Agent for purchase. If any holder of shares of Series A Preferred Stock fails timely to deliver a Notice of Election, as described above, such shares of Series A Preferred Stock will be deemed tendered for purchase in such

Remarketing, notwithstanding such failure or the failure by such holder to deliver or properly deliver such shares of Series A Preferred Stock to the Remarketing Agent for purchase.

The right of each holder of Series A Preferred Stock to have shares of Series A Preferred Stock tendered for purchase in the Remarketing shall be limited to the extent that (i) the Remarketing Agent conducts a Remarketing pursuant to the terms of the Remarketing Agreement, (ii) Series A Preferred Stock tendered have not been called for redemption, (iii) the Remarketing Agent is able to find a purchaser or purchasers for tendered Series A Preferred Stock at a Fixed Rate and (iv) such purchaser or purchasers deliver the purchase price therefore to the Remarketing Agent.

Any holder of Series A Preferred Stock that desires to continue to retain a number of Series A Preferred Stock, but only if the Fixed Rate is not less than a specified rate per annum, shall submit a Notice of Election to tender such Series A Preferred Stock pursuant to this Section 4(b)(iii) and separately notify the Remarketing Agent of its interest at the telephone number set forth in the notice of Remarketing delivered pursuant to this Section 4(b)(iii). If such holder so notifies the Remarketing Agent, the Remarketing Agent will give priority to such holder's purchase of such number of Series A Preferred Stock in the Remarketing, provided that the Fixed Rate is not less than such specified rate.

If holders submit Notices of Election to retain all of the Series A Preferred Stock then outstanding, the Fixed Rate will be the rate determined by the Remarketing Agent, in its sole discretion, as the rate that would have been established had a Remarketing been held on the related Remarketing Date.

On any Remarketing Date on which the Remarketing is to be conducted, the Remarketing Agent will use commercially reasonable efforts to remarket, at a price equal to 100% of the per share Liquidation Preference, shares of Series A Preferred Stock tendered or deemed tendered for purchase. If, as a result of such efforts, on any Remarketing Date, the Remarketing Agent has determined that it will be able to remarket all shares of Series A Preferred Stock tendered or deemed tendered for purchase in the Remarketing at a Fixed Rate and at the per share Liquidation Preference, prior to 4:00 P.M., New York City time, on such Remarketing Date, the Remarketing Agent will determine the Fixed Rate, which will be the rate per annum (rounded to the nearest one-thousandth (0.001) of one percent per annum) which the Remarketing Agent determines, in its sole judgment, to be the lowest Fixed Rate per annum, if any, that will enable it to remarket all shares of Series A Preferred Stock tendered or deemed tendered for Remarketing at the per share Liquidation Preference. By approximately 4:30 P.M., New York City time, on a Remarketing Date, the Remarketing Agent shall advise, by telephone, (i) the Clearing Agency Participant, the Corporation and the

Calculation Agent of any new Fixed Rate established pursuant to the Remarketing and the number of remarketed shares of Series A Preferred Stock sold in the Remarketing; (ii) each purchaser of a remarketed share of Series A Preferred Stock (or the Clearing Agency Participant thereof) of such new Fixed Rate and the number of remarketed shares of Series A Preferred Stock such purchaser is to purchase; and (iii) each purchaser to give instructions to its Clearing Agency Participant to pay the purchase price on the Remarketing Settlement Date in same day funds against delivery of the remarketed Series A Preferred Stock purchased through the facilities of the Clearing Agency Participant.

If the Remarketing Agent is unable to remarket by 4:00 P.M., New York City time on the third Business Day prior to the Remarketing Settlement Date, all shares of Series A Preferred Stock tendered or deemed tendered for purchase at the per share Liquidation Preference, the Dividend Rate for the next Dividend Period shall be the Floating Rate and the new Dividend Period shall be a Floating Rate Period. In such case, no shares of Series A Preferred Stock will be sold in the Remarketing and each holder will continue to hold its shares of Series A Preferred Stock at such Floating Rate during such Floating Rate Period.

All shares of Series A Preferred Stock tendered or deemed tendered in the Remarketing will be automatically delivered to the account of the Remarketing Agent through the facilities of the Clearing Agency against payment of the purchase price therefor on the Remarketing Settlement Date. The Remarketing Agent will make payment to the Clearing Agency Participant of each tendering holder of Series A Preferred Stock in the Remarketing through the facilities of the Clearing Agency by the close of business on the Remarketing Settlement Date. In accordance with the Clearing Agency's normal procedures, on the Remarketing Settlement Date, the transaction described above with respect to each share of Series A Preferred Stock tendered or deemed tendered for purchase and sold in the Remarketing will be executed through the Clearing Agency and the account of the Clearing Agency Participant, will be debited and credited and such Series A Preferred Stock delivered by book entry as necessary to effect purchases and sales of such shares of Series A Preferred Stock. The Clearing Agency is expected to make payment in accordance with its normal procedures.

If any holder selling Series A Preferred Stock in the Remarketing fails to deliver such Series A Preferred Stock, the Clearing Agency Participant of such selling holder and of any other person that was to have purchased Series A Preferred Stock in the Remarketing may deliver to any such other person a number of shares of Series A Preferred Stock that is less than the number of shares of Series A Preferred Stock that otherwise was to be purchased by such person. In such event the number of shares of Series A Preferred Stock to be so delivered will be determined by such Clearing Agency Participant and delivery of

such lesser number of shares of Series A Preferred Stock will constitute good delivery.

The Remarketing Agent is not obligated to purchase any shares of Series A Preferred Stock that would otherwise remain unsold in a Remarketing. Neither the Corporation nor the Remarketing Agent shall be obligated in any case to provide funds to make payment upon tender of shares of Series A Preferred Stock for Remarketing.

(c) Non-Cumulative Dividends. Dividends on shares of Series A Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series A Preferred Stock on any Dividend Payment Date are not declared and paid, in full or otherwise, on such Dividend Payment Date, then such unpaid dividends shall not cumulate and shall cease to accrue and be payable and the Corporation shall have no obligation to pay dividends accrued for such Dividend Period after the Dividend Payment Date for such Dividend Period or to pay interest with respect to such dividends, whether or not dividends are declared on Series A Preferred Stock for any subsequent Dividend Period.

(d) Priority of Dividends.

(i) JUNIOR STOCK. So long as any share of Series A Preferred Stock remains outstanding, during a Dividend Period no dividend whatsoever shall be paid or declared and no distribution shall be made on any Junior Stock, other than a dividend payable solely in Junior Stock, and no shares of Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, and other than through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock), unless the full dividends for such Dividend Period on all outstanding shares of Series A Preferred Stock have been paid or declared and a sum sufficient for the payment thereof set aside. Subject to this Section 4(d)(i), but not otherwise, such dividends (payable in cash, stock or otherwise), as may be determined by the Board of Directors may be declared and paid on any Junior Stock from time to time out of any funds legally available therefor, and the shares of Series A Preferred Stock shall not be entitled to participate in any such dividend.

(ii) PARITY STOCK. When dividends for any Dividend Payment Date are not paid in full upon the shares of Series A Preferred Stock for any reason other than the restrictions on payment of dividends set forth in Section 5, and not paid in full upon any Parity Stock, all dividends



declared upon shares of Series A Preferred Stock and all Parity Stock for such Dividend Payment Date shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all dividends per share on the shares of Series A Preferred Stock and all such Parity Stock otherwise payable on such Dividend Payment Date (subject to their having been declared by the Board of Directors out of legally available funds and including, in the case of any Parity Stock that bears cumulative dividends, all accrued but unpaid dividends) bear to each other. When dividends for any Dividend Payment Date are not paid in full upon the shares of Series A Preferred Stock because of the restriction on payment of dividends set forth in Section 5 and not paid in full upon any Parity Stock that includes a restriction on dividends substantially similar to the restriction in Section 5, then all dividends declared upon shares of Series A Preferred Stock and such Parity Stock for such Dividend Payment Date shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all dividends per share on the shares of Series A Preferred Stock and all such other Parity Stock otherwise payable on such Dividend Payment Date (subject to their having been declared by the Board of Directors out of legally available funds and including, in the case of any such other Parity Stock that bears cumulative dividends, all accrued but unpaid dividends) bear to each other.

(e) Dividend Payment Dates for Other Preferred Stock. For so long as any shares of Series A Preferred Stock are outstanding, the Corporation shall not issue any shares of Preferred Stock having dividend payment dates other than the Dividend Payment Dates for the Series A Preferred Stock.

#### SECTION 5. Restrictions on Declaration and Payment of Dividends.

(a) Tests for Suspension. Notwithstanding Section 4(a), neither the Board of Directors nor any committee of the Board of Directors may declare dividends on the Series A Preferred Stock for payment on any Dividend Payment Date in an aggregate amount exceeding the New Common Equity Amount as of the date of declaration (the "Dividend Declaration Date") for such Dividend Payment Date if:

(i) the Covered Insurance Subsidiaries' Most Recent Weighted Average NAIC RBC Ratio was less than 175% (subject to Section 5(d)(iii)); or

(ii) (x) the Trailing Four Quarters Consolidated Net Income for the period ending on the Preliminary Quarter End Test Date for such Dividend Payment Date is zero or a negative amount and (y) the Adjusted

Shareholders' Equity Amount as of each of the Preliminary Quarter End Test Date and the Final Quarter End Test Date for such Dividend Payment Date has declined by 10% or more as compared to the Adjusted Shareholders' Equity Amount as of the tenth Quarter End prior to such Final Quarter End Test Date (such date for such Dividend Payment Date and related Final Quarter End Test Date, the "Benchmark Quarter End Test Date").

Additionally, and without limiting the foregoing provisions of this Section 5(a), if the Corporation has failed the test in Section 5(a)(ii) as to a prior Dividend Payment Date, then neither the Board of Directors nor any committee of the Board of Directors may declare dividends on the Series A Preferred Stock for payment thereafter in an aggregate amount exceeding the New Common Equity Amount as of the Dividend Declaration Date for a Dividend Payment Date until the Dividend Declaration Date for the first Dividend Payment Date thereafter for which, as of the related Final Quarter End Test Date, the Adjusted Shareholders' Equity Amount has increased or has declined by less than 10%, in either case as compared to the Adjusted Shareholders' Equity Amount as of the Benchmark Quarter End Test Date for such prior Dividend Payment Date.

(b) Potential Dividend Suspension Notice. If as of the Preliminary Quarter End Test Date for any Dividend Payment Date (x) the Trailing Four Quarters Consolidated Net Income for the period ending on such Preliminary Quarter End Test Date is zero or a negative amount and (y) the Adjusted Shareholders' Equity Amount as of such Preliminary Quarter End Test Date has declined by 10% or more as compared to the Adjusted Shareholders' Equity Amount as of the date that is eight quarters prior to such Preliminary Quarter End Test Date, then the Corporation shall give notice of such circumstance by first class mail, postage prepaid, addressed to the holders of record of the shares of Series A Preferred Stock at their respective last addresses appearing on the books of the Corporation, and shall file a copy of such notice on Form 8-K with the Commission (or, if the Corporation is not then a reporting company under the Securities Exchange Act, post a copy of such notice on the Corporation's website), by not later than the first Dividend Payment Date following such Preliminary Quarter End Test Date. Such notice shall (i) set forth the Trailing Four Quarters Consolidated Net Income for the period ending on such Preliminary Quarter End Test Date and the Adjusted Shareholders' Equity Amount as of such Preliminary Quarter End Test Date and as of the date that is eight quarters prior to such Preliminary Quarter End Test Date, and (ii) state that the Corporation may be limited by the terms of the Series A Preferred Stock from declaring and paying dividends on such Dividend Payment Date unless the Corporation, through the generation of earnings or issuance of new Common Stock, increases its Adjusted Shareholders' Equity Amount by an amount specified in such notice by the second Quarter End after the date of such notice.

The Corporation need not give any notice under this Section 5(b) during any period in which the Corporation's ability to declare and pay dividends is limited by reason of the application of Section 5(a).

(c) Dividend Suspension Notice. By not later than the 15th day prior to each Dividend Payment Date for which dividends are being suspended by reason of either of the tests set forth in Section 5(a), and the Corporation is not otherwise able to pay dividends on the Series A Preferred Stock out of the New Common Equity Amount, the Corporation shall give notice of such suspension by first class mail, postage prepaid, addressed to the holders of record of the shares of Series A Preferred Stock at their respective last addresses appearing on the books of the Corporation, and shall file a copy of such notice on Form 8-K with the Commission (or, if the Corporation is not then a reporting company under the Securities Exchange Act, post a copy of such notice on the Corporation's website). Such notice, in addition to stating that dividends will be suspended, shall (i) if dividends are suspended by reason of the test set forth in Section 5(a)(i), set forth the fact that the Covered Insurance Subsidiaries' Most Recent Weighted Average NAIC RBC Ratio was less than 175% and (ii) if such suspension is by reason of the test set forth in Section 5(a)(ii), set forth the Adjusted Shareholders' Equity Amount as of the most recent Quarter End and the amount by which the Adjusted Shareholders' Equity Amount must increase in order for declaration and payment of dividends to be resumed.

(d) Interpretive Provisions; Qualifications, Etc. In order to give effect to the foregoing, the following provisions apply:

(i) Neither the Board of Directors nor a committee of the Board of Directors may declare dividends on the Series A Preferred Stock for payment on any Dividend Declaration Date (x) that is more than 60 days prior to the related Dividend Payment Date or (y) that is earlier than the date on which the Corporation's financial statements for the most recently completed quarter prior to the related Dividend Payment Date have been filed or furnished to the Commission on Form 10-K, Form 10-Q or Form 8-K; provided, however, if the Board of Directors determines to delay filing the Corporation's financial statements as of and for the period ended on a Final Quarter End Test Date with the Commission to a date later than the date on which "accelerated filers" within the meaning of Rule 12b-2 under the Securities Exchange Act are required to file such financial statements, whether because of concerns over accuracy of such financial statements or their compliance with U.S. GAAP or otherwise, then the Board of Directors or a committee of the Board of Directors may determine whether the Corporation is permitted under Section 5(a) to declare dividends on the Series A Preferred Stock based upon the

Corporation's financial statements most recently filed with, or furnished to the Commission.

(ii) Except as expressly provided otherwise in this Section 5, all references in this Section 5 to financial statements of the Corporation shall be deemed to be to financial statements prepared in accordance with U.S. GAAP, consistently applied, and, for so long as the Corporation is a reporting company under the Securities Exchange Act, filed by the Corporation with, or furnished by it to, the Commission under the Securities Exchange Act. If at any relevant time or for any relevant period the Corporation is not a reporting company under the Securities Exchange Act, then (x) for all relevant dates and periods the Corporation shall prepare and post on its website the financial statements that it would have been required to file with the Commission had it continued to be a reporting company under the Securities Exchange Act, in each case on or before the dates that the Corporation would have been required to file such financial statements with the Commission under the Securities Exchange Act had it continued to be an "accelerated filer" within the meaning of Rule 12b-2 under the Securities Exchange Act, and (y) the provisions of this Section 5 shall be read mutatis mutandis to give effect to such provision.

(iii) The limitation on dividends provided for in Section 5(a)(i) shall be of no force and effect if, as of a Dividend Declaration Date, the combined total assets of the Insurance Subsidiaries do not account for 25% or more of the consolidated total assets of the Corporation as reflected on its most recent consolidated financial statements.

(iv) All financial terms used in this Section 5 that are not specifically defined, including within the definitions of defined terms, shall be determined in accordance with U.S. GAAP as applied to and reflected in the related financial statements of the Corporation as of the relevant dates and for the relevant period, except as provided in the next sentence. If because of a change in U.S. GAAP that results in a periodic charge, a cumulative adjustment or a restatement:

(x) the Corporation's Consolidated Net Income Amount for the quarter in which such change takes effect is higher or lower than it would have been absent such change by the greater of \$25 million or 5%, and the Trailing Four Quarters Consolidated Net Income is higher or lower than it would have been absent such change, then, for purposes of the calculations described under Section 5(a)(ii), commencing with the fiscal quarter for which such changes in U.S. GAAP becomes effective and ending with the

third quarter thereafter, such Trailing Four Quarters Consolidated Net Income shall be calculated on a pro forma basis without giving effect to such change in U.S. GAAP; or

(y) the Adjusted Shareholders' Equity Amount as of the Quarter End in which such change takes effect is higher or lower than it would have been absent such change by the greater of \$65 million or 1%, then, for purposes of the calculations described under Section 5(a)(ii) and the last sentence of Section 5(a), and for so long as such calculations with respect to such quarter are required to be performed, the Adjusted Shareholders' Equity Amount shall be calculated on a pro forma without giving effect to such change in U.S. GAAP.

(e) Definitions. The following terms have the meanings indicated:

"Adjusted Shareholders' Equity Amount" means, as of any Quarter End, the shareholders' equity of the Corporation as reflected on its consolidated balance sheet as of such Quarter End excluding accumulated other comprehensive income and loss as reflected on such consolidated balance sheet, (i) subject to Section 5(d)(iv) and (ii) except that any increase in shareholders' equity resulting from the issuance of preferred stock (other than the Series A Preferred Stock and the Series B Preferred Stock ) during the period from and including the Final Quarter End Test Date for a Dividend Period as to which the Corporation fails the test set forth in Section 5(a)(ii) through the first Quarter End thereafter as of which the Adjusted Shareholders' Equity Amount has declined by less than 10% or increased as compared to such amount on the Benchmark Quarter End Test Date shall not be taken into account in calculating the Adjusted Shareholders' Equity Amount as of such Quarter End during such period.

"Annual Statement" means, as to an Insurance Subsidiary, the annual statement of such Insurance Subsidiary containing its statutory balance sheet and income statement as required to be filed by it with one or more state insurance commissioners or other state insurance regulatory authorities.

"Benchmark Quarter End Test Date" has the meaning specified in Section 5(a)(ii).

"Commission" means the Securities and Exchange Commission.

"Company Action Level RBC" has the meaning specified in subsection J of Section 1 (or the relevant successor section, if any) of the Model Act.

"Consolidated Net Income Amount" means, for any fiscal quarter of the Corporation, its consolidated net income as reflected on its consolidated statement of operations for such fiscal quarter, subject to Section 5(d)(iv).

"Covered Insurance Subsidiaries" means, as of any Year End, Insurance Subsidiaries that account for 80% or more of the combined General Account Admitted Assets of the Corporation's Insurance Subsidiaries as of such Year End. The Corporation's Insurance Subsidiaries as of a Year End shall be identified by first ranking the Insurance Subsidiaries from largest to smallest based upon the amount of each Insurance Subsidiary's General Account Admitted Assets and then, beginning with the Insurance Subsidiary that has the largest amount of General Account Admitted Assets as of such Year End, identifying such Insurance Subsidiaries as Covered Insurance Subsidiaries until the ratio of the combined General Account Admitted Assets of the Insurance Subsidiaries so identified to the combined General Account Admitted Assets of all of the Insurance Subsidiaries as of such Year End equals or exceeds 80%.

"Covered Insurance Subsidiaries' Most Recent Weighted Average NAIC RBC Ratio" means, as of any date, an amount (expressed as a percentage) calculated as:

(x) the sum of the Total Adjusted Capital of each of the Covered Insurance Subsidiaries shown on such Covered Insurance Subsidiary's most recently filed Annual Statement, divided by

(y) the sum of the Company Action Level RBC of each of the Covered Insurance Subsidiaries as shown on such Covered Insurance Subsidiary's most recently filed Annual Statement.

"Dividend Declaration Date" has the meaning specified in Section 5(a).

"Final Quarter End Test Date" and "Preliminary Quarter End Test Date" mean, with respect to a Dividend Payment Date in the relevant month indicated under "Dividend Payment Date" in the table set forth below, the related date indicated under "Final Quarter End Test Date" or "Preliminary Quarter End Test Date" (as applicable) in such table:

Dividend Payment Date -----	Preliminary Quarter End Test Date -----	Final Quarter End Test Date -----
In March	The June 30 preceding such Dividend Payment Date	The December 31 preceding such Dividend Payment Date
In June	The September 30 preceding such Dividend Payment Date	The March 31 preceding such Dividend Payment Date
In September	The December 31 preceding such Dividend Payment Date	The June 30 preceding such Dividend Payment Date
In December	The March 31 preceding such Dividend Payment Date	The September 30 preceding such Dividend Payment Date

"General Account Admitted Assets" means, as to an Insurance Subsidiary as of any Year End, the total admitted assets of such Insurance Subsidiary as reflected on the balance sheet included in its statutory financial statements as of such Year End minus the separate account assets reflected on such balance sheet.

"Insurance Subsidiary" means a subsidiary of the Corporation that is organized under the laws of any state in the United States and is licensed as a life insurance company in any state in the United States but does not include any subsidiary of an Insurance Subsidiary.

"Model Act" means the Risk-Based Capital (RBC) for Insurers Model Act as prepared by the NAIC and included in its Model Laws, Regulations and Guidelines as of June 14, 2005 and as hereafter amended, modified or supplemented.

"NAIC" means the National Association of Insurance Commissioners.

"New Common Equity Amount" means, at any date, the net proceeds (after underwriters' or placement agents' fees, commissions or discounts and other expenses relating to the issuances) received by the Corporation from new issuances of its Common Stock (whether in one or more public offerings registered under the Securities Act or private placements or other transactions exempt from registration under the Securities Act) during the period commencing on the 90th day prior to such date, and which are designated by the Board of Directors at or before the time of issuance as available to pay dividends on the Series A Preferred Stock.

"Quarter End" means the last day of each fiscal quarter of the Corporation (i.e., March 31, June 30, September 30 and December 31).

"Securities Act" means the Securities Act of 1933, as amended.

"Total Adjusted Capital" has the meaning specified in subsection M of Section 1 (or the relevant successor section, if any) of the Model Act.

"Trailing Four Quarters Consolidated Net Income" means, for any period ending on a Quarter End, the sum of the Consolidated Net Income Amounts for the Corporation's four fiscal quarters ending on such Quarter End, with losses being treated as negative numbers for such purpose.

"U.S. GAAP" means, at any date or for any period, U.S. generally accepted accounting principles as in effect on such date or for such period.

"Year End" means the last day of each fiscal year of the Corporation.

## SECTION 6. Liquidation Rights.

(a) Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series A Preferred Stock shall be entitled, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock, to receive in full an amount equal to \$100 per share (the "Liquidation Preference"), together with an amount equal to all accrued and unpaid dividends for the then-current Dividend Period to the date of payment.

(b) Partial Payment. If the assets of the Corporation are not sufficient to pay the Liquidation Preference in full to all holders of Series A Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series A Preferred Stock and to the holders of all Parity Stock shall be paid pro rata in accordance with the respective aggregate liquidation preferences of Series A Preferred Stock and all such Parity Stock.

(c) Residual Distributions. If the Liquidation Preference has been paid in full to all holders of Series A Preferred Stock and the liquidation preference of any Parity Stock has been paid in full to all holders of such Parity Stock, the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 6, the merger or consolidation of the Corporation with any other corporation, including a merger in which the holders of Series A Preferred Stock receive cash or property for their shares, or the sale of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the affairs of the Corporation.

## SECTION 7. Redemption.

(a) Redemption. So long as the full dividends on all outstanding shares of Series A Preferred Stock for the then-current Dividend Period have been paid or declared and a sum sufficient for the payment thereof set aside, the Corporation, at the option of its Board of Directors, may, upon notice given as provided in Section 7(b), redeem the shares of Series A Preferred Stock at the time outstanding in whole or, subject to the next succeeding sentence, in part (i) on the last Dividend Payment Date of the Initial Fixed Rate Period, (ii) on such dates with respect to any other Fixed Rate Period as the Corporation may determine prior to the commencement of such Fixed Rate Period or (iii) at any time during a Floating Rate Period. A redemption of shares of Series A Preferred Stock in part may be made pursuant to the foregoing sentence only if, after giving effect to such redemption, not less than 500,000 shares of Series A Preferred



Stock will remain outstanding. Any such redemption shall be at the redemption price of \$100 per share, together, in each case, with accrued and unpaid dividends for the then-current Dividend Period to the redemption date.

(b) Notice of Redemption. Notice of every redemption of shares of Series A Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series A Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series A Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series A Preferred Stock to be redeemed; (iii) the redemption price; (iv) the place or places where the shares of Series A Preferred Stock are to be redeemed; and (v) that dividends on the shares of Series A Preferred Stock to be redeemed will cease to accrue on the redemption date.

(c) Partial Redemption. In case of any redemption of only part of the shares of Series A Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either pro rata or by lot or in such other manner as the Board of Directors may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series A Preferred Stock shall be redeemed from time to time.

(d) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

## SECTION 8. Voting Rights.

(a) General. The holders of Series A Preferred Stock shall not have any voting rights except as set forth in this Section 8 or as otherwise required by law.

(b) Right to Elect Two Directors Upon Non-Payment of Dividends. If and whenever dividends on Series A Preferred Stock and any other class or series of stock of the Corporation ranking on a parity with Series A Preferred Stock as to payment of dividends (any such class or series being herein referred to as "Dividend Parity Stock") have not been paid in an aggregate amount, as to any such class or series, equal to at least six quarterly dividends (whether or not consecutive), the number of directors then constituting the Board of Directors shall be increased by two and the holders of Series A Preferred Stock, together with the holders of all other affected classes and series of Dividend Parity Stock similarly entitled to vote for the election of a total of two additional directors, voting separately as a single class, shall be entitled to elect the two additional members of the Corporation's directors at any annual meeting of stockholders or any special meeting of the holders of Series A Preferred Stock and such Dividend Parity Stock for which dividends have not been paid, called as hereinafter provided, provided that the election of any such directors shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which its securities may be listed) that listed companies must have a majority of independent directors. Whenever full dividends have been paid regularly on the Series A Preferred Stock and Dividend Parity Stock then outstanding, if any, for at least one year, then the right of the holders of Series A Preferred Stock and such Dividend Parity Stock to elect such additional two directors shall cease (but subject always to the same provisions for the vesting of such voting rights in the case of any similar non-payment of dividends in respect of future Dividend Periods), and the terms of office of all persons elected as directors by the holders of Series A Preferred Stock and such Dividend Parity Stock for which dividends have not been paid shall forthwith terminate and the number of directors constituting the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the holders of Series A Preferred Stock and such Dividend Parity Stock, the Secretary of the Corporation may, and upon the written request of any holder of shares of Series A Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the holders of shares of Series A Preferred Stock and such Dividend Parity Stock for which dividends have not been paid for the election of the two directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the by-laws for a special meeting of the stockholders or as required by law. If any such special meeting so required to be called shall not be called by the Secretary within 20 days after receipt of any such request, then any holder of shares of Series A

Preferred Stock may (at the Corporation's expense) call such meeting, upon notice as herein provided, and for that purpose shall have access to the stock books of the Corporation. The directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided. In case any vacancy shall occur among the directors elected by the holders of Series A Preferred Stock and such Dividend Parity Stock for which dividends have not been paid, a successor shall be elected by the Board of Directors to serve until the next annual meeting of the stockholders upon the nomination of the then remaining director elected by the holders of Series A Preferred Stock and such Dividend Parity Stock for which dividends have not been paid or the successor of such remaining director.

(c) Other Voting Rights. So long as any shares of Series A Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the amended and restated certificate of incorporation, the vote or consent of the holders of at least 66 2/3% of the shares of Series A Preferred Stock at the time outstanding, voting separately as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) any amendment, alteration or repeal of any provision of the amended and restated certificate of incorporation or by-laws of the Corporation that would alter or change the voting powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely; provided, however, that the amendment of the amended and restated certificate of incorporation so as to authorize or create, or to increase the authorized amount of, any Junior Stock or any shares of any class or series or any securities convertible into shares of any class or series of Parity Stock shall not be deemed to affect adversely the voting powers, preferences or special rights of the Series A Preferred Stock;

(ii) any amendment or alteration of the amended and restated certificate of incorporation of the Corporation to authorize or create, or increase the authorized amount of, any shares of any class or series or any securities convertible into shares of any class or series of capital stock of the Corporation ranking prior to Series A Preferred Stock in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation; or

(iii) consummation of a binding share exchange or reclassification involving the Series A Preferred Stock or a merger or consolidation of the Corporation with another entity, unless in each case (i) the Series A Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not

the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (ii) such Series A Preferred Stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series A Preferred Stock, taken as a whole;

provided, however, that any increase in the amount of the authorized or issued Series A Preferred Stock or authorized preferred stock or the creation and issuance, or an increase in the authorized or issued amount, of other Parity Stock and/or Junior Stock (whether such stock bears dividends on a cumulative or non-cumulative basis) will not be deemed to adversely affect the special rights, preferences, privileges or voting powers of the Series A Preferred Stock.

If an amendment, alteration, repeal, share exchange, reclassification, merger or consolidation described above would adversely affect one or more but not all series of voting preferred stock (including the Series A Preferred Stock for this purpose), then only the series affected and entitled to vote shall vote as a class in lieu of all such series of preferred stock.

Without the consent of the holders of the Series A Preferred Stock, so long as such action does not adversely affect the special rights, preferences, privileges and voting powers of the Series A Preferred Stock, taken as a whole, the Corporation may amend, alter, supplement or repeal any terms of the Series A Preferred Stock:

(x) to cure any ambiguity, or to cure, correct or supplement any provision contained in the certificate of designations for the Series A Preferred Stock that may be defective or inconsistent; or

(y) to make any provision with respect to matters or questions arising with respect to the Series A Preferred Stock that is not inconsistent with the provisions of the certificate of designations.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding Series A Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been set aside by the Corporation for the benefit of the holders of Series A Preferred Stock to effect such redemption.

**SECTION 9. Other Rights.** The shares of Series A Preferred Stock shall not have any voting powers, preferences or relative, participating, optional or other

special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the amended and restated certificate of incorporation of the Corporation.

SECTION 10. Restatement of Certificate. Upon any restatement of the amended and restated certificate of incorporation of the Corporation, Sections 1 through 9 of this certificate of designations shall be included in Article 2 of the amended and restated certificate of incorporation under the heading "Series A Non-Cumulative Perpetual Preferred Stock" and this Section 10 may be omitted. If the Board of Directors so determines, the numbering of Sections 1 through 9 may be changed for convenience of reference or for any other proper purpose.

IN WITNESS WHEREOF, Principal Financial Group, Inc. has caused this certificate to be executed by the undersigned on this 16th day of June, 2005.

**PRINCIPAL FINANCIAL GROUP, INC.**

By /s/ C.L. Bassett

-----  
Name: C.L. Bassett  
Title: Vice President and Treasurer

By /s/ Joyce N. Hoffman

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Name: Joyce N. Hoffman  
Title: Senior Vice President and  
Corporate Secretary

**Exhibit 4.2**

**CERTIFICATE OF DESIGNATIONS**

**OF**

**SERIES B NON-CUMULATIVE PERPETUAL PREFERRED STOCK**

**OF**

**PRINCIPAL FINANCIAL GROUP, INC.**

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Principal Financial Group, Inc., a Delaware corporation (the "Corporation"), does hereby certify:

That the following resolutions were duly adopted by the Board of Directors of the Corporation (the "Board of Directors") at a meeting duly convened and held on June 7, 2005 (the "June 7 Resolutions") and by the Pricing Committee (the "Committee") of the Board of Directors by unanimous written consent on June 14, 2005 (the "June 14 Resolutions") pursuant to authority conferred upon the Board of Directors by the provisions of the amended and restated certificate of incorporation of the Corporation authorizing the Corporation to issue up to 500 million shares of preferred stock, par value \$0.01 per share ("Preferred Stock"), and pursuant to authority conferred upon the Committee in accordance with Section 141(c) of the General Corporation Law of the State of Delaware, Article III, Section 3.01 of the amended and restated by-laws of the Corporation (the "by-laws") and resolutions of the Board of Directors adopted at a meeting duly convened and held on June 7, 2005:

1. On June 7, 2005, the Board of Directors adopted the following resolution authorizing the Committee to act on behalf of the Board of Directors in connection with the issuance of a new series of Preferred Stock:

"RESOLVED, that Principal Financial Group, Inc. (the "Corporation") be, and it hereby is, authorized to issue shares of the Corporation's Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share (the "Series A Preferred Shares"), and shares of the Series B Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share (the "Series B Preferred Shares", and together with the Series A Preferred Shares, the "Preferred Shares"), with an initial public offering price of the Preferred Shares not to exceed US\$550 million in the aggregate, and individually not to exceed US\$325 million per series, to be issued from time to time, together or separately, upon such terms as the Pricing Committee (as defined below) or the officers designated below shall determine, as provided in the immediately succeeding resolutions."

2. On June 14, 2005, the Committee, pursuant to the authority conferred upon it by Section 141(c) of the General Corporation Law of the State of Delaware, Article III, Section 3.01 of the by-laws of the

Corporation and the June 7 Resolutions, duly adopted the following resolution:

"RESOLVED, that pursuant to a resolution of the Board of Directors (the "Board of Directors") of Principal Financial Group, Inc., a Delaware corporation (the "Corporation") adopted on June 7, 2005, the issuance of two series of preferred stock of the Corporation, designated as the Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share (the "Series A Preferred Shares") and the Series B Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share (the "Series B Preferred Shares"), respectively, is hereby authorized, and the designation, voting powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations and restrictions of the Series A Preferred Shares and Series B Preferred Shares, in addition to those set forth in the amended and restated certificate of incorporation of the Corporation, are hereby fixed as set forth on Annex A and Annex B, respectively."

3. Accordingly, the designation, voting powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations and restrictions of the Series B Preferred Shares, as set forth in Annex B to the June 14 Resolutions, have been fixed as follows:

SECTION 1. Designation. The distinctive serial designation of such series is "Series B Non-Cumulative Perpetual Preferred Stock" ("Series B Preferred Stock"). Each share of Series B Preferred Stock shall be identical in all respects to every other share of Series B Preferred Stock.

SECTION 2. Number of Shares. The number of shares of Series B Preferred Stock shall be 10,000,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series B Preferred Stock then outstanding) by the Board of Directors. Shares of Series B Preferred Stock that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series.

SECTION 3. Definitions. As used herein with respect to the Series B Preferred Stock:

"3-Month LIBOR" means, with respect to any Dividend Period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a 3-month period commencing on the first day of that Dividend Period that appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the Dividend Determination Date for that Dividend Period. If such rate does not appear on Telerate Page 3750, 3-Month LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a 3-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major



banks in the London interbank market selected by the Calculation Agent, at approximately 11:00 a.m., London time on the Dividend Determination Date for that Dividend Period. The Calculation Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, 3-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of such quotations. If fewer than two quotations are provided, 3-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of the rates quoted by three major banks in New York City selected by the Calculation Agent, at approximately 11:00 a.m., New York City time, on the first day of that Dividend Period for loans in U.S. dollars to leading European banks for a 3-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000. However, if the banks selected by the Calculation Agent to provide quotations are not quoting as described above, 3-Month LIBOR for that Dividend Period will be the same as 3-Month LIBOR as determined for the previous Dividend Period. The establishment of 3-Month LIBOR for each Dividend Period by the Calculation Agent shall (in the absence of manifest error) be final and binding.

"10-year Treasury CMT" means the rate determined in accordance with the following provisions:

(a) With respect to any Dividend Determination Date and the Dividend Period that begins immediately thereafter, the 10-year Treasury CMT means the rate per annum for deposits for a 10-year period commencing on the Dividend Determination Date displayed on the Bloomberg interest rate page most nearly corresponding to Telerate Page 7051 containing the caption "...Treasury Constant Maturities... Federal Reserve Board Release H.15...Mondays Approximately 3:45 P.M.," and the column for the Designated CMT Maturity Index.

(b) If such rate is no longer displayed on the relevant page, or is not so displayed by 3:00 P.M., New York City time, on the applicable Dividend Determination Date, then the 10-year Treasury CMT for such Dividend Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index as is published in H.15(519).

(c) If such rate is no longer displayed on the relevant page, or if not published by 3:00 P.M., New York City time, on the applicable Dividend Determination Date, then the 10-year Treasury CMT for such Dividend Determination Date will be such constant maturity treasury rate for the Designated CMT Maturity Index (or other United States Treasury rate for the Designated CMT Maturity Index) for the applicable Dividend Determination Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate formerly displayed on the

(d) If such information is not provided by 3:00 P.M., New York City time, on the applicable Dividend Determination Date, then the 10-year Treasury CMT for such Dividend Determination Date will be calculated by the Calculation Agent and will be a yield to maturity, based on the arithmetic mean of the secondary market offered rates as of approximately 3:30 P.M., New York City time, on such Dividend Determination Date reported, according to their written records, by three leading primary United States government securities dealers in The City of New York (each, a "Reference Dealer") selected by the Calculation Agent (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for the most recently issued direct noncallable fixed rate obligations of the United States ("Treasury Debentures") with an original maturity of approximately the Designated CMT Maturity Index and a remaining term to maturity of not less than such Designated CMT Maturity Index minus one year.

(e) If the Calculation Agent is unable to obtain three such Treasury Debentures quotations, the 10-year Treasury CMT for the applicable Dividend Determination Date will be calculated by the Calculation Agent and will be a yield to maturity based on the arithmetic mean of the secondary market offered rates as of approximately 3:30 P.M., New York City time, on the applicable Dividend Determination Date of three Reference Dealers in The City of New York (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for Treasury Debentures with an original maturity of the number of years that is the next highest to the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in an amount of at least \$100 million.

(f) If three or four (and not five) of such Reference Dealers are quoting as set forth above, then the 10-year Treasury CMT will be based on the arithmetic mean of the offered rates obtained and neither the highest nor lowest of such quotes will be eliminated; provided, however, that if fewer than three Reference Dealers selected by the Calculation Agent are quoting as set forth above, the 10-year Treasury CMT with respect to the applicable Dividend Determination Date will remain the 10-year Treasury CMT for the immediately preceding Dividend Period. If two Treasury Debentures with an original maturity as described in the second preceding sentence have remaining terms to maturity equally close to the Designated CMT Maturity Index, then the quotes for the Treasury Debentures with the shorter remaining term to maturity will be used.

"30-year Treasury CMT" has the meaning specified under the definition of 10-year Treasury CMT, except that (i) each reference to "10-year" in the definition of the "10-year Treasury CMT" will be "30-year" for the purposes of the "30-year Treasury CMT" and (ii) the Designated CMT Maturity Index for the 30-year Treasury CMT shall be 30 years.

"Adjustable Rate" has the meaning assigned to such term in Section 4(b)(ii).

"Adjusted Shareholders' Equity Amount" has the meaning assigned to such term in Section 5(e).

"Annual Statement" has the meaning assigned to such term in Section 5(e).

"Benchmark Quarter End Test Date" has the meaning assigned to such term in Section 5(a)(ii).

"Benchmark Rates" has the meaning assigned to such term in Section 4(b)(ii).

"Bloomberg" means Bloomberg Financial Markets Commodities News.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in the City of New York are not authorized or obligated by law, regulation or executive order to close.

"Calculation Agent" means Computershare Trust Company, Inc., or its successor appointed by the Corporation, acting as calculation agent.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Securities Exchange Act. The Depository Trust Corporation will be the initial Clearing Agency.

"Clearing Agency Participant" means a broker, dealer, bank, other financial institution or other Person for whom from time to time the Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency.

"Commission" has the meaning assigned to such term in Section 5(e).

"Common Stock" means the common stock of the Corporation.

"Company Action Level RBC" has the meaning assigned to such term in Section 5(e).

"Consolidated Net Income Amount" has the meaning assigned to such term in Section 5(e).

"Covered Insurance Subsidiaries" has the meaning assigned to such term in Section 5(e).

"Covered Insurance Subsidiaries' Most Recent Weighted Average NAIC RBC Ratio" has the meaning assigned to such term in Section 5(e).

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities with respect to which the 10-year Treasury CMT or 30-year Treasury CMT, as applicable, will be calculated (which are ten years and thirty years, respectively).

"Dividend Declaration Date" has the meaning assigned to such term in Section 5(a).

"Dividend Determination Date" means the second London Banking Day immediately preceding the first day of the relevant Dividend Period in the Floating Rate Period.

"Dividend Parity Stock" has the meaning assigned to such term in Section 8(b).

"Dividend Payment Date" has the meaning assigned to such term in Section 4(a).

"Dividend Period" means each period commencing on a Dividend Payment Date and continuing to but not including the next succeeding Dividend Payment Date (except that the first Dividend Period shall commence upon the date of initial issuance of the Series B Preferred Stock).

"Dividend Rate" means the rate at which dividends will accrue in respect of any Dividend Period, as determined pursuant to the terms of Section 4, whether by Remarketing or otherwise.

"Election Date" means, with respect to any proposed Remarketing, a date as determined by the Corporation that is no later than the fifth Business Day prior to the proposed Remarketing Date.

"Final Quarter End Test Date" and "Preliminary Quarter End Test Date" have the meanings assigned to such terms in Section 5(e).

"Fixed Rate" means the Dividend Rate during the Initial Fixed Rate Period and any subsequent Fixed Rate Period as determined by a Remarketing.

"Fixed Rate Period" means the Initial Fixed Rate Period and each period set by the Corporation during a Remarketing for which the Fixed Rate determined in such Remarketing will apply; provided, however, that a Fixed Rate Period must be for a duration of at least six months and may not end on a day other than a Dividend Payment Date.

"Floating Rate" means the Dividend Rate during a Floating Rate Period calculated pursuant to Section 4(b)(ii).

"Floating Rate Period" means any period during which a Floating Rate is in effect.

"General Account Admitted Assets" has the meaning assigned to such term in Section 5(e).

"Initial Dividend Rate" means 6.518% per annum.

"Initial Fixed Rate Period" means June 17, 2005 until the Dividend Payment Date in June 2035.

"Insurance Subsidiary" has the meaning assigned to such term in Section 5(e).

"Issue Date" means the initial date of delivery of shares of Series B Preferred Stock.

"Junior Stock" means the Common Stock and any other class or series of stock of the Corporation hereafter authorized over which Series B Preferred Stock has preference or priority in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

"Liquidation Preference" has the meaning assigned to such term in Section 6(a).

"London Banking Day" means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London.

"Model Act" has the meaning assigned to such term in Section 5(e).

"NAIC" has the meaning assigned to such term in Section 5(e).

"New Common Equity Amount" has the meaning assigned to such term in Section 5(e).

"Notice of Election" has the meaning assigned to such term in Section 4(b)(iii).

"Owner" means each Person who is the beneficial owner of a Series B Preferred Stock Certificate as reflected in the records of the Clearing Agency or, if a Clearing Agency Participant is not the Owner, then as reflected in the records of a Person maintaining an account with the Clearing Agency (directly or indirectly, in accordance with the rules of the Clearing Agency).

"Parity Stock" means any other class or series of stock of the Corporation that ranks on a parity with Series B Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation. Any other class or series of stock of the Corporation will not be deemed to rank senior to (or other than on a parity with) the Series B Preferred Stock in the payment of dividends solely because such other class or series of stock does not include the limitation on payment of dividends (and the related exceptions) provided for in Section 5 and, accordingly, the Corporation may pay dividends on the shares of any such other class or series of stock that is otherwise Parity Stock for periods during which the Corporation may not pay dividends on the Series B Preferred Stock because of such limitation without violating the requirements of Section 4(d).

"Person" means any individual, corporation, partnership, joint venture, trust, limited liability company or corporation, unincorporated organization or government or any agency or political subdivision thereof.

"Quarter End" has the meaning assigned to such term in Section 5(e).

"Remarketing" means the conduct by which a Fixed Rate shall be determined in accordance with the Remarketing Procedures.

"Remarketing Agent" means Lehman Brothers, Inc., its successors or assigns, or such other remarketing agent appointed to such capacity by the Corporation.

"Remarketing Agreement" means the agreement between the Corporation and Lehman Brothers Inc., as Remarketing Agent, dated as of the Issue Date.

"Remarketing Date" means any Business Day no later than the third Business Day prior to any Remarketing Settlement Date.

"Remarketing Procedures" means those procedures set forth in Section 4(b)(iii) hereof.

"Remarketing Settlement Date" means, to the extent applicable, (i) the first Business Day of the next Dividend Period following the expiration of the Initial Fixed Rate Period; (ii) any Dividend Payment Date during a Floating Rate Period; or (iii) any Dividend Payment Date during a time in which shares of Series B Preferred Stock are not redeemable in a subsequent Fixed Rate Period and the date set by the Corporation during a time in which shares of Series B Preferred Stock are redeemable in a subsequent Fixed Rate Period.

"Securities Act" has the meaning assigned to such term in Section 5(e).

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Series B Preferred Stock Certificate" means a certificate evidencing ownership of a share or shares of Series B Preferred Stock.

"Telerate Page 3750" means the display page so designated on the Moneyline/Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to London Interbank Offered Rate for U.S. dollar deposits).

"Telerate Page 7051" means the display page so designated on the MoneyLine/Telerate Service (or any successor service), on such page (or any other page as may replace such page on that service), for the purpose of displaying Treasury Constant Maturities as reported in H.15(519).

"Total Adjusted Capital" has the meaning assigned to such term in Section 5(e).

"Trailing Four Quarters Consolidated Net Income" has the meaning assigned to such term in Section 5(e).

"U.S. GAAP" has the meaning assigned to such term in Section 5(e).

"Year End" has the meaning assigned to such term in Section 5(e).

## SECTION 4. Dividends.

### (a) General.

(i) **DIVIDEND PAYMENT DATES, DIVIDEND RATE, ETC.** Subject to Section 5, holders of Series B Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, but only out of funds legally available therefor, cash dividends at the applicable Dividend Rate applied to the Liquidation Preference per share, accruing on each share of Series B Preferred Stock (i) if issued on the Issue Date, from June 17, 2005, and (ii) if issued thereafter, from (x) the date of issue if such date is a Dividend Payment Date and (y) from the immediately preceding Dividend Payment Date if the date of issue is other than a Dividend Payment Date, payable quarterly on the 30th day of each March, June, September and December in each year (each such date a "Dividend Payment Date"), commencing on September 30, 2005, with respect to the Dividend Period (or portion thereof) ending on the day preceding such respective Dividend Payment Date, to holders of record on the respective date, not more than 60 nor less than 10 days preceding such Dividend Payment Date, fixed for that purpose by the Board of Directors in advance of payment of each particular dividend. During the Initial Fixed Rate Period, the Dividend Rate shall be the Initial Dividend Rate. For each Dividend Period thereafter, the Dividend Rate shall be determined in accordance with Section 4(b).

(ii) **BUSINESS DAY CONVENTION.** If any Dividend Payment Date with respect to a Fixed Rate Period is not a Business Day, then dividends will be payable on the first Business Day following such Dividend Payment Date, without accrual to the actual payment date. If any Dividend Payment Date with respect to a Floating Rate Period is not a Business Day, then dividends will be payable on the first Business Day following such Dividend Payment Date unless such day is in the next calendar month, in which case dividends shall be payable on the first Business Day preceding such Dividend Payment Date and dividends, in each case, shall accrue to the actual payment date.

(iii) **DAY COUNT CONVENTION.** The amount of dividends payable per share of Series B Preferred Stock on each Dividend Payment Date relating to a Fixed Rate Period will be computed on the basis of a 360-day year of twelve-30 day months. The amount of dividends payable per share of Series B Preferred Stock on each Dividend Payment Date relating to a Floating Rate Period will be computed by multiplying the per annum Dividend Rate in effect for such Dividend Period by a fraction, the numerator of which will be the actual number of days in such Dividend Period (or portion thereof) (determined by including the first day thereof and excluding the last day thereof) and the denominator of which will be 360, and multiplying the rates obtained by \$25.



(b) Remarketing.

(i) **FIXED RATE PERIOD.** Prior to the expiration of the Initial Fixed Rate Period, the Corporation will have the option to remarket the Series B Preferred Stock to establish a new Fixed Rate with respect to the Series B Preferred Stock (to be in effect after the Initial Fixed Rate Period); provided, however, that (A) the Corporation may effect a Remarketing only if and for so long as the Series B Preferred Stock is issued solely in global, fully registered form to a Clearing Agency and (B) if the Corporation has initiated a Remarketing but at or prior to the related Remarketing Settlement Date the Series B Preferred Stock is no longer issued solely in global, fully registered form to a Clearing Agency, the Remarketing shall terminate and shall not be consummated. In the event that clause (A) or clause (B) of the proviso set forth in the previous sentence applies, the Dividend Rate for the next succeeding Dividend Period shall be determined pursuant to Section 4(b)(ii). Any new Fixed Rate so established will be in effect for such Fixed Rate Period as the Corporation determines in connection with the Remarketing, provided that a Fixed Rate Period must be for a duration of at least six months and must end on a Dividend Payment Date. Prior to the expiration of any Fixed Rate Period after the Initial Fixed Rate Period, the Corporation will have the option, subject to the proviso set forth in the first sentence of this Section 4(b)(i), to remarket the Series B Preferred Stock to establish a new Fixed Rate for a new Fixed Rate Period (to be in effect after the expiration of the then current Dividend Period).

If the Remarketing Agent, pursuant to the Remarketing Procedures described in Section 4(b)(iii), has determined that it will be able to remarket all Series B Preferred Stock tendered or deemed tendered for purchase in the Remarketing at a Fixed Rate and at the per share Liquidation Preference, prior to 4:00 P.M., New York City time, on any Remarketing Date, the Dividend Rate for the new Fixed Rate Period will be the Fixed Rate determined by the Remarketing Agent, which will be the rate per annum (rounded to the nearest one-thousandth (0.001) of one percent per annum) that the Remarketing Agent determines, in its sole judgment, to be the lowest Fixed Rate per annum that will enable it to remarket all Series B Preferred Stock tendered or deemed tendered for Remarketing at the per share Liquidation Preference.

(ii) **FLOATING RATE PERIOD.** If the Series B Preferred Stock is not redeemed and the Corporation does not elect or is not entitled to remarket the Series B Preferred Stock pursuant to this Section 4 or has terminated a Remarketing or if the Remarketing Agent is unable to remarket all of the Series B Preferred Stock tendered or deemed tendered for a purchase price of \$25 per share of Series B Preferred Stock pursuant to the Remarketing procedures described above or if the Remarketing has been terminated in accordance with the requirements of Section 4(b)(i)(B), the Dividend Rate shall be the Floating Rate and the new Dividend Period shall be a Floating Rate Period, subject to the

Corporation's right to subsequently remarket the Series B Preferred Stock to again establish a Fixed Rate for a new Fixed Rate Period. During any Floating Rate Period, the Corporation may elect to remarket the Series B Preferred Stock prior to any Dividend Payment Date relating to a Floating Rate Period in order to again establish a new Fixed Rate for a new Fixed Rate Period (to be in effect after the expiration of the then current Dividend Period).

The Calculation Agent shall calculate the Floating Rate on the applicable Dividend Determination Date relating to that Floating Rate Period as follows:

Except as provided below, the Floating Rate for any Floating Rate Period for the Series B Preferred Stock will be reset quarterly and will be equal to the Adjustable Rate plus 2.10%. The "Adjustable Rate" for any Dividend Period will be equal to the highest of the 3-month LIBOR, the 10-year Treasury CMT and the 30-year Treasury CMT (collectively, the "Benchmark Rates") for such Dividend Period during the Floating Rate Period. In the event that the Calculation Agent determines in good faith that for any reason:

- (1) any one of the Benchmark Rates cannot be determined for any Dividend Period, the Adjustable Rate for such Dividend Period will be equal to the higher of whichever two of such rates can be so determined;
- (2) only one of the Benchmark Rates can be determined for any Dividend Period, the Adjustable Rate for such Dividend Period will be equal to whichever such rate can be so determined; or
- (3) none of the Benchmark Rates can be determined for any Dividend Period, the Adjustable Rate for the preceding Dividend Period will be continued for such Dividend Period, provided that if such preceding Dividend Period was a Fixed Rate Period, the Fixed Rate for the preceding Dividend Period will be continued for such Dividend Period.

Each of the 10-year Treasury CMT and the 30-year Treasury CMT shall be rounded to the nearest hundredth (0.01) of one percent and 3-month LIBOR shall be rounded to the nearest one-hundred-thousandth (0.00001) of one percent. The Floating Rate with respect to each Dividend Period that occurs within a Floating Rate Period will be calculated as promptly as practicable by the Calculation Agent according to the appropriate method described above.

If a new Fixed Rate for a new Fixed Rate Period is set in a Remarketing (as described in this Section 4), a new Fixed Rate Period shall commence following the expiration of the then current Dividend Period. If a new Fixed Rate for a new Fixed Rate Period is not set, for any reason, including after the expiration of the Initial Fixed Rate Period, in accordance with the terms of

Section 4(b)(iii) hereof, a Floating Rate Period and the corresponding Floating Rate determined or redetermined in accordance with this Section 4(b)(ii) shall be in effect unless and until the Corporation remarkets the Series B Preferred Stock and sets a new Fixed Rate for a new Fixed Rate Period in accordance with this Section 4(b)(i) and 4(b)(iii).

(iii) **REMARKETING PROCEDURES.** If the Corporation elects to conduct a Remarketing of the Series B Preferred Stock for the purpose of establishing a new Fixed Rate for a new Fixed Rate Period, the Corporation shall, not less than 10 nor more than 35 Business Days prior to the related Election Date, notify in writing the Clearing Agency, the Remarketing Agent and the Calculation Agent. Such notice shall describe the Remarketing and shall indicate the length of the proposed new Fixed Rate Period, the proposed Remarketing Date and any redemption provisions that will apply during such new Fixed Rate Period. The Corporation shall have the right to terminate a Remarketing on any day prior to the date of the Remarketing of the Series B Preferred Stock by notice of such termination to the Clearing Agency (or the holders, as applicable), the Remarketing Agent and the Calculation Agent.

Not later than 4:00 P.M., New York City time, on an Election Date, each Owner of Series B Preferred Stock may give, through the facilities of the Clearing Agency, a written notice to the Corporation of its election ("Notice of Election") (i) to retain and not to have all or any portion of the Series B Preferred Stock owned by it remarketed in the Remarketing or (ii) to tender all or any portion of such Series B Preferred Stock for purchase in the Remarketing (such portion, in either case, is to be at the per share Liquidation Preference or any integral multiple thereof). Any Notice of Election given to the Corporation will be irrevocable and may not be conditioned upon the level at which the Fixed Rate is established in the Remarketing. Promptly after 4:30 P.M., New York City time, on such Election Date, the Corporation, based on the Notices of Election received by it through the Clearing Agency prior to such time, will notify the Remarketing Agent of the number of shares of Series B Preferred Stock to be retained by holders of Series B Preferred Stock and the number of shares of Series B Preferred Stock tendered or deemed tendered for purchase in the Remarketing.

If any holder gives a Notice of Election to tender shares of Series B Preferred Stock as described in (ii) in the immediately preceding paragraph, the Series B Preferred Stock so subject to such Notice of Election will be deemed tendered for purchase in the Remarketing, notwithstanding any failure by such holder to deliver or properly deliver such Series B Preferred Stock to the Remarketing Agent for purchase. If any holder of shares of Series B Preferred Stock fails timely to deliver a Notice of Election, as described above, such shares of Series B Preferred Stock will be deemed tendered for purchase in such Remarketing, notwithstanding such failure or the failure by such holder to deliver

or properly deliver such shares of Series B Preferred Stock to the Remarketing Agent for purchase.

The right of each holder of Series B Preferred Stock to have shares of Series B Preferred Stock tendered for purchase in the Remarketing shall be limited to the extent that (i) the Remarketing Agent conducts a Remarketing pursuant to the terms of the Remarketing Agreement, (ii) Series B Preferred Stock tendered have not been called for redemption, (iii) the Remarketing Agent is able to find a purchaser or purchasers for tendered Series B Preferred Stock at a Fixed Rate and (iv) such purchaser or purchasers deliver the purchase price therefore to the Remarketing Agent.

Any holder of Series B Preferred Stock that desires to continue to retain a number of Series B Preferred Stock, but only if the Fixed Rate is not less than a specified rate per annum, shall submit a Notice of Election to tender such Series B Preferred Stock pursuant to this Section 4(b)(iii) and separately notify the Remarketing Agent of its interest at the telephone number set forth in the notice of Remarketing delivered pursuant to this Section 4(b)(iii). If such holder so notifies the Remarketing Agent, the Remarketing Agent will give priority to such holder's purchase of such number of Series B Preferred Stock in the Remarketing, provided that the Fixed Rate is not less than such specified rate.

If holders submit Notices of Election to retain all of the Series B Preferred Stock then outstanding, the Fixed Rate will be the rate determined by the Remarketing Agent, in its sole discretion, as the rate that would have been established had a Remarketing been held on the related Remarketing Date.

On any Remarketing Date on which the Remarketing is to be conducted, the Remarketing Agent will use commercially reasonable efforts to remarket, at a price equal to 100% of the per share Liquidation Preference, shares of Series B Preferred Stock tendered or deemed tendered for purchase. If, as a result of such efforts, on any Remarketing Date, the Remarketing Agent has determined that it will be able to remarket all shares of Series B Preferred Stock tendered or deemed tendered for purchase in the Remarketing at a Fixed Rate and at the per share Liquidation Preference, prior to 4:00 P.M., New York City time, on such Remarketing Date, the Remarketing Agent will determine the Fixed Rate, which will be the rate per annum (rounded to the nearest one-thousandth (0.001) of one percent per annum) which the Remarketing Agent determines, in its sole judgment, to be the lowest Fixed Rate per annum, if any, that will enable it to remarket all shares of Series B Preferred Stock tendered or deemed tendered for Remarketing at the per share Liquidation Preference. By approximately 4:30 P.M., New York City time, on a Remarketing Date, the Remarketing Agent shall advise, by telephone, (i) the Clearing Agency Participant, the Corporation and the Calculation Agent of any new Fixed Rate established pursuant to the Remarketing and the number of remarketed shares of Series B Preferred Stock sold in the

Remarketing; (ii) each purchaser of a remarketed share of Series B Preferred Stock (or the Clearing Agency Participant thereof) of such new Fixed Rate and the number of remarketed shares of Series B Preferred Stock such purchaser is to purchase; and (iii) each purchaser to give instructions to its Clearing Agency Participant to pay the purchase price on the Remarketing Settlement Date in same day funds against delivery of the remarketed Series B Preferred Stock purchased through the facilities of the Clearing Agency Participant.

If the Remarketing Agent is unable to remarket by 4:00 P.M., New York City time on the third Business Day prior to the Remarketing Settlement Date, all shares of Series B Preferred Stock tendered or deemed tendered for purchase at the per share Liquidation Preference, the Dividend Rate for the next Dividend Period shall be the Floating Rate and the new Dividend Period shall be a Floating Rate Period. In such case, no shares of Series B Preferred Stock will be sold in the Remarketing and each holder will continue to hold its shares of Series B Preferred Stock at such Floating Rate during such Floating Rate Period.

All shares of Series B Preferred Stock tendered or deemed tendered in the Remarketing will be automatically delivered to the account of the Remarketing Agent through the facilities of the Clearing Agency against payment of the purchase price therefor on the Remarketing Settlement Date. The Remarketing Agent will make payment to the Clearing Agency Participant of each tendering holder of Series B Preferred Stock in the Remarketing through the facilities of the Clearing Agency by the close of business on the Remarketing Settlement Date. In accordance with the Clearing Agency's normal procedures, on the Remarketing Settlement Date, the transaction described above with respect to each share of Series B Preferred Stock tendered or deemed tendered for purchase and sold in the Remarketing will be executed through the Clearing Agency and the account of the Clearing Agency Participant, will be debited and credited and such Series B Preferred Stock delivered by book entry as necessary to effect purchases and sales of such shares of Series B Preferred Stock. The Clearing Agency is expected to make payment in accordance with its normal procedures.

If any holder selling Series B Preferred Stock in the Remarketing fails to deliver such Series B Preferred Stock, the Clearing Agency Participant of such selling holder and of any other person that was to have purchased Series B Preferred Stock in the Remarketing may deliver to any such other person a number of shares of Series B Preferred Stock that is less than the number of shares of Series B Preferred Stock that otherwise was to be purchased by such person. In such event the number of shares of Series B Preferred Stock to be so delivered will be determined by such Clearing Agency Participant and delivery of such lesser number of shares of Series B Preferred Stock will constitute good delivery.

The Remarketing Agent is not obligated to purchase any shares of Series B Preferred Stock that would otherwise remain unsold in a Remarketing. Neither the Corporation nor the Remarketing Agent shall be obligated in any case to provide funds to make payment upon tender of shares of Series B Preferred Stock for Remarketing.

(c) Non-Cumulative Dividends. Dividends on shares of Series B Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series B Preferred Stock on any Dividend Payment Date are not declared and paid, in full or otherwise, on such Dividend Payment Date, then such unpaid dividends shall not cumulate and shall cease to accrue and be payable and the Corporation shall have no obligation to pay dividends accrued for such Dividend Period after the Dividend Payment Date for such Dividend Period or to pay interest with respect to such dividends, whether or not dividends are declared on Series B Preferred Stock for any subsequent Dividend Period.

(d) Priority of Dividends.

(i) JUNIOR STOCK. So long as any share of Series B Preferred Stock remains outstanding, during a Dividend Period no dividend whatsoever shall be paid or declared and no distribution shall be made on any Junior Stock, other than a dividend payable solely in Junior Stock, and no shares of Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, and other than through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock), unless the full dividends for such Dividend Period on all outstanding shares of Series B Preferred Stock have been paid or declared and a sum sufficient for the payment thereof set aside. Subject to this Section 4(d)(i), but not otherwise, such dividends (payable in cash, stock or otherwise), as may be determined by the Board of Directors may be declared and paid on any Junior Stock from time to time out of any funds legally available therefor, and the shares of Series B Preferred Stock shall not be entitled to participate in any such dividend.

(ii) PARITY STOCK. When dividends for any Dividend Payment Date are not paid in full upon the shares of Series B Preferred Stock for any reason other than the restrictions on payment of dividends set forth in Section 5, and not paid in full upon any Parity Stock, all dividends declared upon shares of Series B Preferred Stock and all Parity Stock for such Dividend Payment Date shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all dividends per share on the shares of Series B Preferred Stock and all such Parity Stock otherwise payable on such Dividend Payment Date (subject to their having been declared by the Board of Directors out of legally available funds and including, in the case of any Parity Stock that bears

cumulative dividends, all accrued but unpaid dividends) bear to each other. When dividends for any Dividend Payment Date are not paid in full upon the shares of Series B Preferred Stock because of the restriction on payment of dividends set forth in Section 5 and not paid in full upon any Parity Stock that includes a restriction on dividends substantially similar to the restriction in Section 5, then all dividends declared upon shares of Series B Preferred Stock and such Parity Stock for such Dividend Payment Date shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all dividends per share on the shares of Series B Preferred Stock and all such other Parity Stock otherwise payable on such Dividend Payment Date (subject to their having been declared by the Board of Directors out of legally available funds and including, in the case of any such other Parity Stock that bears cumulative dividends, all accrued but unpaid dividends) bear to each other.

(e) Dividend Payment Dates for Other Preferred Stock. For so long as any shares of Series B Preferred Stock are outstanding, the Corporation shall not issue any shares of Preferred Stock having dividend payment dates other than the Dividend Payment Dates for the Series B Preferred Stock.

#### SECTION 5. Restrictions on Declaration and Payment of Dividends.

(a) Tests for Suspension. Notwithstanding Section 4(a), neither the Board of Directors nor any committee of the Board of Directors may declare dividends on the Series B Preferred Stock for payment on any Dividend Payment Date in an aggregate amount exceeding the New Common Equity Amount as of the date of declaration (the "Dividend Declaration Date") for such Dividend Payment Date if:

(i) the Covered Insurance Subsidiaries' Most Recent Weighted Average NAIC RBC Ratio was less than 175% (subject to Section 5(d)(iii)); or

(ii) (x) the Trailing Four Quarters Consolidated Net Income for the period ending on the Preliminary Quarter End Test Date for such Dividend Payment Date is zero or a negative amount and (y) the Adjusted Shareholders' Equity Amount as of each of the Preliminary Quarter End Test Date and the Final Quarter End Test Date for such Dividend Payment Date has declined by 10% or more as compared to the Adjusted Shareholders' Equity Amount as of the tenth Quarter End prior to such Final Quarter End Test Date (such date for such Dividend Payment Date and related Final Quarter End Test Date, the "Benchmark Quarter End Test Date").

Additionally, and without limiting the foregoing provisions of this Section 5(a), if the Corporation has failed the test in Section 5(a)(ii) as to a prior

Dividend Payment Date, then neither the Board of Directors nor any committee of the Board of Directors may declare dividends on the Series B Preferred Stock for payment thereafter in an aggregate amount exceeding the New Common Equity Amount as of the Dividend Declaration Date for a Dividend Payment Date until the Dividend Declaration Date for the first Dividend Payment Date thereafter for which, as of the related Final Quarter End Test Date, the Adjusted Shareholders' Equity Amount has increased or has declined by less than 10%, in either case as compared to the Adjusted Shareholders' Equity Amount as of the Benchmark Quarter End Test Date for such prior Dividend Payment Date.

(b) Potential Dividend Suspension Notice. If as of the Preliminary Quarter End Test Date for any Dividend Payment Date (x) the Trailing Four Quarters Consolidated Net Income for the period ending on such Preliminary Quarter End Test Date is zero or a negative amount and (y) the Adjusted Shareholders' Equity Amount as of such Preliminary Quarter End Test Date has declined by 10% or more as compared to the Adjusted Shareholders' Equity Amount as of the date that is eight quarters prior to such Preliminary Quarter End Test Date, then the Corporation shall give notice of such circumstance by first class mail, postage prepaid, addressed to the holders of record of the shares of Series B Preferred Stock at their respective last addresses appearing on the books of the Corporation, and shall file a copy of such notice on Form 8-K with the Commission (or, if the Corporation is not then a reporting company under the Securities Exchange Act, post a copy of such notice on the Corporation's website), by not later than the first Dividend Payment Date following such Preliminary Quarter End Test Date. Such notice shall (i) set forth the Trailing Four Quarters Consolidated Net Income for the period ending on such Preliminary Quarter End Test Date and the Adjusted Shareholders' Equity Amount as of such Preliminary Quarter End Test Date and as of the date that is eight quarters prior to such Preliminary Quarter End Test Date, and (ii) state that the Corporation may be limited by the terms of the Series B Preferred Stock from declaring and paying dividends on such Dividend Payment Date unless the Corporation, through the generation of earnings or issuance of new Common Stock, increases its Adjusted Shareholders' Equity Amount by an amount specified in such notice by the second Quarter End after the date of such notice. The Corporation need not give any notice under this Section 5(b) during any period in which the Corporation's ability to declare and pay dividends is limited by reason of the application of Section 5(a).

(c) Dividend Suspension Notice. By not later than the 15th day prior to each Dividend Payment Date for which dividends are being suspended by reason of either of the tests set forth in Section 5(a), and the Corporation is not otherwise able to pay dividends on the Series B Preferred Stock out of the New Common Equity Amount, the Corporation shall give notice of such suspension by first class mail, postage prepaid, addressed to the holders of record of the shares of Series B Preferred Stock at their respective last addresses appearing on the



books of the Corporation, and shall file a copy of such notice on Form 8-K with the Commission (or, if the Corporation is not then a reporting company under the Securities Exchange Act, post a copy of such notice on the Corporation's website). Such notice, in addition to stating that dividends will be suspended, shall (i) if dividends are suspended by reason of the test set forth in Section 5(a)(i), set forth the fact that the Covered Insurance Subsidiaries' Most Recent Weighted Average NAIC RBC Ratio was less than 175% and (ii) if such suspension is by reason of the test set forth in Section 5(a)(ii), set forth the Adjusted Shareholders' Equity Amount as of the most recent Quarter End and the amount by which the Adjusted Shareholders' Equity Amount must increase in order for declaration and payment of dividends to be resumed.

(d) Interpretive Provisions; Qualifications, Etc. In order to give effect to the foregoing, the following provisions apply:

(i) Neither the Board of Directors nor a committee of the Board of Directors may declare dividends on the Series B Preferred Stock for payment on any Dividend Declaration Date (x) that is more than 60 days prior to the related Dividend Payment Date or (y) that is earlier than the date on which the Corporation's financial statements for the most recently completed quarter prior to the related Dividend Payment Date have been filed or furnished to the Commission on Form 10-K, Form 10-Q or Form 8-K; provided, however, if the Board of Directors determines to delay filing the Corporation's financial statements as of and for the period ended on a Final Quarter End Test Date with the Commission to a date later than the date on which "accelerated filers" within the meaning of Rule 12b-2 under the Securities Exchange Act are required to file such financial statements, whether because of concerns over accuracy of such financial statements or their compliance with U.S. GAAP or otherwise, then the Board of Directors or a committee of the Board of Directors may determine whether the Corporation is permitted under Section 5(a) to declare dividends on the Series B Preferred Stock based upon the Corporation's financial statements most recently filed with, or furnished to the Commission.

(ii) Except as expressly provided otherwise in this Section 5, all references in this Section 5 to financial statements of the Corporation shall be deemed to be to financial statements prepared in accordance with U.S. GAAP, consistently applied, and, for so long as the Corporation is a reporting company under the Securities Exchange Act, filed by the Corporation with, or furnished by it to, the Commission under the Securities Exchange Act. If at any relevant time or for any relevant period the Corporation is not a reporting company under the Securities Exchange Act, then (x) for all relevant dates and periods the Corporation shall prepare and post on its website the financial statements that it would have

been required to file with the Commission had it continued to be a reporting company under the Securities Exchange Act, in each case on or before the dates that the Corporation would have been required to file such financial statements with the Commission under the Securities Exchange Act had it continued to be an "accelerated filer" within the meaning of Rule 12b-2 under the Securities Exchange Act, and (y) the provisions of this Section 5 shall be read mutatis mutandis to give effect to such provision.

(iii) The limitation on dividends provided for in Section 5(a)(i) shall be of no force and effect if, as of a Dividend Declaration Date, the combined total assets of the Insurance Subsidiaries do not account for 25% or more of the consolidated total assets of the Corporation as reflected on its most recent consolidated financial statements.

(iv) All financial terms used in this Section 5 that are not specifically defined, including within the definitions of defined terms, shall be determined in accordance with U.S. GAAP as applied to and reflected in the related financial statements of the Corporation as of the relevant dates and for the relevant period, except as provided in the next sentence. If because of a change in U.S. GAAP that results in a periodic charge, a cumulative adjustment or a restatement:

(x) the Corporation's Consolidated Net Income Amount for the quarter in which such change takes effect is higher or lower than it would have been absent such change by the greater of \$25 million or 5%, and the Trailing Four Quarters Consolidated Net Income is higher or lower than it would have been absent such change, then, for purposes of the calculations described under Section 5(a)(ii), commencing with the fiscal quarter for which such changes in U.S. GAAP becomes effective and ending with the third quarter thereafter, such Trailing Four Quarters Consolidated Net Income shall be calculated on a pro forma basis without giving effect to such change in U.S. GAAP; or

(y) the Adjusted Shareholders' Equity Amount as of the Quarter End in which such change takes effect is higher or lower than it would have been absent such change by the greater of \$65 million or 1%, then, for purposes of the calculations described under Section 5(a)(ii) and the last sentence of Section 5(a), and for so long as such calculations with respect to such quarter are required to be performed, the Adjusted Shareholders' Equity Amount shall be calculated on a pro forma without giving effect to such change in U.S. GAAP.

(e) Definitions. The following terms have the meanings indicated:

"Adjusted Shareholders' Equity Amount" means, as of any Quarter End, the shareholders' equity of the Corporation as reflected on its consolidated balance sheet as of such Quarter End excluding accumulated other comprehensive income and loss as reflected on such consolidated balance sheet, (i) subject to Section 5(d)(iv) and (ii) except that any increase in shareholders' equity resulting from the issuance of preferred stock (other than the Series A Preferred Stock and the Series B Preferred Stock ) during the period from and including the Final Quarter End Test Date for a Dividend Period as to which the Corporation fails the test set forth in Section 5(a)(ii) through the first Quarter End thereafter as of which the Adjusted Shareholders' Equity Amount has declined by less than 10% or increased as compared to such amount on the Benchmark Quarter End Test Date shall not be taken into account in calculating the Adjusted Shareholders' Equity Amount as of such Quarter End during such period.

"Annual Statement" means, as to an Insurance Subsidiary, the annual statement of such Insurance Subsidiary containing its statutory balance sheet and income statement as required to be filed by it with one or more state insurance commissioners or other state insurance regulatory authorities.

"Benchmark Quarter End Test Date" has the meaning specified in Section 5(a)(ii).

"Commission" means the Securities and Exchange Commission.

"Company Action Level RBC" has the meaning specified in subsection J of Section 1 (or the relevant successor section, if any) of the Model Act.

"Consolidated Net Income Amount" means, for any fiscal quarter of the Corporation, its consolidated net income as reflected on its consolidated statement of operations for such fiscal quarter, subject to Section 5(d)(iv).

"Covered Insurance Subsidiaries" means, as of any Year End, Insurance Subsidiaries that account for 80% or more of the combined General Account Admitted Assets of the Corporation's Insurance Subsidiaries as of such Year End. The Corporation's Insurance Subsidiaries as of a Year End shall be identified by first ranking the Insurance Subsidiaries from largest to smallest based upon the amount of each Insurance Subsidiary's General Account Admitted Assets and then, beginning with the Insurance Subsidiary that has the largest amount of General Account Admitted Assets as of such Year End, identifying such Insurance Subsidiaries as Covered Insurance Subsidiaries until the ratio of the combined General Account Admitted Assets of the Insurance Subsidiaries so identified to the combined General Account Admitted Assets of all of the Insurance Subsidiaries as of such Year End equals or exceeds 80%.

"Covered Insurance Subsidiaries' Most Recent Weighted Average NAIC RBC Ratio" means, as of any date, an amount (expressed as a percentage) calculated as:

(x) the sum of the Total Adjusted Capital of each of the Covered Insurance Subsidiaries shown on such Covered Insurance Subsidiary's most recently filed Annual Statement, divided by

(y) the sum of the Company Action Level RBC of each of the Covered Insurance Subsidiaries as shown on such Covered Insurance Subsidiary's most recently filed Annual Statement.

"Dividend Declaration Date" has the meaning specified in Section 5(a).

"Final Quarter End Test Date" and "Preliminary Quarter End Test Date" mean, with respect to a Dividend Payment Date in the relevant month indicated under "Dividend Payment Date" in the table set forth below, the related date indicated under "Final Quarter End Test Date" or "Preliminary Quarter End Test Date" (as applicable) in such table:

Dividend Payment Date -----	Preliminary Quarter End Test Date -----	Final Quarter End Test Date -----
In March	The June 30 preceding such Dividend Payment Date	The December 31 preceding such Dividend Payment Date
In June	The September 30 preceding such Dividend Payment Date	The March 31 preceding such Dividend Payment Date
In September	The December 31 preceding such Dividend Payment Date	The June 30 preceding such Dividend Payment Date
In December	The March 31 preceding such Dividend Payment Date	The September 30 preceding such Dividend Payment Date

"General Account Admitted Assets" means, as to an Insurance Subsidiary as of any Year End, the total admitted assets of such Insurance Subsidiary as reflected on the balance sheet included in its statutory financial statements as of such Year End minus the separate account assets reflected on such balance sheet.

"Insurance Subsidiary" means a subsidiary of the Corporation that is organized under the laws of any state in the United States and is licensed as a life insurance company in any state in the United States but does not include any subsidiary of an Insurance Subsidiary.

"Model Act" means the Risk-Based Capital (RBC) for Insurers Model Act as prepared by the NAIC and included in its Model Laws, Regulations and Guidelines as of June 14, 2005 and as hereafter amended, modified or supplemented.

"NAIC" means the National Association of Insurance Commissioners.

"New Common Equity Amount" means, at any date, the net proceeds (after underwriters' or placement agents' fees, commissions or discounts and other expenses relating to the issuances) received by the Corporation from new issuances of its Common Stock (whether in one or more public offerings registered under the Securities Act or private placements or other transactions exempt from registration under the Securities Act) during the period commencing on the 90th day prior to such date, and which are designated by the Board of Directors at or before the time of issuance as available to pay dividends on the Series B Preferred Stock.

"Quarter End" means the last day of each fiscal quarter of the Corporation (i.e., March 31, June 30, September 30 and December 31).

"Securities Act" means the Securities Act of 1933, as amended.

"Total Adjusted Capital" has the meaning specified in subsection M of Section 1 (or the relevant successor section, if any) of the Model Act.

"Trailing Four Quarters Consolidated Net Income" means, for any period ending on a Quarter End, the sum of the Consolidated Net Income Amounts for the Corporation's four fiscal quarters ending on such Quarter End, with losses being treated as negative numbers for such purpose.

"U.S. GAAP" means, at any date or for any period, U.S. generally accepted accounting principles as in effect on such date or for such period.

"Year End" means the last day of each fiscal year of the Corporation.

#### SECTION 6. Liquidation Rights.

(a) Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series B Preferred Stock shall be entitled, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock, to receive in full an amount equal to \$25 per share (the "Liquidation Preference"), together with an amount equal to all accrued and unpaid dividends for the then-current Dividend Period to the date of payment.

(b) Partial Payment. If the assets of the Corporation are not sufficient to pay the Liquidation Preference in full to all holders of Series B Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series B Preferred Stock and to the holders of all Parity Stock shall be paid pro rata in

accordance with the respective aggregate liquidation preferences of Series B Preferred Stock and all such Parity Stock.

(c) Residual Distributions. If the Liquidation Preference has been paid in full to all holders of Series B Preferred Stock and the liquidation preference of any Parity Stock has been paid in full to all holders of such Parity Stock, the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 6, the merger or consolidation of the Corporation with any other corporation, including a merger in which the holders of Series B Preferred Stock receive cash or property for their shares, or the sale of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the affairs of the Corporation.

#### SECTION 7. Redemption.

(a) Redemption. So long as the full dividends on all outstanding shares of Series B Preferred Stock for the then-current Dividend Period have been paid or declared and a sum sufficient for the payment thereof set aside, the Corporation, at the option of its Board of Directors, may, upon notice given as provided in Section 7(b), redeem the shares of Series B Preferred Stock at the time outstanding in whole or, subject to the next succeeding sentence, in part (i) on any Dividend Payment Date during the Initial Fixed Rate Period beginning on or after the Dividend Payment Date in June 2015, (ii) on such dates with respect to any other Fixed Rate Period as the Corporation may determine prior to the commencement of such Fixed Rate Period or (iii) at any time during a Floating Rate Period. A redemption of shares of Series B Preferred Stock in part may be made pursuant to the foregoing sentence only if, after giving effect to such redemption, not less than 2,000,000 shares of Series B Preferred Stock will remain outstanding. Any such redemption shall be at the redemption price of \$25 per share, together, in each case, with accrued and unpaid dividends for the then-current Dividend Period to the redemption date.

(b) Notice of Redemption. Notice of every redemption of shares of Series B Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series B Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of

any other shares of Series B Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series B Preferred Stock to be redeemed; (iii) the redemption price; (iv) the place or places where the shares of Series B Preferred Stock are to be redeemed; and (v) that dividends on the shares of Series B Preferred Stock to be redeemed will cease to accrue on the redemption date.

(c) Partial Redemption. In case of any redemption of only part of the shares of Series B Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either pro rata or by lot or in such other manner as the Board of Directors may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series B Preferred Stock shall be redeemed from time to time.

(d) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

#### SECTION 8. Voting Rights.

(a) General. The holders of Series B Preferred Stock shall not have any voting rights except as set forth in this Section 8 or as otherwise required by law.

(b) Right to Elect Two Directors Upon Non-Payment of Dividends. If and whenever dividends on Series B Preferred Stock and any other class or series of stock of the Corporation ranking on a parity with Series B Preferred Stock as to payment of dividends (any such class or series being herein referred to as "Dividend Parity Stock") have not been paid in an aggregate amount, as to any such class or series, equal to at least six quarterly dividends (whether or not consecutive), the number of directors then constituting the Board of Directors shall be increased by two and the holders of Series B Preferred Stock, together

with the holders of all other affected classes and series of Dividend Parity Stock similarly entitled to vote for the election of a total of two additional directors, voting separately as a single class, shall be entitled to elect the two additional members of the Corporation's directors at any annual meeting of stockholders or any special meeting of the holders of Series B Preferred Stock and such Dividend Parity Stock for which dividends have not been paid, called as hereinafter provided, provided that the election of any such directors shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which its securities may be listed) that listed companies must have a majority of independent directors. Whenever full dividends have been paid regularly on the Series B Preferred Stock and Dividend Parity Stock then outstanding, if any, for at least one year, then the right of the holders of Series B Preferred Stock and such Dividend Parity Stock to elect such additional two directors shall cease (but subject always to the same provisions for the vesting of such voting rights in the case of any similar non-payment of dividends in respect of future Dividend Periods), and the terms of office of all persons elected as directors by the holders of Series B Preferred Stock and such Dividend Parity Stock for which dividends have not been paid shall forthwith terminate and the number of directors constituting the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the holders of Series B Preferred Stock and such Dividend Parity Stock, the Secretary of the Corporation may, and upon the written request of any holder of shares of Series B Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the holders of shares of Series B Preferred Stock and such Dividend Parity Stock for which dividends have not been paid for the election of the two directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the by-laws for a special meeting of the stockholders or as required by law. If any such special meeting so required to be called shall not be called by the Secretary within 20 days after receipt of any such request, then any holder of shares of Series B Preferred Stock may (at the Corporation's expense) call such meeting, upon notice as herein provided, and for that purpose shall have access to the stock books of the Corporation. The directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as above provided. In case any vacancy shall occur among the directors elected by the holders of Series B Preferred Stock and such Dividend Parity Stock for which dividends have not been paid, a successor shall be elected by the Board of Directors to serve until the next annual meeting of the stockholders upon the nomination of the then remaining director elected by the holders of Series B Preferred Stock and such Dividend Parity Stock for which dividends have not been paid or the successor of such remaining director.

(c) Other Voting Rights. So long as any shares of Series B Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the amended and restated certificate of incorporation, the



vote or consent of the holders of at least 66 2/3% of the shares of Series B Preferred Stock at the time outstanding, voting separately as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) any amendment, alteration or repeal of any provision of the amended and restated certificate of incorporation or by-laws of the Corporation that would alter or change the voting powers, preferences or special rights of the Series B Preferred Stock so as to affect them adversely; provided, however, that the amendment of the amended and restated certificate of incorporation so as to authorize or create, or to increase the authorized amount of, any Junior Stock or any shares of any class or series or any securities convertible into shares of any class or series of Parity Stock shall not be deemed to affect adversely the voting powers, preferences or special rights of the Series B Preferred Stock;

(ii) any amendment or alteration of the amended and restated certificate of incorporation of the Corporation to authorize or create, or increase the authorized amount of, any shares of any class or series or any securities convertible into shares of any class or series of capital stock of the Corporation ranking prior to Series B Preferred Stock in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation; or

(iii) consummation of a binding share exchange or reclassification involving the Series B Preferred Stock or a merger or consolidation of the Corporation with another entity, unless in each case (i) the Series B Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (ii) such Series B Preferred Stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series B Preferred Stock, taken as a whole;

provided, however, that any increase in the amount of the authorized or issued Series B Preferred Stock or authorized preferred stock or the creation and issuance, or an increase in the authorized or issued amount, of other Parity Stock and/or Junior Stock (whether such stock bears dividends on a cumulative or non-cumulative basis) will not be deemed to adversely affect the special rights, preferences, privileges or voting powers of the Series B Preferred Stock.

If an amendment, alteration, repeal, share exchange, reclassification, merger or consolidation described above would adversely affect one or more but not all series of voting preferred stock (including the Series B Preferred Stock for this purpose), then only the series affected and entitled to vote shall vote as a class in lieu of all such series of preferred stock.

Without the consent of the holders of the Series B Preferred Stock, so long as such action does not adversely affect the special rights, preferences, privileges and voting powers of the Series B Preferred Stock, taken as a whole, the Corporation may amend, alter, supplement or repeal any terms of the Series B Preferred Stock:

(x) to cure any ambiguity, or to cure, correct or supplement any provision contained in the certificate of designations for the Series B Preferred Stock that may be defective or inconsistent; or

(y) to make any provision with respect to matters or questions arising with respect to the Series B Preferred Stock that is not inconsistent with the provisions of the certificate of designations.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding Series B Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been set aside by the Corporation for the benefit of the holders of Series B Preferred Stock to effect such redemption.

SECTION 9. Other Rights. The shares of Series B Preferred Stock shall not have any voting powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the amended and restated certificate of incorporation of the Corporation.

SECTION 10. Restatement of Certificate. Upon any restatement of the amended and restated certificate of incorporation of the Corporation, Sections 1 through 9 of this certificate of designations shall be included in Article 2 of the amended and restated certificate of incorporation under the heading "Series B Non-Cumulative Perpetual Preferred Stock" and this Section 10 may be omitted. If the Board of Directors so determines, the numbering of Sections 1 through 9 may be changed for convenience of reference or for any other proper purpose."

IN WITNESS WHEREOF, Principal Financial Group, Inc. has caused this certificate to be executed by the undersigned on this 16th day of June, 2005.

**PRINCIPAL FINANCIAL GROUP, INC.**

By /s/ C.L. Bassett

-----  
Name: C.L. Bassett  
Title: Vice President and Treasurer

By /s/ Joyce N. Hoffman

-----  
Name: Joyce N. Hoffman  
Title: Senior Vice President and  
Corporate Secretary

**Exhibit 4.3**

**NUMBER:** \_\_\_\_\_ **SHARES**

**PAR VALUE \$0.01 PER SHARE**

**CUSIP NO.: 74251V 20 1**

**ISIN: US74251V2016**

[Form of Face of Certificate]

**PRINCIPAL FINANCIAL GROUP, INC.**

**Incorporated Under the Laws of the State of Delaware**

**SERIES A NON-CUMULATIVE PERPETUAL PREFERRED SHARES**

This is to certify that \_\_\_\_\_ is the owner of \_\_\_\_\_ fully paid and non-assessable shares of Series A Non-Cumulative Perpetual Preferred Stock, \$0.01 par value and a liquidation preference of \$100 per share of Principal Financial Group, Inc. (the "Corporation"), transferable on the books of the Corporation by the holder hereof, in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned and registered by the transfer agent and registrar.

IN WITNESS WHEREOF, the Company has executed this Series A Preferred Share Certificate as of the date set forth below.

**PRINCIPAL FINANCIAL GROUP, INC.**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Dated: June , 2005

**COUNTERSIGNED AND REGISTERED**

as Transfer Agent,

By: \_\_\_\_\_  
Authorized Signatory

Dated: June , 2005

**PRINCIPAL FINANCIAL GROUP, INC.**

**SERIES A NON-CUMULATIVE PERPETUAL PREFERRED SHARES**

The Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of the Series A Non-Cumulative Perpetual Preferred Stock of the Corporation represented by this Certificate and the qualifications, limitations or restrictions of such preferences and/or rights. Such request should be addressed to the Corporation or the Transfer Agent.

The following abbreviations, when used in the inscription of the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM            -as tenants in common
- TEN ENT           -as tenants by the entireties
- JT TEN            -as joint tenants with right of survivorship and not as tenants in common

**UNIF GIFT MIN ACT**

(Cust) (Minor)

**Custodian under Uniform Gifts to Minors Act**

\_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in the above list.

**ASSIGNMENT**

FOR VALUE RECEIVED, the undersigned assigns and transfers shares of Series A Non-Cumulative Perpetual Preferred Stock of the Corporation evidenced hereby to:

\_\_\_\_\_  
\_\_\_\_\_

(Insert assignee's social security or tax identification number)

\_\_\_\_\_  
\_\_\_\_\_

(Insert address and zip code of assignee)

\_\_\_\_\_  
\_\_\_\_\_

and irrevocably appoints:

\_\_\_\_\_

agent to transfer the shares of Series A Non-Cumulative Perpetual Preferred Stock of the Corporation evidenced hereby on the books of the transfer agent and registrar. The agent may substitute another to act for him or her.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

(Sign exactly as your name appears on the other side of this Certificate)

Signature Guarantee: \_\_\_\_\_

---

\* Signature must be guaranteed by an "eligible guarantor institution" (i.e., a bank, stockbroker, savings and loan association or credit union) meeting the requirements of the transfer agent and registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the transfer agent and registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit 4.4**

**NUMBER:** \_\_\_\_\_ **SHARES**

**PAR VALUE \$0.01 PER SHARE**

**CUSIP NO.: 74251V 30 0**

**ISIN: US74251V3006**

[Form of Face of Certificate]

**PRINCIPAL FINANCIAL GROUP, INC.**

**Incorporated Under the Laws of the State of Delaware**

**SERIES B NON-CUMULATIVE PERPETUAL PREFERRED SHARES**

This is to certify that \_\_\_\_\_ is the owner of \_\_\_\_\_ fully paid and non-assessable shares of Series B Non-Cumulative Perpetual Preferred Stock, \$0.01 par value and a liquidation preference of \$25 per share of Principal Financial Group, Inc. (the "Corporation"), transferable on the books of the Corporation by the holder hereof, in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned and registered by the transfer agent and registrar.



IN WITNESS WHEREOF, the Company has executed this Series B Preferred Share Certificate as of the date set forth below.

**PRINCIPAL FINANCIAL GROUP, INC.**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Dated: June , 2005

**COUNTERSIGNED AND REGISTERED**

as Transfer Agent,

By: \_\_\_\_\_  
Authorized Signatory

Dated: June , 2005

**PRINCIPAL FINANCIAL GROUP, INC.**

**SERIES B NON-CUMULATIVE PERPETUAL PREFERRED SHARES**

The Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of the Series B Non-Cumulative Perpetual Preferred Stock of the Corporation represented by this Certificate and the qualifications, limitations or restrictions of such preferences and/or rights. Such request should be addressed to the Corporation or the Transfer Agent.

The following abbreviations, when used in the inscription of the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM        -as tenants in common
- TEN ENT        -as tenants by the entireties
- JT TEN         -as joint tenants with right of survivorship and not as tenants in common

**UNIF GIFT MIN ACT**

(Cust) (Minor)

**Custodian under Uniform Gifts to Minors Act**

\_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in the above list.

**ASSIGNMENT**

FOR VALUE RECEIVED, the undersigned assigns and transfers shares of Series B Non-Cumulative Perpetual Preferred Stock of the Corporation evidenced hereby to:

\_\_\_\_\_  
\_\_\_\_\_

(Insert assignee's social security or tax identification number)

\_\_\_\_\_  
\_\_\_\_\_

(Insert address and zip code of assignee)

\_\_\_\_\_  
\_\_\_\_\_

and irrevocably appoints:

\_\_\_\_\_

agent to transfer the shares of Series B Non-Cumulative Perpetual Preferred Stock of the Corporation evidenced hereby on the books of the transfer agent and registrar. The agent may substitute another to act for him or her.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

(Sign exactly as your name appears on the other side of this Certificate)

Signature Guarantee: \_\_\_\_\_

---

\* Signature must be guaranteed by an "eligible guarantor institution" (i.e., a bank, stockbroker, savings and loan association or credit union) meeting the requirements of the transfer agent and registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the transfer agent and registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

## Exhibit 5.1

[Debevoise & Plimpton LLP Letterhead]

June 17, 2005

Principal Financial Group, Inc.  
711 High Street  
Des Moines, Iowa 50392

Ladies and Gentlemen:

We have acted as special counsel to Principal Financial Group, Inc., a Delaware corporation (the "Company"), in connection with the public offering by the Company of an aggregate of 3,000,000 shares of its Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share (liquidation preference \$100 per share) (the "Series A Preferred Stock") and 10,000,000 shares of its Series B Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share (liquidation preference \$25 per share) (the "Series B Preferred Stock", and together with the Series A Preferred Stock, the "Preferred Stock"), pursuant to a registration statement on Form S-3 (File No. 333-111352) (as amended to the date hereof, the "Registration Statement") filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), the related prospectus supplement, dated June 14, 2005, with respect to the Series A Preferred Stock (the "Series A Prospectus Supplement") and the related prospectus supplement, dated June 14, 2005, with respect to the Series B Preferred Stock (the "Series B Prospectus Supplement", and together with the Series A Prospectus Supplement, the "Prospectus Supplements"), both as filed with the Commission pursuant to Rule 424(b) under the Act.

In so acting, we have examined and relied upon originals or certified, conformed or reproduction copies of such agreements, instruments, documents and records of the Company, such certificates of public officials, and such other documents, and have made such investigations of law, as we have deemed necessary or appropriate for the purposes of the opinions expressed below. In all such examinations, we have assumed, without independent investigation or inquiry, the legal capacity of all natural persons executing documents, the genuineness of all signatures on original or certified copies, the authenticity of all original or certified copies and the conformity to original or certified documents of all copies submitted to us as conformed or reproduction copies. We have relied as to factual matters upon, and have assumed the accuracy of, representations,

statements and certificates of or from public officials and of or from officers and representatives of the Company and others.

Based on and subject to the foregoing, and subject to the further limitations, qualifications and assumptions set forth herein, we are of the opinion that the Preferred Stock has been duly and validly authorized and when issued and duly delivered against payment therefor as contemplated by the Underwriting Agreement, dated as of June 14, 2005, between the Company and Lehman Brothers Inc., as representative of the several underwriters named therein, will be validly issued, fully paid and non-assessable.

The opinions expressed above are limited to the Federal laws of the United States of America and the Delaware General Corporation Law, as currently in effect.

We hereby consent to the filing of this opinion as an exhibit to the Company's Form 8-K dated June 17, 2005, which is incorporated by reference into the Registration Statement, and to the reference to our firm under the caption "Validity of the Shares" in the Prospectus Supplements. In giving such consent, we do not thereby concede that we are within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission thereunder.

Very truly yours,

*/s/ Debevoise & Plimpton LLP*

**Exhibit 99.1**

**Principal Financial Group, Inc.**

**Series A Non-Cumulative Perpetual Preferred Stock**  
(Ten-Year Initial Fixed Rate Period)

(Liquidation Preference Equivalent to \$100 Per Share of Series A Preferred Stock)

**Series B Non-Cumulative Perpetual Preferred Stock**  
(Thirty-Year Initial Fixed Rate Period)

(Liquidation Preference Equivalent to \$25 Per Share of Series B Preferred Stock)

**REMARKETING AGREEMENT**

June 17, 2005

Lehman Brothers Inc.  
745 7th Avenue  
New York, New York 10019

Ladies and Gentlemen:

Principal Financial Group, Inc., a Delaware corporation (the "Company"), is today making the following issuances: (i) 3,000,000 shares of preferred stock, each representing a share of Series A Non-Cumulative Perpetual Preferred Stock (Ten-Year Initial Fixed Rate Period) (the "Series A Preferred Stock") having a liquidation preference equivalent to \$100 per share and (ii) 10,000,000 shares of preferred stock, each representing a share of Series B Non-Cumulative Perpetual Preferred Stock (Thirty-Year Initial Fixed Rate Period) (the "Series B Preferred Stock", and together with the Series A Preferred Stock, the "Preferred Stock") having a liquidation preference equivalent to \$25 per share.

The certificate of designations, dated June 16, 2005, of the Company relating to the Series A Preferred Stock (the "Series A Certificate of Designations") and the certificate of designations, dated June 16, 2005, of the Company relating to the Series B Preferred Stock (the "Series B Certificate of Designations", and together with the Series A Certificate of Designations, the "Certificates of Designations") each provides for the possible Remarketing (as defined below) of the Preferred Stock, on one or more occasions, at the option of the Company as contemplated in the Certificates of Designations. As used in this remarketing agreement (this "Agreement"), the term "Remarketed Securities" means any share of Preferred Stock offered in a Remarketing; the term "Remarketing Procedures" means the procedures specified in Section 4 of each of the Certificates of Designations; and the term "Remarketing" means a remarketing of the Remarketed Securities pursuant to the Remarketing Procedures.

In connection with any Remarketing, the Company will, to the extent required under the Securities Act of 1933, as amended from time to time, or any successor statute (the "Securities Act") and the rules and regulations as promulgated from time to time thereunder or any successor statute to the Securities Act (the "Rules"), in connection with Remarketings of Remarketed Securities, prepare and file one or more

registration statements under the Securities Act with the Securities and Exchange Commission (the "Commission") relating to Remarketed Securities, and any necessary amendments thereto, and will prepare one or more prospectuses (which may be preliminary or final) complying with the requirements of the Securities Act, and any necessary supplements thereto, and setting forth or including a description of the applicable terms of the Remarketed Securities, the terms of the applicable Remarketing, a description of the Company and such other information as may be required by the Securities Act.

Capitalized terms used and not defined in this Agreement shall have the meanings set forth in the Certificates of Designations, as applicable. Any reference in this Agreement to any registration statement or to any preliminary prospectus or final prospectus (or any amendments or supplements to any of the foregoing) shall be deemed to (i) refer to any such document as it may at the time be amended or supplemented and (ii) include any document filed under the Securities Exchange Act of 1934, as amended from time to time and the rules and regulations promulgated from time to time thereunder, or any successor statute (the "Exchange Act"), and at the time incorporated by reference therein.

#### Section 1. Appointment and Obligations of the Remarketing Agent.

(a) The Company hereby appoints Lehman Brothers Inc. as exclusive remarketing agent (the "Remarketing Agent"), and Lehman Brothers Inc. accepts appointment as Remarketing Agent for the purpose of (i) remarketing Remarketed Securities on behalf of the holders thereof and (ii) performing such other duties as are assigned to the Remarketing Agent in the Remarketing Procedures, all in accordance with and pursuant to the Remarketing Procedures.

(b) Upon delivery of notice to the Remarketing Agent by the Company of the Company's election to conduct a Remarketing in conformity with the requirements of the Remarketing Procedures, the Remarketing Agent agrees (i) to use commercially reasonable efforts to remarket the Remarketed Securities tendered or deemed tendered to the Remarketing Agent in any Remarketing, (ii) to notify the Company of the new Fixed Rate, if any, established pursuant to any Remarketing and (iii) to carry out such other duties as are assigned to the Remarketing Agent in the Remarketing Procedures, all in accordance with the provisions of the Remarketing Procedures.

(c) On any date during which a Remarketing is being conducted, the Remarketing Agent shall use commercially reasonable efforts to remarket Remarketed Securities tendered or deemed tendered for purchase at a price equal to (i) \$100 per share, with respect to the Series A Preferred Stock, or (ii) \$25 per share, with respect to the Series B Preferred Stock.

(d) If, as a result of the Remarketing Agent's efforts described in Section 1(c), the Remarketing Agent has determined on any date during which a Remarketing is being conducted that it will be able to remarket all Remarketed Securities tendered or deemed tendered for purchase at a price of \$100 per share, in the case of

shares of the Series A Preferred Stock (the "Series A Remarketing Purchase Price"), or \$25 per share, in the case of shares of the Series B Preferred Stock (the "Series B Remarketing Purchase Price"), in each case, prior to 4:00 P.M., New York City time, on such date (any such date of determination, a "Remarketing Date"), the Remarketing Agent shall determine the Fixed Rate resulting from such Remarketing and to be applicable to the next succeeding Fixed Rate Period, which shall be the rate per annum (rounded to the nearest one-thousandth (0.01) of one percent per annum) which the Remarketing Agent determines, in its sole judgment, to be the lowest rate per annum, if any, that will enable it to remarket all Remarketed Securities tendered or deemed tendered for Remarketing at the Remarketing Purchase Price.

(e) If any holder of Preferred Stock submits a Notice of Election to tender some or all of its shares of Preferred Stock in a Remarketing and separately notifies the Remarketing Agent that such holder desires to continue to hold a number of shares of Preferred Stock, but only if the Fixed Rate determined by the applicable Remarketing is not less than a specified rate per annum, the Remarketing Agent shall give priority to such holder's purchase of such number of Remarketed Securities in the Remarketing, provided that the new Fixed Rate is not less than such specified rate.

(f) By approximately 4:30 P.M., New York City time, on a Remarketing Date, the Remarketing Agent shall advise (i) the Clearing Agency Participant who will receive a credit for the shares of Preferred Stock on the Clearing Agency's records, the Company and the Calculation Agent of any new Fixed Rate established pursuant to the Remarketing and the number of Remarketed Securities sold in the Remarketing, (ii) each purchaser of Remarketed Securities (or the Clearing Agency Participant thereof) of such new Fixed Rate and the number of Remarketed Securities such purchaser is to purchase and (iii) each purchaser to give instructions to its Clearing Agency Participant to pay the purchase price on the Remarketing Settlement Date in same day funds against delivery of the Remarketed Securities purchased through the facilities of the Clearing Agency Participant.

(g) If, by 4:00 P.M., New York City time, on the third business day prior to the Remarketing Settlement Date applicable to the Remarketing (such third business day, a "Remarketing Expiration Date") the Remarketing Agent is unable to remarket all Remarketed Securities tendered or deemed tendered for purchase at the Series A Remarketing Purchase Price or the Series B Remarketing Purchase Price, as applicable, the Remarketing Agent shall, by approximately 4:30 P.M., New York City time, on such date, advise the Clearing Agency Participant, the Company and the Calculation Agent that the Dividend Rate for the Series A Preferred Stock and/or the Series B Preferred Stock, as applicable, for the next succeeding Dividend Period will be a Floating Rate determined in accordance with the Series A Certificate of Designations and/or the Series B Certificate of Designations, as applicable. In such case, no shares of Series A Preferred Stock or Series B Preferred Stock, as applicable, shall be sold in the Remarketing and each holder shall continue to hold its respective shares at such Floating Rate.



Section 2. Representations, Warranties and Agreements of the Company.

(a) The Company represents, warrants and agrees, on and as of the date hereof, that the representations and warranties made by the Company, as applicable, in the underwriting agreement, dated June 14, 2005, among the Company and Lehman Brothers Inc., as representative of the underwriters named therein (each an "Underwriter," and collectively, the "Underwriters") (the "Underwriting Agreement"), relating to the Preferred Stock, are true, correct and complete in all material respects, as if made on the date hereof.

(b) In addition, (i) on and as of the date of filing and of effectiveness of the Registration Statement (as defined in paragraph (II)(A) of this Section 2(b)) and on and as of the date of any amendment to the Registration Statement, (ii) on and as of the date of any Final Prospectus (as defined in paragraph (II)(A) of this Section 2(b)) and on and as of the date of any supplement thereto distributed in connection with a Remarketing, (iii) on and as of any Election Date, (iv) on and as of any Remarketing Date, and (v) on and as of any Remarketing Settlement Date (to the extent applicable):

(I) the Company makes each of the representations and warranties set forth in paragraphs (d) through (g), (j), (k), (m), (n) and (p) through (x) of Section 1 of the Underwriting Agreement, except that such representations, warranties and agreements, as made herein, shall be deemed to have been amended and shall be read mutatis mutandis, as follows:

(A) each reference to a Registration Statement, Incorporated Documents, Basic Prospectus, Final Prospectus or Interim Prospectus shall be deemed to refer to those terms as defined in paragraph (II) of this Section 2(b);

(B) each reference to "Delivery Date" shall be deemed to be to the Remarketing Settlement Date;

(C) each reference to PLIC shall be deemed to be to any subsidiary of the Company, direct or indirect, that is an Insurance Company and a "significant subsidiary" as such term is defined in Rule 405 of the Rules;

(D) each reference to the "issue" or "issue and sale" of the Preferred Stock shall be deemed to include the Remarketing and the Remarketed Securities; and

(II) the Company represents and warrants that:

(A) The Company meets the requirements for the use of Form S-3 under the Securities Act and the Rules, and has prepared and filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 for the registration of the Remarketed Securities under the Securities Act, which Registration Statement (as defined below) has become

effective and no stop order suspending the effectiveness of the Registration Statement has been issued under the Securities Act and no proceedings for that purpose have been instituted or are pending or, to its knowledge, are threatened by the Commission, and any request by the Commission for additional information has been complied with. The Registration Statement meets the requirements set forth in Rule 415(a)(1)(x) under the Securities Act and complies in all other material respects with such rule. The Company proposes to file with the Commission pursuant to Rule 424 under the Securities Act ("Rule 424") a supplement to the form of prospectus included in the registration statement relating to the remarketing of the Remarketed Securities and the plan of distribution thereof and has previously advised you of all further information (financial and other) with respect to the Company to be set forth therein. The term "Registration Statement" means the registration statement, as amended at the time of any Election Date, including the exhibits thereto, financial statements, and all documents incorporated therein by reference pursuant to Form S-3 (the "Incorporated Documents"), and such prospectus as then amended, including the Incorporated Documents, is hereinafter referred to as the "Basic Prospectus"; and such supplemented form of prospectus, in the form in which it shall be filed with the Commission pursuant to Rule

424 (including the Basic Prospectus as so supplemented), is hereinafter called the "Final Prospectus". Any preliminary form of a Final Prospectus which has heretofore been filed pursuant to Rule 424 is hereinafter called the "Interim Prospectus". Any reference herein to the Registration Statement, the Basic Prospectus, any Interim Prospectus or the Final Prospectus shall be deemed to refer to and include the Incorporated Documents which were filed under the Securities Exchange Act, on or before the Election Date or the issue date of the Basic Prospectus, any Interim Prospectus or the Final Prospectus, as the case may be; and any reference herein to the terms "amend", "amendment" or "supplement" with respect to the Registration Statement, the Basic Prospectus, any Interim Prospectus or the Final Prospectus shall be deemed to refer to and include the filing of any Incorporated Documents under the Exchange Act after the date of this Agreement or the issue date of the Basic Prospectus, any Interim Prospectus or the Final Prospectus, as the case may be, and deemed to be incorporated therein by reference. Copies of the Registration Statement and each of the amendments thereto have been delivered by the Company to you as the Remarketing Agent. The Commission has not issued any order preventing or suspending the use of any Interim Prospectus.

(B) When the Final Prospectus is first filed with the Commission pursuant to Rule 424, when, before such Remarketing Settlement Date, any amendment to the Registration Statement becomes effective, when, before such Remarketing Settlement Date, any Incorporated Document is filed with the Commission, when any supplement to the Final Prospectus is filed with the Commission and at such Remarketing Settlement Date, the Registration Statement, the Final Prospectus and any such amendment or supplement will comply in all material respects with the applicable requirements of the Securities Act and the Rules, and the Incorporated Documents will comply in all material respects with the requirements of the Exchange Act, or the Securities Act and the

Rules, as applicable, and on the date it became effective, the Registration Statement did not, and, on the date that any post-effective amendment to the Registration Statement becomes effective, the Registration Statement as amended by such post-effective amendment did not or will not, as the case may be, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; on the date the Final Prospectus is filed with the Commission pursuant to Rule 424 and on such Remarketing Settlement Date, the Final Prospectus, as they may be amended or supplemented, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading; and on said dates, the Incorporated Documents will comply in all material respects with the applicable provisions of the Exchange Act, and, when read together with the Final Prospectus, or the Final Prospectus as they may be then amended or supplemented, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading; provided that the foregoing representations and warranties in this paragraph B) shall not apply to statements or omissions made in reliance upon and in conformity with written information furnished to the Company by or through the Remarketing Agent specifically for use in connection with the preparation of the Registration Statement or the Final Prospectus, as they may be amended or supplemented.

(C) The Remarketed Securities have been duly and validly authorized and are fully paid and non-assessable and conform to the descriptions thereof contained in the Final Prospectus.

(D) This Agreement has been duly authorized, executed and delivered by the Company.

(E) Neither the Company nor any of its subsidiaries has sustained, since the date of the latest audited financial statements included in the Final Prospectus, any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Final Prospectus, except for such losses or interferences as would not have, individually or in the aggregate, a material adverse effect on the general affairs, business, management, financial position, surplus, reserves, stockholders' equity or results of operations of the Company and its subsidiaries considered as a whole ("Material Adverse Effect"); and, since the respective dates as of which information is given in the Registration Statement and the Final Prospectus, there has not been any (i) material change in the capital stock or long-term debt of the Company or any of its subsidiaries considered as a whole or (ii) any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, business, management, financial position, surplus, reserves, stockholders' equity or results

of operations (in each case considered either on a statutory or U.S. generally accepted accounting principles of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Final Prospectus.

(F) Ernst & Young LLP, or another accounting firm of national stature (the "Accountants"), whose reports appear in the Final Prospectus, are independent public accountants with respect to the Company and its subsidiaries as required by the Securities Act and the Rules.

Section 3. Fees and Expenses. (a) For the performance of its services as Remarketing Agent in connection with Remarketings hereunder, the Company agrees to pay to the Remarketing Agent a fee on each Remarketing Settlement Date, in an amount customary for the types of services provided by the Remarketing Agent hereunder and as shall be mutually agreed upon between the Company and the Remarketing Agent.

(b) The Company agrees to pay (i) the costs incident to the preparation and filing of any registration statements and any amendments thereto required in connection with this Agreement; (ii) the costs incident to the preparation, printing, and distribution of any prospectus (preliminary or final) and any supplements thereto required in connection with this Agreement; (iii) the fees and expenses of qualifying Remarketed Securities under the securities laws of the several jurisdictions as provided in Section 4(g) and of preparing, printing, and distributing a blue sky survey (including related reasonable fees and expenses of counsel to the Remarketing Agent); (iv) all other costs and expenses incident to the performance of the obligations of the Company hereunder; and (v) the fees and expenses of counsel and accountants for the Company.

Section 4. Further Agreements of the Company. The Company agrees:

(a) To prepare the Registration Statement, Basic Prospectus, any Interim Prospectus or Final Prospectus, and any amendments and supplements thereto required in connection with any Remarketing, in a form reasonably acceptable to the Remarketing Agent and to file any such documents with the Commission pursuant to the Securities Act as required by the Securities Act and the Rules.

(b) To advise the Remarketing Agent, promptly after it receives notice thereof, of the time when any registration statement or any amendment thereto has been filed with the Commission or becomes effective, and when any prospectus (preliminary or final) or any supplement thereto has been filed, in each such case excluding documents incorporated by reference therein; during the term of this Agreement to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act; to advise the Remarketing Agent, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any prospectus (Interim Prospectus or Final Prospectus) or any supplement thereto filed or prepared in connection with this Agreement, of the

suspension of the qualification of any Remarketed Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of any such registration statement or prospectus or amendment or supplement thereto or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any prospectus (Basic Prospectus, Interim Prospectus or Final Prospectus) or supplement thereto or suspending any such qualification, to use promptly its best efforts to obtain its withdrawal.

(c) To deliver promptly to the Remarketing Agent such number of the following documents as the Remarketing Agent shall reasonably request (i) conformed copies of the Registration Statement prepared in connection with any Remarketing as originally filed with the Commission and each amendment thereto (in each case excluding exhibits), any Interim Prospectus or Final Prospectus prepared in connection with any Remarketing and any supplements thereto; (ii) copies of the Certificates of Designations and the Calculation Agent Agreement, and any amendment to any such document thereof, and each report or other document mailed or made available to holders of the Preferred Stock; and (iii) if the delivery of a prospectus is required at any time in connection with a Remarketing and if at such time any event has occurred as a result of which the Final Prospectus as then supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made when such Final Prospectus is delivered, not misleading, or if for any other reason it shall be necessary to amend or supplement the Final Prospectus or to file under the Exchange Act any document incorporated by reference in the Final Prospectus in order to comply with the Securities Act or the Exchange Act, to notify the Remarketing Agent, and upon its request, to file such document and to prepare and furnish without charge to the Remarketing Agent and to any dealer in shares of the Remarketed Securities as many copies as the Remarketing Agent may from time to time reasonably request of an amended or supplemented Final Prospectus which will correct such statement or omission or effect such compliance.

(d) Prior to filing with the Commission any amendment to any Registration Statement or supplement to any Interim Prospectus or Final Prospectus filed or prepared in connection with any Remarketing under Rule 424 of the Rules, to furnish a copy thereof to the Remarketing Agent and counsel to the Remarketing Agent and obtain the consent of the Remarketing Agent to such filing, which consent shall not be unreasonably withheld.

(e) Promptly from time to time to take such action as the Remarketing Agent may reasonably request to qualify the Remarketed Securities for offering and sale under the securities or laws of such jurisdictions as the Remarketing Agent may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Remarketed Securities; provided that in connection therewith, the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction.

(f) The Company will make generally available to its security holders and deliver to the Remarketing Agent as soon as reasonably practicable after the date of any Final Prospectus, an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Securities Act and the Rules (including, at the option of the Company, Rule 158 of the Rules).

(g) During the period when a Final Prospectus is required to be delivered under the Securities Act or the Exchange Act in connection with sale of Remarketed Securities, to file all documents required to be filed by it with the Commission pursuant to Section 13, 14 or 15 of the Exchange Act within the time periods required by the Exchange Act.

(h) The Company will use its reasonable efforts to take all reasonable action necessary to enable Standard & Poor's Corporation ("S&P") and Moody's Investors Services, Inc. ("Moody's") or any other nationally recognized rating organization to provide their respective credit ratings.

Section 5. Conditions to the Remarketing Agent's Obligations. The obligations of the Remarketing Agent hereunder are subject to the accuracy, when made and on the related Remarketing Settlement Date, of the representations and warranties of the Company contained herein, to the performance by the Company of its respective obligations hereunder, and to each of the following additional terms and conditions:

(a) The Final Prospectus shall have been timely filed with the Commission in accordance with Section 4(a); no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and any request of the Commission for inclusion of additional information in the Registration Statement or the Final Prospectus or otherwise shall have been complied with.

(b) All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the Remarketed Securities, any Registration Statement, Interim Prospectus and/or Final Prospectus and any amendments or supplements thereto and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be reasonably satisfactory in all material respects to counsel for the Remarketing Agent, and the Company shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters.

(c) Without the prior written consent of the Remarketing Agent, the Certificates of Designations shall not have been amended in any manner, or otherwise contain any provision not contained therein as of the date hereof that, in the opinion of the Remarketing Agent, materially changes the nature of the Remarketed Securities or the Remarketing Procedures.

(d) On the related Remarketing Settlement Date, Debevoise & Plimpton LLP or such other counsel satisfactory to the Remarketing Agent, shall have furnished to the Remarketing Agent their written opinion, as counsel to the Company, addressed to the Remarketing Agent and dated such date, in form and substance reasonably satisfactory to the Remarketing Agent, to the effect set forth in Exhibit A hereto.

(e) On the related Remarketing Settlement Date, the General Counsel of the Company shall have furnished to the Remarketing Agent her written opinion, addressed to the Remarketing Agent and dated such date, in form and substance reasonably satisfactory to the Remarketing Agent, to the effect set forth in Exhibit B hereto.

(f) On the related Remarketing Settlement Date, counsel satisfactory to the Remarketing Agent, shall have furnished to the Remarketing Agent their written opinion, addressed to the Remarketing Agent and dated such date, in form and substance reasonably satisfactory to the Remarketing Agent, to the effect set forth in Exhibit C hereto.

(g) On any Election Date, the Remarketing Agent shall have received from the Accountants a letter or letters, in form and substance satisfactory to the Remarketing Agent, addressed to the Remarketing Agent and dated the date of such Remarketing Date (i) confirming that they are independent public accountants within the meaning of the Securities Act and the Rules and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission and (ii) stating, as of such Remarketing Date (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Final Prospectus, as of a date not more than five days prior to the date hereof), the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings.

(h) With respect to the letter or letters of the Accountants referred to in the preceding paragraph and delivered to the Remarketing Agent on any Election Date (the "initial letters"), the Company shall have furnished to the Remarketing Agent a letter (the "bring-down letter") of the Accountants, addressed to the Remarketing Agent and dated the related Remarketing Settlement Date (i) confirming that they are independent public accountants within the meaning of the Securities Act and the Rules and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date of the bring-down letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Final Prospectus, as of a date not more than five days prior to the date of the bring-down letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by the initial letters and (iii) confirming in all material respects the conclusions and findings set forth in the initial letters.

(i) The Company shall have furnished to the Remarketing Agent a certificate, dated the date of the related Remarketing Settlement Date, of its Chairman of the Board, its President or a Vice President and its chief financial officer stating that:

(I) The representations, warranties and agreements of the Company in Section 2 are true and correct as of the related Remarketing Settlement Date; the Company has complied with all its agreements contained herein; and the conditions set forth in paragraphs (a) and (j) of this Section 5 have been fulfilled; and

(II) They have carefully examined the Registration Statement and the Final Prospectus and, in their opinion (x) as of the date of the Final Prospectus, the Registration Statement and Final Prospectus did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (y) since the date of the Final Prospectus, no event has occurred which should have been set forth in a supplement or amendment to the Registration Statement or the Final Prospectus which has not been so set forth.

(j) As of any Election Date, (A) neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included in the Final Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Final Prospectus, or (B) since such date, there has not been any decrease in the outstanding capital stock of the Company or increase in the consolidated long-term debt of the Company, in each case, not otherwise disclosed to the Remarketing Agent, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Final Prospectus, the effect of which, in any such case described in clause (A) or (B), is, in the judgment of the Remarketing Agent, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Remarketed Securities being delivered on the related Remarketing Settlement Date on the terms and in the manner contemplated in the Final Prospectus.

(k) Subsequent to any Election Date there shall not have occurred any of the following: (i) trading of any securities of or guaranteed by the Company shall have been suspended on any exchange or in any over-the-counter market, (ii) trading in securities on the New York Stock Exchange, the American Stock Exchange, and the National Association of Securities Dealers, Inc., shall have been generally suspended, or there shall have been a material disruption in settlement of securities generally, (iii) minimum or maximum ranges for prices shall have been generally established on the New York Stock Exchange by the Commission or by the New York Stock Exchange, (iv) a general banking moratorium shall have been declared by federal or New York State authorities, (v) any major disruption of settlements of securities or clearance services in the United States, or (vi) any outbreak or escalation of major hostilities in which the



United States is involved, any declaration of war by the United States Congress or any other substantial national or international calamity, crisis or emergency (including, without limitation, acts of terrorism) affecting the United States, in any such case provided for in clauses (i) through (vi), as to make it, in the judgment of the Remarketing Agent, impracticable or inadvisable to proceed with the public offering or delivery of the Remarketed Securities being delivered on the related Remarketing Settlement Date on the terms and in the manner contemplated in the Final Prospectus.

(l) On or after any Election Date, (i) no downgrading shall have occurred in the rating accorded the Company's debt securities or the debt securities of any of its Significant Subsidiaries (including any "surplus notes" of PLIC) or PLIC's claims paying ability or financial strength by any "nationally recognized statistical rating organization", as such term is defined in Rule 436(g)(2) of the Rules, (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities or the debt securities of any of its Significant Subsidiaries (including any "surplus notes" of PLIC) or PLIC's claims paying ability or financial strength and (iii) the Remarketed Securities shall continue to be rated BBB by Standard & Poor's and Baa2 by Moody's, or the equivalent of such ratings at the time of any Remarketing.

(m) The Remarketing Agent shall not have discovered and disclosed to the Company on or prior to the Election Date, or during the period between the Remarketing Date and the Remarketing Settlement Date, that any Registration Statement, Interim Prospectus or Final Prospectus or any amendment or supplement thereto contains any untrue statement of a fact which, in the opinion of the counsel for the Remarketing Agent, is material or omits to state any fact which, in the opinion of such counsel, is material and is required to be stated therein, or is necessary to make the statements therein not misleading.

All opinions, letters, evidence, and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Remarketing Agent.

Section 6. Indemnification. (a) The Company shall indemnify and hold harmless the Remarketing Agent, its directors, officers and employees and each person, if any, who controls the Remarketing Agent within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of the Remarketed Securities), to which the Remarketing Agent, director, officer, employee or controlling person may become subject under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Interim Prospectus or the Final Prospectus or in any amendment or supplement thereto or the omission or alleged omission to state in the Registration Statement, any Interim Prospectus or the Final Prospectus, or in any amendment or supplement thereto, any

material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse the Remarketing Agent and each such director, officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by the Remarketing Agent, director, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Interim Prospectus or the Final Prospectus, or in any such amendment or supplement, in reliance upon and in conformity with written information concerning the Remarketing Agent furnished to the Company by or on behalf of the Remarketing Agent specifically for inclusion therein which information consists solely of the information specified in Section 6(e). The foregoing indemnity agreement is in addition to any liability which the Company may otherwise have to the Remarketing Agent or to any director, officer, employee or controlling person of the Remarketing Agent.

(b) The Remarketing Agent shall indemnify and hold harmless the Company, its officers and employees, each of its directors, and each person, if any, who controls the Company within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Interim Prospectus or the Final Prospectus or in any amendment or supplement thereto, or (ii) the omission or alleged omission to state in the Registration Statement, any Interim Prospectus or the Final Prospectus, or in any amendment or supplement thereto, any material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning the Remarketing Agent furnished to the Company through the Representative by or on behalf of the Remarketing Agent specifically for inclusion therein, which information is limited to the information set forth in Section 6(e), and shall reimburse the Company and any such director, officer or controlling person for any legal or other expenses reasonably incurred by the Company or any such director, officer or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which the Remarketing Agent may otherwise have to the Company or any such director, officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this

Section 6 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 6, notify the indemnifying party in writing of the claim or the commencement of

that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this

Section 6(a) or (b) except to the extent it has been materially prejudiced by such failure and, provided further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 6(a) or (b). If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party). After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 6 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 6 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 6(a) or 6(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, in such proportion as shall be appropriate to reflect the relative fault of the Company on the one hand and the Remarketing Agent on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Remarketing Agent, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Remarketing Agent agree that it would not be just and equitable if contributions pursuant to this Section were to be determined by pro rata or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section shall be deemed to include, for purposes of this Section 6(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding

the provisions of this Section 6(d), the Remarketing Agent shall not be required to contribute any amount in excess of the amount by which the total price at which the Remarketed Securities distributed to the public were offered to the public exceeds the amount of any damages which the Remarketing Agent has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) The Remarketing Agent confirms and the Company acknowledges that the statements with respect to the Remarketing of the Remarketed Securities by the Remarketing Agent to be set forth on the cover page of, and the concession and reallowance figures to appear under the caption "Underwriting" in, the Final Prospectus as of any Remarketing Settlement Date are correct and constitute the only information concerning the Remarketing Agent to have been furnished in writing to the Company by or on behalf of the Remarketing Agent specifically for inclusion in the Registration Statement and the Final Prospectus.

Section 7. Resignation and Removal of Remarketing Agent. The Remarketing Agent may resign and be discharged from its duties and obligations hereunder, and the Company may remove the Remarketing Agent, by giving 30 days' prior written notice, in the case of a resignation, to the Company and the Clearing Agency Participant, and, in the case of a removal, such removed Remarketing Agent and the Clearing Agency Participant; provided, however, that

(i) the Company may not remove the Remarketing Agent unless (A) the Remarketing Agent becomes involved as debtor in a bankruptcy, insolvency or similar proceeding, (B) the Remarketing Agent shall not be among the five underwriters with the largest volume underwritten in dollars, on a lead or co-managed basis, of U.S. domestic preferred securities during the twelve-month period ended as of the last calendar quarter preceding the Scheduled Remarketing Date, (C) the Remarketing Agent shall be subject to any restriction preventing the performance of its obligations hereunder or (D) the distribution rates provided by the Remarketing Agent in connection with remarketings of securities by it in the twelve month period ended as of the end of the last calendar quarter preceding a Remarketing Date shall not be among the lowest remarketing distribution rates provided by the top three underwriters during such 12 month period and (ii) no such resignation nor any such removal shall become effective until the Company shall have appointed at least one nationally recognized broker-dealer as successor Remarketing Agent and such successor Remarketing Agent shall have entered into a remarketing agreement with the Company in which it shall have agreed to conduct the Remarketing in accordance with the Remarketing Procedures. In such case, the Company will use its best efforts to appoint a successor Remarketing Agent and enter into such a remarketing agreement with such person as soon as reasonably practicable. The provisions of Sections 3 and 6 shall survive the resignation or removal of the Remarketing Agent pursuant to this Agreement.

Section 8. Dealing in the Remarketed Securities. The Remarketing Agent, when acting as a Remarketing Agent or in its individual or any other capacity, may, to the extent permitted by law, buy, sell, hold and deal in any Remarketed

Securities. Notwithstanding the foregoing, the Remarketing Agent is not obligated to purchase any Remarketed Securities that would otherwise remain unsold in a Remarketing. To the extent the Remarketing Agent holds Remarketed Securities, the Remarketing Agent may exercise any vote or join in any action which any beneficial owner of Remarketed Securities may be entitled to exercise or take pursuant to the Certificates of Designations, with like effect as if it did not act in any capacity hereunder. The Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or have an interest in any financial or other transaction with the Company as freely as if it did not act in any capacity hereunder.

Section 9. Remarketing Agent's Performance; Duty of Care. The duties and obligations of the Remarketing Agent shall be determined solely by the express provisions of this Agreement and the Certificates of Designations. No implied covenants or obligations of or against the Remarketing Agent shall be read into this Agreement or the Certificates of Designations, as applicable. In the absence of bad faith on the part of the Remarketing Agent, the Remarketing Agent may conclusively rely upon any document furnished to it, which purports to conform to the requirements of this Agreement or the Certificates of Designations as to the truth of the statements expressed in any of such documents. The Remarketing Agent shall be protected in acting upon any document or communication reasonably believed by it to have been signed, presented or made by the proper party or parties. The Remarketing Agent, acting under this Agreement, shall incur no liability to the Company or to any holder of Remarketed Securities in its individual capacity or as Remarketing Agent for any action or failure to act, on its part in connection with a Remarketing or otherwise, except if such liability is judicially determined to have resulted from gross negligence or willful misconduct on its part.

Section 10. Termination. This Agreement shall terminate as to the Remarketing Agent on the effective date of the resignation or removal of the Remarketing Agent pursuant to Section 7.

In addition, the obligations of the Remarketing Agent hereunder with respect to a specific Remarketing may be terminated by it by notice given to the Company prior to 10:00 A.M., New York City time, on the applicable Remarketing Date if, prior to that time, any of the events described in Sections 5(j), (k) or (l) herein shall have occurred or if the Remarketing Agent shall decline to perform its obligations under this Agreement for any reason permitted hereunder.

The Company may elect to terminate a specific Remarketing on any day prior to such Remarketing.

Section 11. Notices. All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Remarketing Agent, shall be delivered or sent by mail, telex or facsimile transmission to Lehman Brothers Inc., 745 7th Avenue, New York, New York 10019, Attention: Syndicate Department (Fax: (646) 758-2018), with a copy,

in the case of any notice pursuant to Section 6(c), to the Director of Litigation, Office of the General Counsel, Lehman Brothers Inc., 399 Park Avenue, 15th Floor, New York, NY 10022;

(b) if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the prospectus or any supplement thereto, Attention: General Counsel (Fax: 515-235-9852).

Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof.

Section 12. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the Remarketing Agent, the Company and their respective successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that (x) the representations, warranties, indemnities and agreements of the Company contained in this Agreement shall also be deemed to be for the benefit of the directors, officers and the person or persons, if any, who control the Remarketing Agent within the meaning of Section 15 of the Securities Act and (y) the representations, warranties, indemnity and agreement of the Remarketing Agent contained in Section 6(b) of this Agreement shall be deemed to be for the benefit of directors of the Company, officers of the Company who signed the Registration Statement as defined in Section 2(b)(II)(A) of this Agreement and any person controlling the Company within the meaning of Section 15 of the Securities Act. Nothing in this Agreement is intended or shall be construed to give any person, other than the persons referred to in this Section 12, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

Section 13. Survival. The respective indemnities, representations, warranties and agreements of the Company and the Remarketing Agent contained in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement shall survive the Remarketing and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

Section 14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

Section 15. Counterparts. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

Section 16. Headings. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing correctly sets forth the agreement between the Company and the Remarketing Agent, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

**PRINCIPAL FINANCIAL GROUP, INC.**

By:

Name:

Title:

By:

Name:

Title:

**Accepted:**

**LEHMAN BROTHERS INC.**

By:

Name:

Title:

**EXHIBIT A**

**FORM OF OPINION OF  
COMPANY COUNSEL TO BE DELIVERED  
PURSUANT TO SECTION 5(D)**

- (a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own its properties and conduct its business as described in the Final Prospectus;
- (b) The Company has an authorized capitalization as set forth in the Final Prospectus.
- (c) The Remarketed Securities have been duly and validly authorized, are fully paid and non-assessable and conform to the descriptions thereof contained in the Final Prospectus.
- (d) This Agreement and the Calculation Agent Agreement were duly and validly authorized, executed and delivered by the Company.
- (e) The Registration Statement was declared effective under the Securities Act as of the date and time specified in such opinion, the Final Prospectus was filed with the Commission pursuant to the subparagraph of Rule 424(b) of the Rules specified in such opinion on the date specified therein and to the knowledge of such counsel no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose is pending or threatened by the Commission.
- (f) The execution, delivery and performance of this Agreement by the Company and the consummation of the transactions contemplated hereby will not conflict with or result in a breach or violation of (A) any of the provisions of the certificate of incorporation or by-laws or similar organizational documents of the Company or any of its Significant Subsidiaries (B) any agreement or instrument listed as an exhibit to the Registration Statement, or (C) New York or Federal statute or the Delaware General Corporation Law or any rule or regulation of any New York or Federal governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their respective properties, in the case of clauses (B) and (C), the effect of which, individually or in the aggregate, would be to affect adversely the consummation of the transactions contemplated by this Agreement, or to have a Material Adverse Effect; and no notice, consent, approval, authorization, order registration or qualification of or with or to any court or governmental agency or body is required for the consummation of transactions contemplated hereby, except for the registration of the Remarketed Securities under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act and applicable state securities laws in connection with the purchase and distribution of the Remarketed Securities by the Remarketing Agent.



(g) The Registration Statement and the Final Prospectus and any further amendments or supplements thereto made by the Company prior to the Remarketing Settlement Date (except for the financial statements, the related notes and schedules therein, as to which such counsel need express no belief) appear on their face to be appropriately responsive in all material respects with the requirements of the Securities Act and the Rules.

(h) The statements contained in the Basic Prospectus under the caption "Description of Capital Stock of Principal Financial Group Inc.", in the Series A Final Prospectus under the caption "Description of the Shares", in the Series B Final Prospectus and under the caption "Description of the Shares", and in the Final Prospectus under the caption "Certain U.S. Federal Income Tax Consequences", insofar as they describe the terms of agreements, the Remarketed Securities or Federal statutes, rules and regulations, constitute a fair summary thereof.

(i) Neither the Company nor any of its subsidiaries is an "investment company" as defined in the Investment Company Act of 1940, as amended, it being understood that certain separate accounts of PLIC are registered as investment companies under the Investment Company Act in the ordinary course of PLIC's business.

In rendering such opinion, such counsel may state that their opinion is limited to matters governed by the Federal laws of the United States of America, the laws of the State of New York and the Delaware General Corporation Law.

Such counsel shall also state that in the course of its review and discussion of contents of the Registration Statement with certain officers and employees of the Company and representatives of the Company's independent accountants, but without independent check or verification, no facts have come to the attention of such counsel which cause them to believe that the Registration Statement (except for the financial statements, the related notes and schedules therein, as to which such counsel need express no belief) as of the date of the Final Prospectus, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that, as of the date of the Final Prospectus or as of the date of such opinion, the Final Prospectus (except for the financial statements, the related notes and schedules therein, as to which such counsel need express no belief) contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The foregoing opinion and statement may be qualified by a statement to the effect that such counsel does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Final Prospectus.

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\* To the extent no registration statement or prospectus is required under the Securities Act in connection with the Remarketing, the foregoing opinions shall be revised as appropriate to reflect such fact.

**EXHIBIT B**

**FORM OF OPINION OF  
GENERAL COUNSEL TO BE DELIVERED  
PURSUANT TO SECTION 5(E)**

- (a) Each of the Company and its Significant Subsidiaries has been duly incorporated and is validly existing as a corporation, partnership or limited partnership, as applicable, and is in good standing under the laws of its jurisdiction, with corporate power and authority to own its properties and conduct its business as described in the Final Prospectus; the Company is duly qualified to do business as a foreign corporation and is in good standing under the laws of each other jurisdiction in which its ownership or lease of property or the conduct of its business requires such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified and in good standing in any such jurisdiction; and each subsidiary of the Company is duly qualified to do business as a foreign corporation, partnership or limited partnership, as applicable, and is in good standing under the laws of each other jurisdiction in which its ownership or lease of property or the conduct of its business requires such qualification and good standing, except where the failure to be so qualified would not have a Material Adverse Effect.
- (b) The Company has an authorized capitalization as set forth in the Final Prospectus. All of the issued shares of capital stock of the Company conform to the description thereof contained in the Final Prospectus. All of the outstanding shares of capital stock of each Significant Subsidiary of the Company have been duly authorized and validly issued and are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims.
- (c) The Remarketed Securities have been duly and validly authorized, are fully paid and non-assessable and conform to the descriptions thereof contained in the Final Prospectus.
- (d) This Agreement and the Calculation Agent Agreement have been duly authorized, executed and delivered by the Company.
- (e) The Registration Statement was declared effective under the Securities Act as of the date and time specified in such opinion, the Final Prospectus was filed with the Commission pursuant to the subparagraph of Rule 424(b) of the Rules specified in such opinion on the date specified therein and to the knowledge of such counsel no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose is pending or threatened by the Commission.
- (f) The execution, delivery and performance of this Agreement by the Company and the consummation of the transactions contemplated hereby will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or its subsidiaries is a party or by which

the Company or its subsidiaries is bound or to which any of the property or assets of the Company or its subsidiaries is subject or give the holder of any of the notes, debentures, or other evidence of indebtedness of the Company or its subsidiaries the right to require repurchase, redemption or repayment of all or a portion of such indebtedness by any of the Company or its subsidiaries, or result in the creation or imposition of any lien, charge or encumbrance upon any of the assets, properties or operations of any of the Company or its subsidiaries, nor will such actions result in any violation of the provisions of the certificate of incorporation or by-laws or similar organizational documents of the Company or its subsidiaries, or any statute or any order, rule or regulation of any court or insurance or other regulatory agency or governmental agency or body having jurisdiction over the Company or its subsidiaries or any of their respective properties or assets, in each case the effect of which (other than any violation of the provisions of the certificate of incorporation or by-laws or similar organizational documents of the Company or any of its subsidiaries), individually or in the aggregate, would be to affect adversely the consummation of transaction contemplated hereby, or to have a Material Adverse Effect; and no notice, consent, approval, authorization, order registration or qualification of or with or to any court or governmental agency or body is required for the consummation of transactions contemplated hereby, except for the registration of the Remarketed Securities under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act and applicable state securities laws in connection with the purchase and distribution of the Remarketed Securities by the Remarketing Agent.

(g) To the best of such counsel's knowledge, there are no contracts or other documents which are required to be described in the Final Prospectus or filed as exhibits to the Registration Statement by the Securities Act or by the Rules which have not been described or filed as exhibits to the Registration Statement.

(h) Each of the Company and its subsidiaries that are required to be organized and licensed or registered as an insurance or an insurance holding company (collectively, the "Insurance Entities") is duly organized and licensed or registered as an insurance or insurance holding company, as the case may be, in its jurisdiction of incorporation, and, in the case of an insurance company, is duly licensed or authorized in each other jurisdiction where it is required to be so licensed or authorized to conduct its business and all such licenses or authorizations are in full force and effect. Except as otherwise described in the Final Prospectus, each of the Insurance Entities has all approvals, orders, consents, authorizations, licenses, certificates, permits, registrations and qualifications (collectively, the "Approvals") of and from all insurance and regulatory authorities, as the case may be, to conduct its business, with such exceptions as would not have, individually or in the aggregate, a Material Adverse Effect, and all such Approvals are in full force and effect except where the failure of such Approvals to be in full force and effect would not have, individually or in the aggregate, a Material Adverse Effect. There is no pending or, to the knowledge of such counsel after due inquiry, threatened action, suit, proceeding or investigation that could reasonably be expected to lead to the revocation, termination, suspension or limitation of any such Approval or otherwise impose any limitation on the conduct of business of any Insurance Entity, the revocation, termination or suspension of which would have, individually or in

the aggregate, a Material Adverse Effect, and, to the knowledge of such counsel after due inquiry, no insurance or regulatory agency or body has issued any order or decree impairing, restricting or prohibiting the payment of dividends by any Insurance Entity. Except as otherwise described in the Final Prospectus, none of the Insurance Entities has received any notification from any applicable regulatory authority to the effect that any additional Approvals from such regulatory authority are needed to be obtained by such Insurance Entity in any case where it could be reasonably expected that (i) any of the Insurance Entities would in fact be required either to obtain any such additional Approvals or cease or otherwise limit engaging in certain business and (ii) the failure to have such Approvals or limiting such business would have, individually or in the aggregate, a Material Adverse Effect. Each of the Company and its Insurance Entities is in compliance with all applicable insurance laws, rules, regulations, orders, bylaws and similar requirements which are applicable to it, and has filed all notices, reports, documents or other information required to be filed thereunder, in each case with such exceptions as would not have, individually or in the aggregate, a Material Adverse Effect.

(i) Each of the Company and its bank subsidiaries, broker-dealer subsidiaries and investment advisor subsidiaries (respectively, a "Bank Subsidiary", a "Broker-Dealer Subsidiary" and "Investment Advisor Subsidiary") is duly licensed or registered as a bank, broker-dealer or investment advisor, as the case may be, in each jurisdiction where it is required to be so licensed or registered to conduct its business. Each Bank Subsidiary, Broker-Dealer Subsidiary and Investment Advisor Subsidiary has all other necessary Approvals of and from all applicable regulatory authorities, including any self-regulatory organization, to conduct its businesses, in each case with such exceptions as would not have, individually or in the aggregate, a Material Adverse Effect. There is no pending or, to the knowledge of such counsel after due inquiry, threatened action, suit, proceeding or investigation that could reasonably be expected to lead to the revocation, termination, suspension or limitation of any such Approval or otherwise impose any limitation on the conduct of business of any Bank Subsidiary, Broker-Dealer Subsidiary or Investment Advisor Subsidiary, the revocation, termination or suspension of which would have, individually or in the aggregate, a Material Adverse Effect. Except as otherwise described in the Final Prospectus, none of the Bank Subsidiaries, Broker-Dealer Subsidiaries or Investment Advisor Subsidiaries has received any notification from any applicable regulatory authority to the effect that any additional Approvals from such regulatory authority are needed to be obtained by such Bank Subsidiary, Broker-Dealer Subsidiary or Investment Advisor Subsidiary in any case where it could be reasonably expected that (i) any of the Bank Subsidiaries, Broker-Dealer Subsidiaries or Investment Advisor Subsidiaries would in fact be required either to obtain any such additional Approvals or cease or otherwise limit engaging in certain business and (ii) the failure to have such Approvals or limiting such business would have, individually or in the aggregate, a Material Adverse Effect; and each Bank Subsidiary, Broker-Dealer Subsidiary and Investment Advisor Subsidiary is in compliance with the requirements of the banking, broker-dealer and investment advisor laws and regulations of each jurisdiction which are applicable to such subsidiary, and has filed all notices, reports, documents or other information required to be filed thereunder, in each case with such exceptions as would not have, individually or in the aggregate, a Material Adverse Effect.

In rendering such opinion, such counsel may state that her opinion is limited to matters governed by the Federal laws of the United States of America, the laws of the State of Iowa and the Delaware General Corporation Law.

Such counsel shall also state that in the course of review and discussion of the contents of the Registration Statement by her or by lawyers in the Company's law department under her supervision, but without independent check or verification, no facts have come to her attention which lead her to believe that the Registration Statement (except for the financial statements, the related notes and schedules therein, as to which such counsel need express no belief) as of the date of the Final Prospectus, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that, as of the date of the Final Prospectus or as of the date of such opinion, the Final Prospectus (except for the financial statements, the related notes and schedules therein, as to which such counsel need express no belief) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The foregoing opinion and statement may be qualified by a statement to the effect that she does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Final Prospectus.

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\* To the extent no registration statement or prospectus is required under the Securities Act in connection with the Remarketing, the foregoing opinions shall be revised as appropriate to reflect such fact.

**EXHIBIT C**

**FORM OF OPINION OF  
COUNSEL TO THE REMARKETING AGENT  
TO BE DELIVERED  
PURSUANT TO SECTION 5(F)**

- (a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware.
- (b) Each of this Agreement and the Calculation Agent Agreement was duly and validly authorized executed and delivered by the Company.
- (c) The Remarketed Securities conform in all material respects to the descriptions thereof in any applicable registration statement and any applicable prospectus under the caption "Description of Preferred Securities" and under the captions "Description of Series [A] [B] Preferred Stock".
- (d) Upon payment for the security entitlement in respect of the Remarketed Securities at such Remarketing Settlement Date by the purchasers thereof as provided in this Agreement and the crediting of such Remarketed Securities on the records of DTC to a security account or security accounts in the name of such purchasers or in the name of such purchasers' DTC participants (assuming that such purchaser or its DTC participant does not have notice of any adverse claim (as such phrase is defined in Section 8-105 of the Uniform Commercial Code as in effect in the State of New York, or any successor provision (the "Code")) to such Remarketed Securities), (A) under Section 8-501 of the Code, such purchaser or its DTC participant will acquire a security entitlement in respect of such Remarketed Securities and (B) no action based on any "adverse claim" (as defined in Section 8-102 of the Code) to such Remarketed Securities may be asserted against such purchaser or its DTC participant; it being understood that for purposes of this opinion, such counsel may assume that when such payment and crediting occur, (x) such Remarketed Securities will have been registered in the name of Cede & Co., or such other nominee as may be designated by the Depository Trust Company ("DTC"), in each case on the Company's share registry in accordance with its certificate of incorporation, bylaws and applicable law, (y) DTC will be registered as a "clearing corporation" within the meaning of Section 8-102 of the Code and (z) appropriate entries to the securities account or accounts in the name of such purchaser or its DTC participant on the records of DTC will have been made pursuant to the Code.

In rendering such opinion, such counsel may state that their opinion is limited to matters governed by the Federal laws of the United States of America, the laws of the State of New York and the General Corporation Law of the State of Delaware. Such opinion shall also be to the effect that (x) such counsel has acted as counsel to the Company in connection with the preparation of the Registration Statement and (y) based on the foregoing but without independent check or verification, no facts have come to the attention of such counsel which cause them to believe that the Registration Statement (except for the financial statements, the related notes and schedules therein, as to which

such counsel need express no belief) as of the date of the Final Prospectus, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Prospectus (except as stated above) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The foregoing opinion and statement may be qualified by a statement to the effect that such counsel does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Final Prospectus (other than as set forth in clause (x) above).

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\* To the extent no registration statement or prospectus is required under the Securities Act in connection with the Remarketing, the foregoing opinions shall be revised as appropriate to reflect such fact.

## Exhibit 99.2

### PRINCIPAL FINANCIAL GROUP, INC.

#### Series A Non-Cumulative Perpetual Preferred Stock

(Ten-Year Initial Fixed Rate Period)

(Liquidation Preference Equivalent to \$100 Per Share of Series A Preferred Stock)

#### Series B Non-Cumulative Perpetual Preferred Stock

(Thirty-Year Initial Fixed Rate Period)

(Liquidation Preference Equivalent to \$25 Per Share of Series A Preferred Stock)

### CALCULATION AGENT AGREEMENT

THIS AGREEMENT dated as of June 17, 2005, among Principal Financial Group, Inc. (hereinafter called the "Company"), a Delaware corporation having its principal office at 711 High Street, Des Moines, Iowa 50392, and Computershare Trust Company, Inc. a Colorado corporation (hereinafter sometimes called the "Calculation Agent," which term shall, unless the context shall otherwise require, include its successors and assigns), having its principal corporate trust office at 350 Indiana Street, Suite 800, Golden, Colorado 80401.

#### Recitals of the Company

The Company is issuing on the date hereof (i) 3,000,000 shares of preferred stock, each representing a share of the Series A Non-Cumulative Perpetual Preferred Stock (Ten-Year Initial Fixed Rate Period) (the "Series A Preferred Stock") having a liquidation preference equivalent to \$100 per share, and (ii) 10,000,000 shares of preferred stock, each representing a share of the Series B Non-Cumulative Perpetual Preferred Stock (Thirty-Year Initial Fixed Rate Period) (the "Series B Preferred Stock", and together with the Series A Preferred Stock, the "Preferred Stock") having a liquidation preference equivalent to \$25 per share. The Series A Preferred Stock was issued by the Company pursuant to the terms of the certificate of designations dated as of June 16, 2005 (the "Series A Certificate of Designations") and the Series B Preferred Stock was issued by the Company pursuant to the terms of the certificate of designations dated as of June 16, 2005 (the "Series B Certificate of Designations", and together with the Series A Certificate of Designations, the "Certificates"). Capitalized terms used in this Agreement and not otherwise defined herein are used as defined in the Certificates, as applicable.

The Initial Dividend Rates on the Series A Preferred Stock and the Series B Preferred Stock will be 5.563 % per annum from June 17, 2005 until the Dividend Payment Date in June 2015 and 6.518% per annum from June 17, 2005 until the Dividend Payment Date in June 2035, respectively (each, an "Initial Fixed Rate Period"). Thereafter, the Dividend Rates for the Preferred Stock may be at Fixed Rates determined through Remarketing of the Preferred Stock for specific periods of varying lengths not less than six months or may be at Floating Rates reset quarterly equal to the Adjustable Rate (as defined below) plus (i) 1.45%, in the case of the Series A Preferred Stock and (ii) 2.10%, in the case of the Series B Preferred Stock. The Company



desires to engage the Calculation Agent to perform certain services in connection with the Preferred Stock while the Preferred Stock bears interest at Floating Rates.

**NOW IT IS HEREBY, AGREED THAT:**

1. The Company hereby appoints Computershare Trust Company, Inc. at its corporate trust office in The City of New York, as Calculation Agent (in such capacity, the "Calculation Agent") for the Preferred Stock, upon the terms and subject to the conditions herein mentioned, and Computershare Trust Company, Inc. hereby accepts such appointment. The Calculation Agent shall act as an agent of the Company for the purpose of determining the Floating Rates on the Preferred Stock.
2. The Company has delivered to the Calculation Agent (i) a copy of the form of the global stock certificate representing the Series A Preferred Stock and a copy of the Series A Certificate of Designations, including copies of all terms and conditions relating to the determination of the Floating Rates thereunder and (ii) a copy of the form of the global stock certificate representing the Series B Preferred Stock and a copy of the Series B Certificate of Designations, including copies of all terms and conditions relating to the determination of the Floating Rates thereunder. The Calculation Agent hereby acknowledges its receipt of and acceptance of (i) the form of the Series A Preferred Stock and of the Series A Certificate of Designations, to the extent relating to the determination of the Floating Rates on the Series A Preferred Stock and (ii) the form of the Series B Preferred Stock and of the Series B Certificate of Designations, to the extent relating to the determination of the Floating Rates on the Series B Preferred Stock. The Company agrees to give the Calculation Agent written notice of the commencement of a Floating Rate Period immediately after the Company has determined that, or is aware that, such Floating Rate Period is to commence with respect to either the Series A Preferred Stock or the Series B Preferred Stock. The Calculation Agent shall have no liability for any failure to determine a Floating Rate on a timely basis if such written notice is given to it on or after the Floating Rate Determination Date preceding the commencement of the first Dividend Period in a new Floating Rate Period. The Company agrees to give the Calculation Agent prompt written notice of the termination of a Floating Rate Period.
3. The Company hereby notifies the Calculation Agent that the Preferred Stock are being issued on the date hereof and acknowledges that it has delivered to the Calculation Agent the information, if any, required to be provided by the Company for the calculation of the Floating Rate thereunder. The Calculation Agent shall calculate the Floating Rate as follows:

Except as provided below, the Floating Rate for any Floating Rate Period for the Preferred Stock will be equal to the Adjustable Rate plus (i) 1.45%, in the case of the Series A Preferred Stock and (ii) 2.10%, in the case of the Series B Preferred Stock. The "Adjustable Rate" for any Dividend Period will be equal to the highest of the 3-month LIBOR Rate, the 10-year Treasury CMT and the 30-year Treasury CMT (each as defined below and collectively referred to as the "Benchmark Rates") for such Dividend Period during the Floating Rate Period. In the event that the Calculation Agent determines in good faith that for any reason:

(1) any one of the Benchmark Rates cannot be determined for any Dividend Period, the Adjustable Rate for such Dividend Period will be equal to the higher of whichever two of such rates can be so determined;

(2) only one of the Benchmark Rates can be determined for any Dividend Period, the Adjustable Rate for such Dividend Period will be equal to whichever such rate can be so determined; or

(3) none of the Benchmark Rates can be determined for any Dividend Period, the Adjustable Rate for the preceding Dividend Period will be continued for such Dividend Period, provided that if such preceding Dividend Period was a Fixed Rate Period, the Fixed Rate for the preceding Dividend Period will be continued for such Dividend Period.

The "3-month LIBOR Rate" means, with respect to any Dividend Period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a 3-month period commencing on the first day of that Dividend Period that appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the Dividend Determination Date for that Dividend Period. If such rate does not appear on Telerate Page 3750, 3-month LIBOR Rate will be determined on the basis of the rates at which deposits in U.S. dollars for a 3-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Calculation Agent, at approximately 11:00 a.m., London time on the Dividend Determination Date for that Dividend Period. The Calculation Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, 3-month LIBOR Rate with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest 0.00001 of 1%) of such quotations. If fewer than two quotations are provided, 3-month LIBOR Rate with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest 0.00001 of 1%) of the rates quoted by three major banks in New York City selected by the Calculation Agent, at approximately 11:00 a.m., New York City time, on the first day of that Dividend Period for loans in U.S. dollars to leading European banks for a 3-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000. However, if the banks selected by the Calculation Agent to provide quotations are not quoting as described above, 3-month LIBOR Rate for that Dividend Period will be the same as 3-month LIBOR Rate as determined for the previous Dividend Period. The establishment of 3-month LIBOR Rate for each Dividend Period by the Calculation Agent shall (in the absence of manifest error) be final and binding.

"The 10-year Treasury CMT" means the rate determined in accordance with the following provisions:

(1) With respect to any Dividend Determination Date and the Dividend Period that begins immediately thereafter, the 10-Year

Treasury CMT means the rate per annum for deposits for a 10-year period commencing on the Dividend Determination Date displayed on the Bloomberg interest rate page most nearly corresponding to Telerate Page 7051 containing the caption "...Treasury Constant Maturities... Federal Reserve Board Release H.15...Mondays Approximately 3:45 P.M.," and the column for the Designated CMT Maturity Index.

(2) If such rate is no longer displayed on the relevant page, or is not so displayed by 3:00 P.M., New York City time, on the applicable Dividend Determination Date, then the 10-year Treasury CMT for such Dividend Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index as is published in H.15(519).

(3) If such rate is no longer displayed on the relevant page, or if not published by 3:00 P.M., New York City time, on the applicable Dividend Determination Date, then the 10-year Treasury CMT for such Dividend Determination Date will be such constant maturity treasury rate for the Designated CMT Maturity Index (or other United States Treasury rate for the Designated CMT Maturity Index) for the applicable Dividend Determination Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate formerly displayed on the Bloomberg interest rate page most nearly corresponding to Telerate Page 7051 and published in H.15(519).

(4) If such information is not provided by 3:00 P.M., New York City time, on the applicable Dividend Determination Date, then the 10-year Treasury CMT for such Dividend Determination Date will be calculated by the Calculation Agent and will be a yield to maturity, based on the arithmetic mean of the secondary market offered rates as of approximately 3:30 P.M., New York City time, on such Dividend Determination Date reported, according to their written records, by three leading primary United States government securities dealers in The City of New York (each, a "Reference Dealer") selected by the Calculation Agent (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for the most recently issued direct noncallable fixed rate obligations of the United States ("Treasury

Debentures") with an original maturity of approximately the Designated CMT Maturity Index and a remaining term to maturity of not less than such Designated CMT Maturity Index minus one year.

(5) If the Calculation Agent is unable to obtain three such Treasury Debentures quotations, the 10-year Treasury CMT for the applicable Dividend Determination Date will be calculated by the Calculation Agent and will be a yield to maturity based on the arithmetic mean of the secondary market offered rates as of approximately 3:30 P.M., New York City time, on the applicable Dividend Determination Date of three Reference Dealers in The City of New York (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for Treasury Debentures with an original maturity of the number of years that is the next highest to the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in an amount of at least \$100 million.

(6) If three or four (and not five) of such Reference Dealers are quoting as set forth above, then the 10-year Treasury CMT will be based on the arithmetic mean of the offered rates obtained and neither the highest nor lowest of such quotes will be eliminated; provided, however, that if fewer than three Reference Dealers selected by the Calculation Agent are quoting as set forth above, the 10-year Treasury CMT with respect to the applicable Dividend Determination Date will remain the 10-year Treasury CMT for the immediately preceding Dividend Period. If two Treasury Debentures with an original maturity as described in the second preceding sentence have remaining terms to maturity equally close to the Designated CMT Maturity Index, then the quotes for the Treasury Debentures with the shorter remaining term to maturity will be used.

The "30-year Treasury CMT" has the meaning specified under the definition of 10-year Treasury CMT, except that (i) each reference to "10-year" in the definition of the "10-year Treasury CMT" will be "30-year" for the purposes of the "30-year Treasury CMT" and (ii) the Designated CMT Maturity Index for the 30-year Treasury CMT shall be 30 years.

Each of the 10-year Treasury CMT and the 30-year Treasury CMT shall each be rounded to the nearest hundredth (0.01) of one percent per annum and the 3-month LIBOR Rate shall be rounded to the nearest one-hundred-thousandth (0.00001) of one percent per annum.

The Floating Rate with respect to each Dividend Period that occurs within a Floating Rate Period will be calculated as promptly as practicable by the Calculation Agent according to the appropriate method described above.

"Bloomberg" means Bloomberg Financial Markets Commodities News.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in the City of New York are not authorized or obligated by law, regulation or executive order to close.

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities with respect to which the 10-year Treasury CMT or the 30-year Treasury CMT, as applicable, will be calculated (which are ten years and thirty years, respectively).

"Dividend Determination Date" means the second London Banking Day immediately preceding the first day of the relevant Dividend Period in the Floating Rate Period.

"London Banking Day" means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London.

"Telerate Page 3750" means the display page so designated on the Moneyline/Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to London Interbank Offered Rate for U.S. dollar deposits).

"Telerate Page 7051" means the display page so designated on the MoneyLine/Telerate Service (or any successor service), on such page (or any other page as may replace such page on that service), for the purpose of displaying Treasury Constant Maturities as reported in H.15(519).

4. Promptly following the determination of each change to the Floating Rate applicable to the Series A Preferred Stock or the Series B Preferred Stock, as applicable, the Calculation Agent will cause to be forwarded to the Company information regarding such Floating Rate.

5. The Calculation Agent shall be entitled to such compensation for its services under this Agreement as the Calculation Agent and the Company may agree, and the Company shall pay such compensation and shall reimburse the Calculation Agent for all reasonable expenses, including fees and expenses of its counsel, disbursements and advances incurred or made by the Calculation Agent in connection with the services rendered by it under this Agreement, upon receipt of such invoices as the Company shall reasonably require.

6. Notwithstanding any redemption of the Series A Preferred Stock or the Series B Preferred Stock, as applicable, the Company will indemnify the Calculation Agent and its nominees against any losses, liabilities, costs, claims, actions or demands which it may incur or

sustain or which may be made against it in connection with its appointment or the exercise of its powers and duties hereunder as well as the reasonable costs, including the reasonable expenses and fees of counsel, in defending any claim, action or demand, except such as may result from the negligence, willful misconduct or bad faith of the Calculation Agent or any of its employees. Except as provided in the preceding sentence, the Calculation Agent shall incur no liability and shall be indemnified and held harmless by the Company for, or in respect of, any actions taken or suffered to be taken in good faith by the Calculation Agent or its nominees in reliance upon (i) the written opinion or advice of counsel or (ii) written instructions from the Company.

7. The Calculation Agent accepts its obligations herein set forth upon the terms and conditions hereof, including the following, to all of which the Company agrees:

- (i) in acting under this Agreement and in connection with the Preferred Stock, the Calculation Agent, acting as agent for the Company, does not assume any obligation towards, or any relationship of agency or trust for or with, any of the purchasers of the Preferred Stock;
- (ii) unless herein otherwise specifically provided, any order, certificate, notice, request or communication from the Company made or given under any provision of this Agreement shall be sufficient if signed by any person whom the Calculation Agent reasonably believes to be a duly authorized officer or attorney-in-fact of the Company;
- (iii) the Calculation Agent shall be obligated to perform only such duties as are set forth specifically herein, and no other duties or obligations on the part of the Calculation Agent, in its capacity as such, shall be implied by this Agreement;
- (iv) the Calculation Agent shall be protected and shall incur no liability for or in respect of any action taken or omitted to be taken or anything suffered by it or its nominees in reliance upon anything contained in the Preferred Stock, the Certificates or any information supplied to it in writing by the Company pursuant to this Agreement, including the information supplied pursuant to paragraph 3 above;
- (v) the Calculation Agent, whether acting for itself or in any other capacity, may become the owner or pledgee of the Preferred Stock with the same rights as it would have had if it were not acting hereunder as Calculation Agent;
- (vi) the Calculation Agent or its nominees shall incur no liability hereunder except for loss sustained by reason of its negligence, willful misconduct or bad faith;
- (vii) The Calculation Agent shall have the right, but not the obligation, to consult with counsel of its choice and shall not be liable for action taken or

omitted to be taken in accordance with the advice of such counsel, which may be in-house counsel;

(viii) The Calculation Agent shall have the right to perform any of its duties hereunder through agents, attorneys, custodians or nominees; and

(ix) in no event shall the Calculation Agent or its nominees be liable for special, punitive, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits) even if the Calculation Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

8.

(a) The Calculation Agent or its nominees shall not be responsible to the Company or any third party for any failure of any bank or financial institution selected by the Calculation Agent (after consultation with the Company) for the purpose of quoting rates in accordance with the terms of the Preferred Stock and the Certificates to fulfill their duties or meet their obligations to provide such rates or as a result of the Calculation Agent having acted (except in the event of negligence, willful misconduct or bad faith) on any quotation or other information given by any such bank or financial institution which subsequently may be found to be incorrect.

(b) Except as provided below, the Calculation Agent may at any time resign as Calculation Agent by giving written notice to the Company of such intention on its part, specifying the date on which its desired resignation shall become effective, provided that such notice shall be given not less than 60 days prior to the said effective date unless the Company otherwise agrees in writing. Except as provided below, the Calculation Agent may be removed by the filing with it of an instrument in writing signed by the Company specifying such removal and the date when it shall become effective (such effective date being at least 20 days after said filing). Any such resignation or removal shall take effect upon:

(i) the appointment by the Company as hereinafter provided of a successor Calculation Agent; and

(ii) the acceptance of such appointment by such successor Calculation Agent;

provided, however, that in the event the Calculation Agent has given not less than 60 days' prior notice of its desired resignation, and during such 60 days there has not been acceptance by a successor Calculation Agent of its appointment as successor Calculation Agent, the Calculation Agent so resigning may petition any court of competent jurisdiction for the appointment of a successor Calculation Agent. The Company covenants that it shall appoint a successor Calculation Agent as soon as practicable after receipt of any notice of resignation hereunder. Upon its resignation or removal becoming effective, the retiring Calculation Agent shall be

entitled to the payment of its compensation and the reimbursement of all reasonable expenses, (including reasonable counsel fees) incurred by such retiring Calculation Agent pursuant to paragraph 5 hereof to the date such resignation or removal becomes effective.

(c) If at any time the Calculation Agent (i) shall resign or be removed, or (ii) shall become incapable of acting or shall be adjudged bankrupt or insolvent, or liquidated or dissolved, or an order is made or an effective resolution is passed to wind up the Calculation Agent, or if the Calculation Agent shall file a voluntary petition in bankruptcy or make an assignment for the benefit of its creditors, or shall consent to the appointment of a receiver, administrator or other similar official of all or any substantial part of its property, or shall admit in writing its inability to pay or meet its debts as they mature, or if a receiver, administrator or other similar official of the Calculation Agent or of all or any substantial part of its property shall be appointed, or if any order of any court shall be entered approving any petition filed by or against the Calculation Agent under the provisions of any applicable bankruptcy or insolvency law, or if any public officer shall take charge or control of the Calculation Agent or its property or affairs for the purpose of rehabilitation, conservation or liquidation (the Calculation Agent hereby agreeing to give the Company prompt notice of any of the foregoing events referred to in this clause (ii)), then a successor Calculation Agent shall be appointed by the Company by an instrument in writing filed with the successor Calculation Agent. Upon the appointment as aforesaid of a successor Calculation Agent and acceptance by the latter of such appointment, the former Calculation Agent shall cease to be Calculation Agent hereunder.

(d) Any successor Calculation Agent appointed hereunder shall execute and deliver to its predecessor and the Company an instrument accepting such appointment hereunder, and thereupon such successor Calculation Agent, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, immunities, duties and obligations of such predecessor with like effect as if originally named as the Calculation Agent hereunder, and such predecessor, upon payment of its compensation, charges and disbursements then unpaid, shall thereupon become obliged to transfer and deliver, and such successor Calculation Agent shall be entitled to receive, copies of any relevant records maintained by such predecessor Calculation Agent.

(e) Any corporation into which the Calculation Agent may be merged or converted or any corporation with which the Calculation Agent may be consolidated or any corporation resulting from any merger, conversion or consolidation to which the Calculation Agent shall be a party or any corporation to which the Calculation Agent may otherwise transfer all or substantially all of its corporate trust business shall, to the extent permitted by applicable law, be the successor Calculation Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto. Prompt notice of any such merger, conversion, consolidation or transfer shall forthwith be given to the Company.

(f) The provisions of paragraphs 5 and 6 hereof shall survive any resignation or removal hereunder.



(g) The Calculation Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement or arising out of or caused directly or indirectly, by circumstances beyond its reasonable control, including acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; epidemics; riot; interruptions, loss or malfunctions of utilities, or communications service; accidents; labor disputes; acts of civil or military authorities or governmental actions; it being understood that the Calculation Agent shall use its best efforts to resume performance as soon as practicable under the circumstances.

9. Any notice or other communication required to be given hereunder shall be delivered in person against written receipt, sent by letter or telex or telecopy or communicated by telephone (subject, in the case of communication by telephone, to confirmation dispatched within two business days by letter, telex or telecopy), in the case of the Company, to it at the address of the Company set forth in the heading of this Agreement, Attention: Corp. Trust Admin.; in the case of the Calculation Agent, to it at the address set forth below; or, in any case, to any other address of which the party receiving notice shall have notified the party giving such notice in writing.

Calculation Agent:                      Computershare Trust Company, Inc.  
  
  c/o Computershare Trust Company, Inc.  
  350 Indiana Street, Suite 800  
  Golden, Colorado 80401  
  
  Attn: Corp Trust. Admin.

10. This Agreement may be amended only by a writing duly executed and delivered by each of the parties signing below.

11. The provisions of this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

12. This Agreement may be executed in counterparts and the executed counterparts shall together constitute a single instrument.

13. Except as provided herein, this Agreement is solely for the benefit of the parties hereto and their successors and assigns and no other person shall acquire or have any rights under or by virtue hereof (whether or not the Series A Preferred Stock or the Series B Preferred Stock are issued).

14. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the day and year first above written.

**PRINCIPAL FINANCIAL GROUP, INC.**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**COMPUTERSHARE TRUST COMPANY, INC.**

By: \_\_\_\_\_ Name:  
Title:

By: \_\_\_\_\_ Name:  
Title: