

INDIVIDUAL RETIREMENT ACCOUNT

CUSTODY AGREEMENT & ACCOUNT DISCLOSURE STATEMENT PRINCIPAL FUNDS

CLASS A, B & C SHARES



**Principal Life Insurance Company
Master Individual Retirement Account
Custody Agreement**

This is the Principal Life Insurance Company's Master Individual Retirement Account Custody Agreement for use by Individuals who desire to establish a Traditional Individual Retirement Account (Traditional IRA), as described in Section 408(a) of the Code or a Roth Individual Retirement Account (Roth IRA) as described in Section 408A of the Code. Traditional IRAs include Spousal IRAs, Simplified Employee Pension (SEP) IRAs and Rollover IRAs. Principal Life Insurance Company (f/k/a Principal Mutual Life Insurance Company) hereby agrees to act as Custodian of any Traditional IRA or Roth IRA established under this Agreement subject to the following terms and conditions:

ARTICLE I - Limitations on Contributions

Only cash contributions will be accepted.

In addition to the initial contribution made at the time the Account is established, the Custodian may accept additional cash contributions from, or on behalf of, the Individual for a taxable year of the Individual except as limited below.

A. Traditional IRA

- (1) Contributions to a Traditional IRA shall not exceed the lesser of \$5,000 or 100% of Compensation for tax years 2008 and years after, except in the case of a rollover contribution as that term is described in Code Sections 402(c), 402(e)(6), 403(a)(4), 403(b)(8), 403(b)(10), 408(d)(3), or 457(e)(16), an employer contribution to a Simplified Employee Pension as defined in Section 408(k), or any other contribution as permitted by the Code. Contributions shall not exceed \$5,000 for the taxable years beginning in 2008 and years thereafter. After 2008, the limit will be adjusted by the Secretary of the Treasury for cost of living increases under Code Section 219(b)(5)(C). Such adjustments will be in multiples of \$500.
- (2) In the case of an Individual who is age 50 or older, the annual cash contribution limit is increased by \$1,000 for any taxable year beginning in 2006 and years thereafter.
- (3) In addition to the amounts described in paragraphs (1) and (2) above, an Individual may make additional contributions specifically authorized by statute - such as repayments of qualified reservist distributions, repayments of certain plan distributions made on account of a federally declared disaster and certain amounts received in connection with the Exxon Valdez litigation.
- (4) In addition to the amounts described in paragraphs (1) and (3) above, an Individual who was in a Section 401(k) plan of a certain employer in bankruptcy described in Code Section 219(b)(5)(C) may contribute up to \$3,000 for taxable years beginning after 2006 and before 2010 only. An Individual who makes contributions under this paragraph (4) may not also make contributions under paragraph (2).
- (5) No contributions will be accepted under a SIMPLE IRA plan established by any employer pursuant to Code Section 408(p). Also, no transfer or rollover of

funds attributable to contributions made by a particular employer under its SIMPLE IRA will be accepted from a SIMPLE IRA, that is, an IRA used in conjunction with a SIMPLE IRA plan, prior to the expiration of the 2-year period beginning on the date the Individual first participated in that employer's SIMPLE IRA plan.

- (6) If this is an inherited IRA within the meaning of Code Section 408(d)(3)(c), no contributions will be accepted.

B. Roth IRA

- (1) **Maximum Permissible Amount.** Except in the case of a qualified rollover contribution as defined in paragraph (7) below or a recharacterization as defined in paragraph (6) below, no contribution will be accepted unless it is a cash contribution and the total of such contributions to all the Individual's Roth IRAs for a taxable year does not exceed the applicable amount (as defined in (2) below), or the Individual's compensation (as defined in Article IX), if less, for that taxable year. The contribution described in the previous sentence that may not exceed the lesser of the applicable amount or the Individual's compensation is referred to as a "regular contribution". However, notwithstanding the preceding limits on contributions, an Individual may make additional contributions specifically authorized by statute - such as repayments of qualified reservist distributions, repayments of certain plan distributions made on account of a federally declared disaster and certain amounts received in connection with Exxon Valdez litigation. Contributions may be limited under (3) through (5) below.
- (2) **Applicable Amount.** The applicable amount is determined as follows:
 - (a) Contributions to a Roth IRA shall not exceed the lesser of \$5,000 or 100% of Compensation for tax years 2008 and years after, unless the contribution is a rollover contribution described in Section 408(d)(3) of the Code. A qualified rollover contribution is a rollover contribution that meets the requirements of Code Section 408(d)(3), except the one-rollover-per-year rule of Code Section 408(d)(3)(B) does not apply if the rollover is from an IRA other than a Roth IRA. Contributions to a Traditional IRA (except for a SEP or a Rollover IRA) and Roth IRA are coordinated; contributions to one reduce the amount that may be contributed to the other so that contributions cannot exceed the 100% of Compensation/\$5,000 per individual limitation.
 - (b) If the Individual is under age 50, the applicable amount is \$5,000 for any taxable year beginning in 2008 and years thereafter. After 2008, the \$5,000 limit will be adjusted by the Secretary of the Treasury for cost of living increases under Code Section 219(b)(5)(D). Such adjustments will be in multiples of \$500.

- (c) If the Individual is age 50 or older, the applicable amount under paragraph (b) above is increased by \$1,000 for any taxable year beginning in 2006 and years thereafter.
 - (d) If the Individual was in a Section 401(k) plan of a certain employer in bankruptcy described in Code Section 219(b)(5)(C), then the applicable amount under paragraph (b) above is increased by \$3,000 for taxable years beginning after 2006 and before 2010 only. An Individual who makes contributions under this paragraph (d) may not also make contributions under paragraph (c).
- (3) Regular Contribution Limit. The maximum regular contribution that can be made to all the Individual's Roth IRAs for a taxable year is the smaller amount determined under (a) or (b) below.
- (a) The maximum regular contribution is phased out ratably between certain levels of modified adjusted gross income in accordance with the following table:

Filing Status	Full Contribution	Phase-out Range	No Contribution
<u>Modified Adjusted Gross Income</u>			
Single or Head of Household	\$95,000 or less	Between \$95,000 and \$110,000	\$110,000 or more
Joint Return or Qualifying Widow(er)	\$150,000 or less	Between \$150,000 and \$160,000	\$160,000 or more
Married - Separate Return	\$0	Between \$0 and \$10,000	\$10,000 or more

An Individual's modified adjusted gross income ("modified AGI") for a taxable year is defined in Code Section 408A(c)(3) and does not include any amount included in adjusted gross income as a result of a qualified rollover contribution. If the Individual's modified AGI for a taxable year is in the phase-out range, the maximum regular contribution determined under this table for that taxable year is rounded up to the next multiple of \$10 and is not reduced below \$200. After 2006, the dollar amounts above will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 408A(c)(3). Such adjustments will be in multiples of \$1,000.

- (b) If the Individual makes regular contributions to both Roth and nonRoth IRAs for a taxable year, the maximum regular contribution that can be made to all the Individual's Roth IRAs for that taxable year is reduced by the regular contributions made to the Individual's nonRoth IRAs for the taxable year.
- (4) No contributions will be accepted under a SIMPLE IRA plan established by any employer pursuant to Code Section 408(p). Also, no transfer or rollover of funds attributable to contributions made by a particular employer under its SIMPLE IRA will be accepted from a SIMPLE IRA, that is, an IRA used in

conjunction with a SIMPLE IRA plan, prior to the expiration of the 2-year period beginning on the date the Individual first participated in that employer's SIMPLE IRA plan.

- (5) Inherited IRA. If this is an inherited IRA within the meaning of Code Section 408(d)(3)(c), no contributions will be accepted.
- (6) Recharacterization. A regular contribution to a nonRoth IRA may be recharacterized pursuant to the rules in Reg. Section 1.408A-5 as a regular contribution to this IRA, subject to the limits in (3) above.
- (7) Qualified Rollover Contribution. A "qualified rollover contribution" is a rollover contribution of a distribution from an eligible retirement plan described in Code Section 402(c)(8)(B). If the distribution is from an IRA, the rollover must meet the requirements of Code Section 408(d)(3), except the one-rollover-per-year rule of Code Section 408(d)(3)(B) does not apply if the distribution is from a nonRoth IRA. If the distribution is from an eligible retirement plan other than an IRA, the rollover must meet the requirements of Code Section 402(e)(6), 403(a)(4), 403(b)(8), 403(b)(10), 408(d)(3) or 457(e)(16), as applicable. A qualified rollover contribution also includes (a) and (b) below.
 - (a) All or part of a military death gratuity or servicemembers' group life insurance ("SGLI") payment may be contributed if the contribution is made within 1 year of receiving the gratuity or payment. Such contributions are disregarded for purposes of the one-rollover-per-year rule under Code Section 408(d)(3)(B).
 - (b) All or part of an airline payment (as defined in Section 125 of the Worker, Retiree, and Employer Recovery Act of 2008 ("WRERA"), Pub. L 110-458) received by certain airline employees may be contributed if the contribution is made within 180 days of receiving the payment.

Additional Contribution Limitation Information (including SEP) and Excess Contributions

A retirement savings contribution will not be allowed for a Roth IRA or Traditional IRA in excess of the 100% - \$5,000 limitation (or in the case of a SEP, 25% - \$16,500 in 2010 as described in Section 415(c) of the Code). No contribution can be made to a Traditional IRA during the year in which or after the Individual reaches age 70½ except in the case of a SEP. A spousal contribution can be made to the Traditional IRA of the non-working spouse as long as the nonworking spouse is under age 70½ and the working spouse has earned income.

Additionally, a nondeductible federal excise tax penalty in the amount of 6% of excess contributions will be imposed on any Individual who has excess contributions in a Traditional IRA or Roth IRA. This penalty will be imposed each year until the excess contributions are removed. An excess contribution may be removed from a Traditional IRA or Roth IRA by withdrawing the amount of the excess or by applying the excess contribution toward the contribution of the Individual in a subsequent year. If an excess contribution is withdrawn from the Account, together with the net income of such excess contribution, prior to the due date for filing the Individual's income tax return for the year in which the excess

contribution was made (including extensions of time), the 6% non-deductible excise tax will not be imposed, the contribution withdrawn will not be included in the Individual's gross income for the year in which received, and the federal 10% tax on premature distributions (see Article IV - Distributions) will not be imposed on the excess withdrawn. The net income on such excess contribution that is withdrawn will be deemed to have been earned and is taxable in the taxable year in which such excess contribution was made.

If an excess contribution is withdrawn after the due date for filing the Individual's income tax return for the taxable year (including extensions of time) and no deduction was taken for the excess portion of the contribution, the excess withdrawn will not be included in the Individual's federal gross income for the year in which it was received, and the 10% federal tax on premature distributions will not be imposed on the excess withdrawn, provided that the total contributions during the year, including the excess contribution, did not exceed the \$5,000 limitation. Any earnings of such excess contributions withdrawn after the due date for filing the Individual's income tax return (including extensions of time) will be subject to the taxes on premature distributions and will be included in federal gross income.

If an excess contribution is withdrawn after the due date for filing the Individual's income tax return for the taxable year (including extensions of time) and the total contribution for the taxable year exceeded the \$5,000 limitation, the excess contribution that is withdrawn will be included in the Individual's federal gross income for the year in which received, the 10% federal tax on premature distributions will be imposed on the amount withdrawn, and the 6% non-deductible excise tax will be imposed for each year until the excess contribution is removed.

The contribution amounts set forth above are subject to cost-of-living adjustments announced annually, if applicable, by the Internal Revenue Service (IRS).

ARTICLE II - Non-forfeiture

The Individual's interest in the balance in the Account shall at all times be non-forfeitable. The Account is established for the exclusive benefit of the Individual and the Individual's beneficiaries. If this is an inherited IRA within the meaning of Code Section 408(d)(3)(C) maintained for the benefit of a designated Beneficiary of a deceased Individual, references in this document to the "Individual" are to the deceased Individual.

ARTICLE III - Prohibited Investments

No part of the custodial funds shall be invested in life insurance contracts, nor may the assets of any Individual's Account be commingled with other property except in a common trust fund or common investment fund within the meaning of Code Section 408(a)(5). All funds shall be invested in shares of such Mutual Funds as the Individual shall designate.

ARTICLE IV – Distributions

Notwithstanding any provision of this Agreement to the contrary, the distribution of the Individual's interest in the Account shall be made in accordance with the requirements of Code Section 408(a)(6) as modified by Code Section 408(A)(c)(5) and the regulations thereunder, the provisions of which are herein incorporated by reference. The duty to determine the amount of the distributions hereunder shall be the Individual's or, when applicable, the designated Beneficiary's. The Custodian shall not be liable to the Individual or any other person for taxes or other penalties incurred as a result of failure to distribute the minimum amount required by law.

If the Individual dies before his or her entire interest has been distributed and if the Beneficiary is other than the surviving spouse, no additional cash contributions or rollover contributions may be accepted in the Account.

Traditional IRAs

A. Distributions Before Death/ Required Minimum Distributions

Distributions before death must commence no later than age 70½.

- (1) The Required Minimum Distributions calculated for this IRA may be withdrawn from another IRA of the individual in accordance with Q&A-9 of Section 1.408-8 of the Income Tax Regulations. If this is an inherited IRA within the meaning of Code Section 408(d)(3)(C), the preceding sentence and paragraphs (2), (3), and (4) below do not apply.
- (2) The entire value of the Account of the individual for whose benefit the Account is maintained will commence to be distributed no later than the first day of April following the calendar year in which such Individual attains age 70½ (the "required beginning date") over the life of such Individual or the lives of such Individual and his or her designated Beneficiary.
- (3) The amount to be distributed each year, beginning with the calendar year in which the Individual attains age 70½ and continuing through the year of death, shall not be less than the quotient obtained by dividing the value of the IRA as of the end of the preceding year by the distribution period in the Uniform Lifetime Table in Q&A-2 of Section 1.401(a)(9)-9 of the Income Tax Regulations, using the Individual's age as of his or her birthday in the year. However, if the Individual's sole designated Beneficiary is his or her surviving spouse and such spouse is more than 10 years younger than the Individual, then the distribution period is determined under the Joint and Last Survivor Table in Q&A-3 of Section 1.401(a)(9)-9, using the ages as of the Individual's and spouse's birthdays in the year.
- (4) The Required Minimum Distribution for the year the Individual attains age 70½ can be made as late as April 1 of the following year. The Required Minimum Distribution for any other year must be made by the end of such year.

B. Distribution Upon Death of the Individual

- (1) **Death On or After Required Beginning Date.** If the Individual dies on or after the required beginning date, the remaining portion of his or her interest will be distributed at least as rapidly as follows:
 - (a) If the designated Beneficiary is someone other than the Individual's surviving spouse, the remaining interest will be distributed over the remaining life expectancy of the designated Beneficiary, with such life expectancy determined using the Beneficiary's age as of his or her birthday in the year following the year of the Individual's death, or over the period described in paragraph (B)(1)(c) below if longer.

- (b) If the Individual's sole designated Beneficiary is the Individual's surviving spouse, the remaining interest will be distributed over such spouse's life expectancy or over the period described in paragraph (B)(1)(c) below if longer. Any interest remaining after such spouse's death will be distributed over such spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death, or if the distributions are being made over the period described in paragraph (B)(1)(c) below, over such period.
- (c) If there is no designated Beneficiary, or if applicable by operation of paragraph (B)(1)(a) or (B)(1)(b) above, the remaining interest will be distributed over the Individual's remaining life expectancy determined in the year of the Individual's death.
- (d) The amount to be distributed each year under paragraph (B)(1)(a), (B)(1)(b), or (B)(1)(c), beginning with the calendar year following the calendar year of the Individual's death, is the quotient obtained by dividing the value of the IRA as of the end of the preceding year by the remaining life expectancy specified in such paragraph. Life expectancy is determined using the Single Life Table in Q&A-1 of Section 1.401(a)(9)-9 of the Income Tax Regulations. If distributions are being made to a surviving spouse as the sole designated Beneficiary, such spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the Beneficiary's or Individual's age in the year specified in paragraph (B)(1)(a), (B)(1)(b), or (B)(1)(c) and reduced by 1 for each subsequent year.
- (2) Death Before Required Beginning Date. If the Individual dies before the required beginning date, his or her entire interest will be distributed at least as rapidly as follows:
- (a) If the designated Beneficiary is someone other than the Individual's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the Individual's death, over the remaining life expectancy of the designated Beneficiary, with such life expectancy determined using the age of the Beneficiary as of his or her birthday in the year following the year of the Individual's death, or, if elected, in accordance with paragraph (B)(2)(c) below. If this is an inherited IRA within the meaning of Code Section 408(d)(3)(C) established for the benefit of a nonspouse designated Beneficiary by a direct trustee-to-trustee transfer from a retirement plan of a deceased Individual under Code Section 402(c)(11), then, notwithstanding any election made by the deceased Individual pursuant to the preceding sentence, the nonspouse designated Beneficiary may elect to have distributions made under this paragraph (2)(a) if the transfer is made no later than the end of the year following the year of death.
- (b) If the Individual's sole designated Beneficiary is the Individual's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the Individual's death (or by the end of the calendar year in which the Individual would have attained age 70½, if later), over such spouse's life expectancy, or, if elected, in accordance with paragraph (B)(2)(c) below. If the surviving spouse dies before distributions are required to begin, the remaining interest will be distributed, starting by the end of the calendar year following the calendar year of the spouse's death, over the spouse's designated Beneficiary's remaining life expectancy determined using such Beneficiary's age as of his or her birthday in the year following the death of the spouse, or, if elected, will be distributed in accordance with paragraph (B)(2)(c) below. If the surviving spouse dies after distributions are required to begin, any remaining interest will be distributed over the spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death.
- (c) If there is no designated Beneficiary, or if applicable by operation of paragraph (B)(2)(a) or (B)(2)(b) above, the entire interest will be distributed by the end of the calendar year containing the fifth anniversary of the Individual's death (or of the spouse's death in the case of the surviving spouse's death before distributions are required to begin under paragraph (B)(2)(b) above).
- (d) The amount to be distributed each year under paragraph (B)(2)(a) or (B)(2)(b) is the quotient obtained by dividing the value of the IRA as of the end of the preceding year by the remaining life expectancy specified in such paragraph. Life expectancy is determined using the Single Life Table in Q&A-1 of Section 1.401(a)(9)-9 of the Income Tax Regulations. If distributions are being made to a surviving spouse as the sole designated Beneficiary, such spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the Beneficiary's age in the year specified in paragraph (B)(2)(a) or (B)(2)(b) and reduced by 1 for each subsequent year.
- (3) The value of the IRA includes the amount of any outstanding rollover, transfer and recharacterization under Q&As-7 and -8 of Section 1.408-8 of the Income Tax Regulations.
- (4) If the sole designated Beneficiary is the Individual's surviving spouse, the spouse may elect to treat the IRA as his or her own IRA. This election will be deemed to have been made if such surviving spouse makes a contribution to the IRA or fails to take required distributions as a Beneficiary.
- (5) The Required Minimum Distributions payable to a designated Beneficiary from this IRA may be

withdrawn from another IRA the Beneficiary holds from the same decedent in accordance with Q&A-9 of Section 1.408-8 of the Income Tax Regulation.

ROTH IRAs

No amount is required to be distributed prior to the death of the Individual for whose benefit the account was originally established. See paragraph (b) below on rules for inherited IRAs within the meaning of Code Section 408(d)(3)(C).

A. Distribution upon death of the Individual

- (1) Upon the death of the Individual, his or her entire interest will be distributed at least as rapidly as follows:
 - (a) If the designated Beneficiary is someone other than the Individual's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the Individual's death, over the remaining life expectancy of the designated Beneficiary, with such life expectancy determined using the age of the Beneficiary as of his or her birthday in the year following the year of the Individual's death, or, if elected, in accordance with paragraph (A)(1)(c) below. If this is an inherited IRA within the meaning of Code Section 408(d)(3)(C) established for the benefit of a nonspouse designated Beneficiary by a direct trustee-to-trustee transfer from a retirement plan of a deceased Individual under Code Section 402(c)(11), then, notwithstanding any election made by the deceased Individual pursuant to the preceding sentence, the nonspouse designated Beneficiary may elect to have distributions made under this paragraph (A)(1)(a) if the transfer is made no later than the end of the year following the year of death.
 - (b) If the Individual's sole Beneficiary is the Individual's surviving spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the Individual's death (or by the end of the calendar year in which the Individual would have attained age 70½, if later), over such spouse's life expectancy, or, if elected, in accordance with paragraph (A)(1)(c) below. If the surviving spouse dies before distributions are required to begin, the remaining interest will be distributed, starting by the end of the calendar year following the calendar year of the spouse's death, over the spouse's designated Beneficiary's remaining life expectancy determined using such Beneficiary's age as of his or her birthday in the year following the death of the spouse, or, if elected, will be distributed in accordance with paragraph (A)(1)(c) below. If the surviving spouse dies after distributions are required to begin, any remaining interest will be distributed over the spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death.
 - (c) If there is no designated Beneficiary, or if applicable by operation of paragraph (A)(1)(a) or (A)(1)(b) above, the entire interest will be

distributed by the end of the calendar year containing the fifth anniversary of the Individual's death (or of the spouse's death in the case of the surviving spouse's death before distributions are required to begin under paragraph (A)(1)(b) above).

- (d) The amount to be distributed each year under paragraph (A)(1)(a) or (A)(1)(b) is the quotient obtained by dividing the value of the IRA as of the end of the preceding year by the remaining life expectancy specified in such paragraph. Life expectancy is determined using the Single Life Table in Q&A-1 of Section 1.401(a)(9)-9 of the Income Tax Regulations. If distributions are being made to a surviving spouse as the sole designated Beneficiary, such spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the Beneficiary's age in the year specified in paragraph (A)(1)(a) or (A)(1)(b) and reduced by 1 for each subsequent year.
- B. The value of the IRA includes the amount of any outstanding rollover, transfer and recharacterization under Q&As-7 and -8 of Section 1.408-8 of the Income Tax Regulations.
 - C. If the sole designated Beneficiary is the Individual's surviving spouse, the spouse may elect to treat the IRA as his or her own IRA. This election will be deemed to have been made if such surviving spouse makes a contribution to the IRA or fails to take required distributions as a Beneficiary.
 - D. The Required Minimum Distributions payable to a designated Beneficiary from this IRA may be withdrawn from another IRA the Beneficiary holds from the same decedent in accordance with Q&A-9 of Regulation Section 1.408-8.

ARTICLE V - Declaration of Intention

Except in the case of the Individual's death, Disability as defined in Section 72(m) of the Code, or attainment of age 59½, the Custodian shall receive from the Individual a declaration of the Individual's intention as to the disposition of the amount distributed before distributing an amount from the Individual's Account.

ARTICLE VI - Notices and Reports

The Individual agrees to provide information to the Custodian at such time and in such manner and containing such information as may be necessary for the Custodian to prepare any reports required pursuant to Sections 408(i) and 408A(d)(3)(E) of the Code and the regulations thereunder, and any other applicable guidance issued by the Internal Revenue Service. The Custodian agrees to submit reports to the Internal Revenue Service and the Individual as prescribed by the Internal Revenue Service. Currently, calendar year reports concerning the status of the Account and such information concerning Required Minimum Distributions as is prescribed by the Commissioner of Internal Revenue are required to be furnished annually.

ARTICLE VII - Controlling Article

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through IV and this

sentence shall be controlling. Furthermore, any such additional article shall be wholly invalid if it is inconsistent, in whole or in part, with Section 408(a) or 408A of the Code, whichever is applicable, and the regulations thereunder.

ARTICLE VIII – Amendments

The Custodian shall have the authority to amend this Agreement from time to time in order to comply with the provisions of the Code and regulations thereunder. The Custodian shall have the right to amend its fee structure and amounts. Such an amendment shall apply to current and/or future years only. The Custodian shall also have the right to amend this Agreement by adding additional investment alternatives. Furthermore, other amendments may be made upon written consent of the Custodian and the Individual.

The Individual shall be deemed to have consented to any such amendment if he or she fails to object thereto within 30 calendar days from the date notice of such amendment is transmitted.

ARTICLE IX – Definitions

Account means the Principal Life Insurance Company Individual Retirement Account which has been established in accordance with Section 408 of the Code and the terms and conditions of this Agreement, together with the provisions of the Account Application.

Account Application means the written agreement properly executed and submitted by the Individual and, where applicable, the registered representative, whereby the Individual seeks to open an Account and agrees that such Account will be governed by the terms and conditions of this Agreement.

Agreement means the terms and conditions of the Principal Life Insurance Company Master Individual Retirement Account Custody Agreement including any amendments made pursuant to Article VIII of this Agreement.

Beneficiary means the person(s) or entity(ies) designated to receive the balance in the Account upon the death of the Individual or upon the death of a prior Beneficiary.

Code means the Internal Revenue Code of 1986, as amended.

Compensation means wages, salaries, professional fees, and other amounts derived from or received for personal services actually rendered (including, but not limited to, commissions-paid salespersons, remuneration for services on the basis of a percentage of profits, commissions on insurance premiums, tips and bonuses) and includes earned income, as defined in Section 401(c)(2) of the Code (reduced by the deduction the self-employed Individual takes for contributions made to a self-employed retirement plan). For purposes of this definition, Code Section 401(c)(2) shall be applied as if the term trade or business for purposes of Section 1402 included service described in subsection (c)(6). Compensation does not include amounts derived from or received as earnings or profits from property (including, but not limited to, interest and dividends) or amounts not includible in gross income (determined without regard to Code Section 112). Compensation also does not include any amount received as a pension or annuity or as deferred compensation. The term Compensation shall include any amount includible in the Individual's gross income under Code Section 71 with respect to a divorce or separation instrument described in subparagraph (A) of Code Section 71(b)(2). The term "Compensation" also includes any differential wage payments as defined in Code Section 3401(h)(2).

Custodian means Principal Life Insurance Company or any successor thereto.

Individual means the person of legal age who executes and submits the Account Application to the Custodian and makes contributions to the Account.

Principal Funds, Inc., Mutual Funds, or Funds means the Fund or Funds managed by Principal Management Corporation which have been made available for the investment of Traditional IRA or Roth IRA contributions.

Spousal IRA means a Traditional or Roth IRA established for the benefit of a non-employed spouse.

All other capitalized words, terms and phrases not specifically defined shall have and carry the meaning given them under the Code.

ARTICLE X – Investments

All contributions received by the Custodian shall be invested in such Mutual Funds as the Individual may designate.

At the time the Individual executes and submits the Account Application, the Individual shall specify the particular Mutual Fund or Funds in which contributions shall be invested. After the initial contribution, the Individual may, at any time, direct the Custodian to transfer contributions then invested in any such Fund into any other such Funds. Transfers made pursuant to such direction shall not be considered a distribution of the Account to the Individual.

Subject to any applicable Principal Funds, Inc. contribution requirements, any contribution received by the Custodian as to which the Individual fails to direct the Custodian within 2 business days to invest in any particular Mutual Fund or Funds shall be invested by the Custodian in the Principal Funds, Inc. Money Market Fund.

In the event any Mutual Fund or share class of a Mutual Fund in which the Individual contributions are invested liquidates and the Individual fails to provide direction in the manner and within the timeframe requested in the related notice, the Custodian shall invest the liquidation proceeds of the Individual in the Principal Funds, Inc. Money Market Fund.

No party identified herein shall be required to comply with any direction of the Individual which in the judgment of such party may subject it to liability or expense unless such party shall be indemnified in manner and amount satisfactory to it.

The Individual is 100% vested at all times in all funds attributed to his or her Account.

The Individual may not borrow funds from his or her Account, nor may he or she use the funds as security for any loan or extension of credit.

Except as provided in this Agreement, no right, interest or claim in or to any funds held in the Mutual Fund shall be transferable, assignable or subject to pledge by the Individual or Beneficiary, and any attempt to transfer, assign or pledge the same shall not be recognized except as required by law. The right, interest or claim in or to any funds held in the Mutual Fund shall not be subject to garnishment, attachment, execution or levy except as permitted by law.

Any Individual under this Agreement may transfer his or her interest, in whole or in part, to his or her spouse under a decree of divorce or dissolution of marriage or a written instrument incident to such divorce or dissolution. At the time of transfer, such interest shall be deemed an IRA of such spouse. The Individual shall promptly notify Custodian of any such transfer by delivery to Custodian of a certified

copy of such decree or a true copy of such written instrument. Upon receipt of the certified copy of such decree or a true copy of such written instrument from any source, Custodian shall promptly adjust its books and records to reflect that such Account is for the benefit of such former spouse. Custodian shall not be required to accept contributions to or make distributions from an Account established for a former spouse by reason of a transfer of interest by an Individual to such former spouse hereunder until such former spouse shall execute an Account Application.

This Agreement and the Accounts established hereunder shall be governed by all applicable laws, rules and regulations of the United States of America and the State of Iowa.

ARTICLE XI – Contributions

All initial contributions shall be paid to the Custodian at the time the Account Application is executed. Additional contributions may be paid to the Custodian in such manner and in such amounts as the Custodian shall specify.

Contributions made by or on behalf of the Individual may be paid at any time during the calendar year, but in no event later than the last day for the filing of the Federal Income Tax Return for the calendar year to which they relate, not to include any extensions thereof except for contributions to a SEP IRA, which may be made until the federal income tax filing deadline of the Individual's employer, including extensions.

Except in the case of a Rollover IRA, Simplified Employee Pension or Roth IRA, contributions made by or on behalf of the Individual shall not be made during or after the calendar year in which the Individual attains age 70½ years.

All IRA contributions must be in cash. The Individual must clearly identify on the Account Application for the IRA Account whether the IRA being established is a Traditional IRA or a Roth IRA. Traditional IRAs and Roth IRAs must be maintained in separate Accounts.

If an Excess Contribution is made by or on behalf of the Individual for any calendar year, upon written request for distribution from the Individual stating the amount of the Excess Contribution to be distributed, the Custodian will distribute such amount of the Excess Contribution to the Individual, together with the income attributable thereto. The Custodian shall not have any duty to determine whether an Excess Contribution has been made by or on behalf of the Individual, and the Custodian shall not be held liable by the Individual or any other person for failing to determine whether an Excess Contribution was made or for failing to make distribution of such Excess Contribution without request of the Individual. The Custodian shall not be liable to the Individual or any other person for taxes or other penalties incurred as a result of an Excess Contribution and any income attributable thereto or as a result of a distribution of an Excess Contribution and any income attributable thereto.

Before the Custodian shall accept a contribution by or on behalf of the Individual as a Rollover Contribution or Roth Conversion Contribution, the Individual shall deliver to the Custodian a written declaration, in a form acceptable to the Custodian, that such contribution is eligible for treatment as a Rollover Contribution or Roth Conversion Contribution.

Notwithstanding anything to the contrary in this Agreement, once the Custodian has received a declaration from the Individual that a contribution is a Rollover Contribution or Roth Conversion Contribution, the Custodian may conclusively rely on the Individual's declaration and may accept and treat the contribution as a Rollover Contribution or Roth Conversion Contribution. The

Custodian shall have no duty to determine whether combining new contributions and rollover contributions in the same IRA is in the best interests of the Individual.

ARTICLE XII - Designation of Beneficiary

The Individual may designate the Beneficiary of his or her Account by a written form acceptable to and filed with the Custodian. Community property states and marital property states require spousal consent if someone other than the spouse is to be named as Beneficiary.

If the Individual designates more than one Beneficiary, he or she shall designate the percentage interest that each such Beneficiary shall receive from his or her Account upon distribution. In the event no such percentage interest is designated, the interest of each Beneficiary shall be equal.

The initial Beneficiary shall be the person or persons designated as such on the Account Application.

The Individual may, at any time, change or revoke any designation made under this Article in a written form acceptable to and filed with the Custodian. Upon the death of the Individual, the designation or designations made hereunder shall be irrevocable. The designation shall be effective only if received by the Custodian prior to the death of the Individual. A designated Beneficiary who becomes entitled to receive benefits may designate a Successor Beneficiary in a written form acceptable to and filed with the Custodian. If a designated Beneficiary becomes entitled to receive benefits but dies before all amounts in the Account to which the Beneficiary is entitled to have distributed to him or her, the Successor Beneficiary will be entitled to receive any remaining amounts in the Account. If the Individual fails to designate any Beneficiary or if the Individual revokes the designation of Beneficiary or if all Beneficiaries designated predecease the Individual, then the entire interest of the Individual in his or her Account shall pass to the Individual's estate.

ARTICLE XIII - Administrative Duties

This Article shall delineate the responsibilities of the Custodian. The Custodian shall maintain the Account in the name of the Individual and shall be responsible only for the contributions of which it receives notice from the Individual. The Custodian shall make distributions and transfers only in accordance with the directions of the Individual. The Custodian shall keep records of all receipts, investments and disbursements relating to the Account. The Custodian shall furnish the Individual or the Beneficiary, where applicable, with a written statement of transactions relating to the Account. Unless the Individual shall have filed with the Custodian Agent written exceptions or objections to such statement within thirty (30) days after it is furnished, the Custodian shall be forever released and discharged from liability or accountability to the Individual or the Beneficiary, with respect to the acts and transactions shown in the statement. No Beneficiary shall be entitled to statements hereunder until the Individual is deceased and distribution shall have commenced to such Beneficiary.

The duties and responsibilities of all parties to this Agreement are limited to those specifically stated herein and no other or further duties or responsibilities shall be implied.

ARTICLE XIV – Termination of the Agreement

The Individual may terminate this Agreement at any time by notifying the Custodian in writing of the intention to terminate and instructing the Custodian in writing to whom and by what means the funds on deposit in his or her Account shall be transferred. Termination of this Account

could have an adverse effect on a Simplified Employee Pension in which the Individual is participating, the Custodian has no liability to the Individual, the employer, or to any other employees of that employer with respect to such termination.

The Custodian may be required to withhold 10% from any taxable distribution from an IRA unless the Individual elects no withholding at the time distributions begin. Whether or not the Individual allows the Custodian to withhold, he or she may be required to make quarterly estimated tax payments. In addition, unless the Individual indicates at the time he or she closes an IRA Account that it is being transferred to another tax qualified plan, the Custodian will be required to withhold at least 10% of the distribution.

ARTICLE XV – Miscellaneous

All instructions to the Custodian shall be in writing. The Individual may authorize an agent to give instructions hereunder. Any such agent, including any Broker authorized to direct the investment of an Individual's Account, must be authorized in writing by the Individual in such form which is approved by and filed with the Custodian. Any instruction by an agent so authorized shall be binding on the Individual. Any authorization hereunder shall remain in effect until revoked by the Individual in writing filed with the Custodian.

Principal Life Insurance Company shall substitute another Trustee or Custodian upon notification by the Internal Revenue Service that such substitution is required because it has failed to comply with the requirements of Section 1.408-2(e) of the Treasury Regulations, or is not keeping such records, or mailing such returns or sending such statements as are required by forms or regulations.

In no event shall the Custodian be liable or responsible for the payment of any tax or any penalty attributable to Excess Contributions, retention of Excess Contributions, failure to make the minimum distribution from the Account, or withdrawals or distributions made from the Account. The custodian shall not be required to make any distribution which, in the judgment of the Custodian, will render the Custodian directly liable for any such tax or penalty.

In the event the Custodian shall receive any claim to the funds held under this Agreement which claim is adverse to the interest of the Individual or the Beneficiary and which claim the Custodian, in its absolute discretion, deems meritorious, the Custodian may withhold distribution under this Agreement until the claim is resolved or until instructed by a court of competent jurisdiction or the Custodian may pay all or any portion of the funds then invested in the Mutual Fund into such court. Payment to a court under this Agreement shall relieve the Custodian of any further obligation to anyone for the amount so paid. In the event any question arises or ambiguity exists as to the

meaning, interpretation or construction of any provisions of this Agreement, the Custodian is authorized to construe or interpret any such provision and such construction and interpretation shall be binding upon the Individual and the Beneficiary.

The Individual shall be charged by the Custodian for its services hereunder in such amount as the Custodian shall establish from time to time. The Account Disclosure Statement contains a statement of such fees. The fees shall be deducted from the Accounts as applicable and paid to the Custodian unless the Individual elects to pay such fees directly and does so by the deadline specified by the Custodian. Any fee not paid directly when due may be deducted from the Account and paid to the Custodian. The Custodian is hereby delegated the power to agree to such fees on behalf of the Individual and Beneficiary, provided that after at least 30 days notice to the Individual or Beneficiary of any increase in fees, no objection shall have been made thereto.

Any notices required or permitted to be given to the Custodian under this Agreement shall be given to the Custodian at the office of the Custodian or any of its offices, and any notices required or permitted to be given to the Individual under this Agreement shall be given to the Individual at the address for notice the Individual may file with the Custodian from time to time. Notices hereunder may be personally served or sent by United States mail, first class, with postage prepaid and properly addressed.

Any provision of this Agreement that disqualifies it as a Traditional IRA or Roth IRA shall be disregarded to the extent necessary to continue to qualify it as such under the Code.

The Custodian shall forward, or cause to be forwarded to the Individual any Mutual Fund notices, prospectuses, financial statements, proxies, and proxy-soliciting materials relating to such shares as are provided to the Custodian. The Custodian shall not vote any of the shares of any Mutual Fund held in the Individual's Account, except in accordance with the instructions of the Individual. However, the Custodian shall, without direction from the Individual, vote the shares held in the Account for which no voting instructions are timely received in the same proportion as shares for which voting instructions from such Mutual Funds other shareholders are timely received.

Titles to Articles in this Agreement are for convenience only and, in the event of any conflict, the text of this Agreement rather than the titles shall control.

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Individual Retirement Custody Account Disclosure Statement

Right To Revoke

AN INDIVIDUAL MAY REVOKE HIS OR HER TRADITIONAL INDIVIDUAL RETIREMENT ACCOUNT (TRADITIONAL IRA) OR ROTH IRA AT ANY TIME WITHIN SEVEN (7) BUSINESS DAYS FOLLOWING THE ESTABLISHMENT OF THIS ACCOUNT. In the event of such a revocation, the entire amount contributed by the Individual will be returned.

Individuals wishing to revoke their Traditional IRA or Roth IRA are required to mail or deliver a written notice of revocation to the Custodian not later than the seventh business day after the establishment of the Account. The notice shall be deemed delivered on the date of the postmark.

Custodian: Principal Life Insurance Co.
Attn: Principal Funds
PO Box 8024
Boston, MA 02266-8024
Telephone Number: 800-222-5852

Sponsor: Principal Funds, Inc.

General Description of the Account

A Traditional IRA may be established under the Agreement by any working Individual who will not reach the age of 70½ before the end of the year. The age limitation does not apply to rollover contributions, Simplified Employee Pension (SEP) contributions and Roth IRA contributions. See the Agreement for a more detailed description of the restrictions on participation.

Contributions may be invested in any of the Mutual Funds named in the Account Application and instructions. All dividends and capital gains distributions will be reinvested in the Funds selected and will accumulate in the Account on a tax-deferred basis. The Individual (or the named Beneficiary who survives the Individual) may request the Custodian to exchange shares of one fund for any other eligible fund. Investments may be split among any of the Funds named in the Account Application.

Traditional IRA(s) must be maintained in separate Account(s) from Roth IRA(s).

Two Accounts are necessary if both spouses are establishing an IRA. The maximum combined contribution in the event of a non-working spouse is the lesser of 100% of Compensation or \$11,000 for 2016. The maximum contribution must be split between the Individual and the Individual's spouse so no more than \$5,500 is contributed for either of them.

The Individual may begin receiving distributions from a Traditional IRA without incurring a 10% penalty tax on premature distributions at any time after an Individual reaches age 59½. The 10% penalty tax does not apply to distributions made:

- Due to the Individual's death
- Due to the Individual's disability as defined in the Agreement
- In substantially equal periodic payments (at least annually) for the life expectancy of the Individual or joint life expectancies of the Individual and the Individual's Beneficiary
- For medical expenses which are deductible on the Individual's income tax return

- To pay health insurance premiums for an Individual who has been unemployed for at least 12 weeks in the current or preceding tax year
- For qualified higher education expenses
- For a first-time home purchase for distributions of up to \$10,000

Certain other exceptions may apply in limited instances (for example, Qualified Reservist Distributions). See your tax advisor for more information.

The Individual must begin receiving distributions from a Traditional IRA before April 1 following the year in which he or she attains age 70½. He or she may elect to receive his or her distribution in a lump sum or in installments over any number of years selected by the Individual, but not exceeding his or her life expectancy or the joint and survivor life expectancy of the Individual and his or her designated Beneficiary. Each payment is calculated by dividing the net asset value of the shares in the Account, and any dividends held, by the number of payments remaining until the end of the period selected. The Custodian will notify the Individual by January 31 of each year if the Individual is required to take a Required Minimum Distribution and will offer to calculate the required distribution amount. The Custodian will not distribute any amount unless directed by the Individual.

Income Tax Considerations

Traditional IRAs. Single persons who are not covered by an employer retirement plan can deduct amounts contributed to a Traditional IRA up to the lesser of \$5,500 (for 2016) or 100% of Compensation. If the IRA owner has attained age 50 by the end of the calendar year, an additional catch-up contribution of \$1,000 may be made. Persons who are covered by an employer retirement plan will be able to make tax-deductible contributions to Traditional IRAs only if their incomes are below certain levels. For married persons filing separate tax returns, the fact that the spouse is covered by an employer retirement plan does not affect the non-covered spouse's ability to make deductible contributions. For married persons filing jointly where either spouse has an employer retirement plan, the full Traditional IRA deduction may be taken if adjusted gross income (AGI) for 2016 is \$98,000 or less or \$61,000 or less for single taxpayers. However, as the joint AGI exceeds these limits, the deduction is phased down at 20 cents (22.5 cents for Spousal IRAs) per dollar of AGI and is eventually phased-out in 2016 when the joint AGI reaches \$118,000 (\$71,000 for single taxpayers). The phaseout is based on AGI before it is reduced for deductible IRA contributions. The deduction is rounded down to the next lowest multiple of \$10 when not already a multiple of \$10. There is a \$200 minimum deduction for anyone without phaseout limits. The amount of a contribution that is deductible is determined by the Individual. To the extent allowable contributions are not eligible for deduction due to the AGI limits, non-deductible contributions are permitted.

A married person who is not covered by an employer retirement plan, but whose spouse is covered may deduct IRA contributions if AGI on a joint return is less than \$184,000 in 2016. The deduction is phased out as previously discussed between \$184,000 and \$194,000. Those forgoing does not does not apply to Rollover IRAs.

Employer retirement plans include pension and profit sharing plans, 401(k) plans, 403(b) plans, SEP and SIMPLE IRAs, government plans and just about every other type of employer-maintained retirement plan with one exception: unfunded deferred compensation plans including plans of state and local government and tax-exempt organizations. A person will be considered a participant in an employer retirement plan even if not vested. However, a person who works for an employer that has a plan, but who has not yet met the

plan's eligibility requirements, can make deductible IRA contributions.

Roth IRAs. Any person whose AGI is less than \$117,00 for 2016 (if filing jointly, \$184,000 for 2016) can contribute the lesser of 100% of Compensation or \$5,500 to a Roth IRA.

Contributions to a Roth IRA are not deductible. Eligibility to contribute to a Roth IRA is phased out for AGI between \$117,00 - \$132,000 for individuals and \$184,000 - \$194,000 for married persons filing joint returns in 2016. Contributions to a Roth IRA are coordinated with contributions to a Regular IRA; contribution to one reduces the amount that may be contributed to the other so that total contributions cannot exceed the 100% of Compensation/\$5,500 per individual limitation. Participation in an employer retirement plan does not affect eligibility for Roth IRA contributions.

Set-up charges and annual fees are considered miscellaneous deductions and, therefore, are not deductible unless miscellaneous deductions are in excess of 2% of the Individual's adjusted gross income.

Rollover Contributions

Rollovers to Traditional IRAs from other retirement plans.

Certain distributions from qualified employee benefit plans, governmental 457 plans and 403(b) plans (tax-sheltered annuities) are eligible to be paid to a Traditional IRA. Such a payment is referred to as a rollover of an eligible rollover distribution. The administrator or Custodian for the employee benefit plan or 403(b) plan from which the distribution is made can indicate which portion of a distribution is an eligible rollover distribution. Non-taxable distributions, distributions that are part of a series of substantially equal payments made at least once a year over long periods of time and distributions that are required after an Individual attains age 70½ are not eligible rollover distributions.

A rollover can be completed as a direct rollover to a Traditional IRA (which avoids the application of a 20% income tax withholding requirement) or by reinvesting distribution proceeds paid to a plan participant in a Traditional IRA within 60 days of the date the Individual receives the distribution. If the distribution is not reinvested within 60 days of its receipt, the payment is taxed in the year in which the Individual received it. Distributions from a qualified employee benefit plan may be eligible for special tax treatment such as 10-year averaging and capital gain tax treatment. This special tax treatment is not available if an Individual previously rolled over a payment from the employee benefit plan or certain other similar plans of the employer. The special tax treatment is also not available for distributions rolled over to an IRA when distributions are subsequently made from that IRA. Also, if only part of a distribution from an employee benefit plan is rolled over to an IRA, this special tax treatment is not available for the part of the distribution that was not so rolled over. Additional restrictions are described in IRS Form 4972, which has more information on lump sum distributions and how an Individual may elect the special tax treatment. The Custodian shall be entitled to rely upon all written instructions it reasonably believes to be genuine.

Rollovers to Traditional IRAs from other Traditional IRAs.

Amounts distributed from another Traditional IRA may be rolled over to the Principal Funds IRA. Rollovers between Traditional IRAs may occur no more than once a year; however, direct transfers of Traditional IRA assets to another Traditional IRA may occur at any time. Under the Agreement, Rollover Contributions may only be made in cash. If an Individual receives a distribution from a qualified employee benefit plan of property other than cash, the Individual may sell such property and invest the proceeds of the sale in a Traditional

Rollover IRA under the Agreement within 60 days after distribution.

Rollover from a Traditional IRA to a Roth IRA. Starting in 2010, the eligibility requirements (AGI and filing status) were eliminated for rollovers from Traditional IRAs to Roth IRAs. The 10% penalty tax does not apply to amounts rolled over to the Roth IRA. The income resulting from a rollover from a Traditional IRA to a Roth IRA is taxable. Amounts rolled over to a Roth IRA must remain in the Roth IRA for a period of five years from the year of the rollover in order to receive favorable tax treatment. The Individual shall provide the Custodian with information necessary to ensure compliance with holding period and IRS reporting requirements.

Simplified Employee Pension Contribution

If an Individual Retirement Account is being used as a receptacle for employer contributions made under a SEP plan, the limit on employer contributions in a taxable year is the lesser of \$53,000 in 2016 or 25% of an Individual's Compensation.

Contributions must bear a uniform relationship to the total Compensation not in excess of the first \$265,000 in 2016, as indexed in future years under Code Section 401(a)(17) of each employee maintaining a SEP. The employer's contribution is excluded from the Individual's current taxable income.

Please see your registered representative for additional information about SEP plans.

Excess Contributions

Contributions for an Individual during a taxable year are considered excess contributions if they exceed 100% of Compensation or \$5,500, or such other limit as may be prescribed by law except for allowable catch-up contributions. Contributions to Traditional IRAs and Roth IRAs are coordinated; contributions to one reduce the amount that may be contributed to the other so that total contributions cannot exceed the 100% of Compensation/\$5,500 limitation. Contributions to individual Accounts for a person and that person's spouse are considered excess contributions if contributions exceed the lesser of: (1) \$11,000; (b) 100% of the Compensation includable in gross income for the taxable year; or (c) more than \$5,500 paid to a single individual retirement Account for the Individual or the Individual's spouse. If excess contributions are made, the Individual must pay a cumulative, non-deductible 6% excise tax on the portion of the contribution that exceeds the amounts permitted by law. An Individual can avoid this excise tax by withdrawing the excess contribution prior to filing the tax return. Any income earned by the excess contribution must also be withdrawn at the time the excess contribution is withdrawn. Since the excess contribution was not deductible when made, it is not included in the Individual's income when returned, nor is it subject to the 10% tax on premature distributions. Income earned by the excess contribution, however, must be included in the Individual's income tax return for the tax year in which it was earned. If the 6% excise tax is imposed for the taxable year, its cumulative effect can be avoided by making reduced contributions in a future year.

Excess rollover contributions can also be corrected (with regard to dollar limitations) if the excess contribution was due to reasonable cause.

Distributions/Transfers

Traditional IRAs. Distributions from Traditional IRAs are taxed as ordinary income when received. Ten-year averaging is not permissible.

If non-deductible contributions are made, the portion of the Traditional IRA contribution consisting of non-deductible contributions will not be taxed again when distributed. A distribution of a non-deductible contribution will generally consist of a non-taxable portion (the return

of non-deductible contributions) and a taxable portion (the return of deductible contributions, if any, and Account earnings).

Thus, an Individual may not take a distribution from a Traditional IRA which is entirely tax free. The following formula is used to determine the non-taxable portion of distributions for a taxable year:

$$\frac{[\text{Remaining Non-Deductible Contributions Year-End} \div \text{Total Traditional IRA Account Balances}]}{\text{Distributions (for the year)}} = \text{Non-Taxable Distributions (for the year)}$$

All of an Individual's Traditional IRAs are treated as a single IRA to figure the year-end total IRA Account balance. This includes all Traditional IRAs, as well as Simplified Employer Pension (SEP) IRAs, SIMPLE IRAs and Rollover IRAs. Distributions taken during the year must also be added back in. Calculation of the taxable portion of any IRA distribution as well as recordkeeping of the non-deductible contributions made to an IRA are the Individual's responsibility.

Roth IRAs. Distributions from Roth IRAs are not subject to federal income tax if:

- (1) made after the Individual attains age 59½, or due to the Individual's death or disability, or for a first-time home purchase (up to \$10,000), and
- (2) made more than five tax years after the tax year of the initial contribution to any Roth IRA.

Distributions from a Roth IRA that do not qualify for tax-exempt treatment (for example, distributions taken before the Individual attains age 59½ or before five years have passed since the initial contribution was made) are treated first as a return of the Individual's contribution and after that amount is distributed, additional distributions would be taxed as ordinary income and would be subject to the 10% penalty tax if none of the previously described exceptions to the penalty tax apply. Calculation of the taxable portion of any distribution as well as recordkeeping of the undistributed balance of Roth IRA contributions are the Individual's responsibility.

Financial Disclosure

Information about the Funds and the method by which the annual earnings are computed and allocated to each shareholder's Account is described in the prospectus accompanying this disclosure statement.

Earnings may be generated in the form of short term interest ("float") on uncashed redemption checks (from the date issued until the date cashed). "Float" is credited back to the mutual fund; it is not directly credited to the shareholder(s) that generated the "float". Redemption checks are normally mailed the date they are issued. The timing of when checks are cashed is beyond our control.

An annual administration fee of \$15.00 is also required. This fee will be deducted from the Account as a separate item during December each year or upon account closure. You may pay this fee by separate check before November 15.

There is also a sales charge deducted on the purchase of Class A shares. This sales charge is reduced under various circumstances described in detail in the Fund's prospectus. A contingent deferred sales charge applies to Class B and C shares of each of the Funds. Complete descriptions of Class A, Class B and Class C shares are provided in the prospectus. You must have received a prospectus prior to submitting your Account Application to create a Traditional or Roth IRA. The annual earnings on your Account will depend upon the investment income received by the Fund or Funds which you select. Growth in value of this Account is neither guaranteed nor projected. The Custodian has the right to change its fees in the current and/or future years.

Principal Funds Distributor is the principal underwriter of each of the Principal Funds and offers shares of such Funds, as well as other unaffiliated mutual funds for the purpose of funding IRAs. Only shares of Principal Funds are offered to fund an IRA for which Principal Life Insurance Company acts as Custodian.

Prohibited Transactions

If the Individual borrows money by use of the Traditional or Roth IRA or uses any portion of it as security for a loan (which the Agreement prohibits), the portion so used will be treated for tax purposes as having been distributed to the Individual. In addition, if an Individual or a Beneficiary engages in a prohibited transaction (as defined in Section 4975 of the Internal Revenue Code) with respect to the Traditional or Roth IRA, the Account will be disqualified and the entire amount in the Account will be treated as having been distributed to the Individual. Examples of prohibited transactions for both Traditional and Roth IRAs are: the borrowing of the income or principal from the IRA, selling property to or buying property from the IRA, or receiving more than reasonable Compensation for services performed for the IRA. When all or a portion of an IRA is treated as having been distributed, such amounts will be taxed as previously described as a distribution for that taxable year and will generally be subject to the 10% federal tax on premature distributions (unless an exemption applies).

Estate And Gift Tax Considerations

Transfers of Traditional and Roth IRAs are generally subject to taxation under federal estate and gift tax laws. To the extent that benefits are distributed to the spouse of the Individual, the amount of the benefits may be eligible for the estate tax marital deduction.

In community property states, if a person other than a spouse is designated as the Beneficiary, the spouse might be considered to have made a gift on one-half of the value of the benefit conveyed when the conveyance is complete.

IRS Opinion Letter

An IRS opinion letter has been obtained for the Custodial Agreement contained in this booklet. The IRS approval is a determination only in form, and does not represent a determination of the merits of the Account.

Further Information

Further information regarding Individual Retirement Accounts and the retirement savings deduction may be obtained from IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, available at www.irs.gov.

Because legal and tax consequences of the use of the Account may vary in particular cases, independent advice should be sought from your attorney or tax advisor.

All capitalized words, terms and phrases not specifically defined shall have the meaning given them under the Agreement.

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

OFFICE

AUG 1 1988

104-1056-001

Principal Mutual Life
Insurance Company
711 High Street
Des Moines, IA 50309

Person to Contact:
Mr. C. Thompson
Telephone Number:
(202) 566-4712
Refer Reply to:
E:RP:R:7
Date:

EIN Number: 42-0127290

JUL 27 1988

Gentlemen:

In your letter dated June 20, 1988, and subsequent letters, you requested a written notice of approval that Principal Mutual Life Insurance Company may act as a nonbank custodian for individual retirement arrangements (IRAs) established under section 408 of the Internal Revenue Code, as a custodian of annuities established under section 403(b)(7), and as a custodian of retirement plans qualified under section 401(a).

Section 408(a)(2) of the Code requires that a trustee of an IRA be a bank (as defined in section 408(n) of the Code) or such other person who demonstrates to the satisfaction of the Secretary that the manner in which such other person will administer the IRA will be consistent with the requirements of section 408.

Section 408(h) of the Code provides that a custodial account shall be treated as a trust under this section if the assets of such account are held by a bank (as defined in subsection (n)) or such other person who demonstrates to the satisfaction of the Secretary that the manner in which such other person will administer the account will be consistent with the requirements of this section, and if the custodial account would, except for the fact that it is not a trust, constitute an IRA described in subsection (a). Section 408(h) also provides that, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

Principal Mutual Life Insurance Company

Section 403(b)(7)(A) of the Code requires, in part, that for amounts paid by an employer to a custodial account to be treated as amounts contributed to an annuity contract for his employee, the custodial account must satisfy the requirements of section 401(f).

Section 401(f) of the Code provides that a custodial account shall be treated as a qualified trust under section 401(a) if such custodial account would, except for the fact it is not a trust, constitute a qualified trust under this section and the custodian is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which such other person will hold the assets will be consistent with the requirements of section 401 of the Code. Section 401(f) also provides that, in the case of a custodial account treated as a qualified trust by reason of the preceding sentence, the person holding the assets of such account shall be treated as the trustee thereof.

The Income Tax Regulations at section 1.401-12(n) are used to determine the ability of such other person, for purposes of section 408(a)(2) of the Code and sections 401(f) and 408(h), to act as a trustee or custodian. Section 1.401-12(n) of the regulations provides that such person must file a written application with the Commissioner demonstrating, as set forth in that section, his ability to act as a trustee of IRAs or as a custodian of accounts described in sections 401(f) and 408(h) of the Code.

Based on all the information submitted to this office and all the representations made in the application we have concluded that Principal Mutual Life Insurance Company meets the requirements of section 1.401-12(n) of the regulations and, therefore, is approved to act as a nonbank custodian for IRAs established under section 408 of the Code, as a custodian for custodial accounts established under section 403(b)(7), and as a custodian of retirement plans qualified under section 401(a).

Principal Mutual Life Insurance Company may not act as a custodian unless it undertakes to act only under custodial agreements that contain a provision to the effect that the grantor is to substitute another custodian upon notification by the Commissioner that such substitution is required because the applicant has failed to comply with the requirements of section 1.401-12(n) of the regulations or is

Principal Mutual Life Insurance Company

not keeping such records, or making such returns or rendering such statements as are required by forms or regulations.

Principal Mutual Life Insurance Company is required to notify the Commissioner of Internal Revenue, Attn: E:EP:R, Internal Revenue Service, Washington, D.C. 20224, in writing, of any change which affects the continuing accuracy of any representations made in its application. Further, the continued approval of its application to act as a nonbank custodian for IRAs established under section 408 of the Code, a custodian of annuities established under section 403(b)(7), and as a custodian of retirement plans qualified under section 401(a) is contingent upon the continued satisfaction of the criteria set forth in section 1.401-12(a) of the regulations.

This letter constitutes a determination as to whether Principal Mutual Life Insurance Company may act as a nonbank custodian for IRAs established under section 408 of the Code, a custodian of annuities established under section 403(b)(7), and as a custodian of retirement plans qualified under section 401(a) and does not bear upon its capacity to act as a custodian under any other applicable law.

Sincerely yours,

Joyce E. Floyd
Joyce E. Floyd
Acting Chief, Employee
Plans Rulings Branch



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

NOV 27 2012

Principal Life Insurance Company
Attn: Mr. Randy D. Bolin, Assistant General Counsel
711 High Street
Des Moines, IA 50309

EIN: 42-0127290

Re: Principal Life Insurance Company — Nonbank Custodian Status

Mr. Bolin:

This is in response to your letter dated September 18, 2012, concerning a change to Principal Life Insurance Company's nonbank custodian application, which was approved on July 27, 1988, pursuant to section 1.408-2(e) of the Income Tax Regulations (the regulations).

Pursuant to section 1.408-2(e)(6)(iv) of the regulations, you informed this office that you would like the opportunity to also act as an active non-bank trustee for the following types of accounts: Archer Medical Savings Accounts established under section 220; Trusts described in IRC section 401(a), including custodial accounts described in section 401(f); Custodial Accounts described in section 403(b)(7); Individual Retirement Accounts (IRAs) established under section 408(a), including custodial accounts described in section 408(h). Your original letter only approved you to act as a nonbank custodian for IRAs established under section 408 of the Internal Revenue Code (the Code), as a custodian of annuities established under section 403(b)(7), and as a custodian of retirement plans qualified under section 401(a). Please be aware of the requirements of Section 1.408-2(e)(5) to act as an active non-bank trustee.

Your letter did not reveal any other changes that would materially affect the continuing accuracy of your nonbank trustee application.

Accordingly, we have updated your nonbank trustee application to reflect the information contained in your letter dated September 18, 2012.

Thank you for writing to us about this matter. No further action will be taken by this office.

This letter is not a new determination, nor a determination as to whether Principal Life Insurance Company continues to meet the requirements of section 1.408-2(e) of the regulations.

If you have any questions, please contact Mr. Darnell Hardy (Identification No. 1001492668) at (202) 283-9647.

Sincerely,

Carlton A. Watkins, Manager
Employee Plans Technical Group 1

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