

PRINCIPAL FINANCIAL GROUP INC  
Form 424B5  
May 04, 2015

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**This preliminary prospectus supplement and the information contained herein are subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

**Subject to Completion  
Preliminary Prospectus Supplement Dated May 4, 2015**

**Filed Pursuant to Rule 424(b)(5)  
Registration Nos. 333-195749  
333-195749-04**

**PROSPECTUS SUPPLEMENT  
(To Prospectus Dated May 7, 2014)**

\$

**PRINCIPAL FINANCIAL GROUP, INC.**

**% Fixed-to-Floating Rate Junior Subordinated Notes due 2055  
Fully and Unconditionally Guaranteed by**

**PRINCIPAL FINANCIAL SERVICES, INC.**

The % Fixed-to-Floating Rate Junior Subordinated Notes due 2055 (the "Notes") will bear interest from, and including, the date they are issued to, but excluding, , 2020, at a rate of % per annum, payable semiannually in arrears on and of each year, beginning on , 2015 and ending on , 2020. From, and including, , 2020, the Notes will bear interest at a rate per annum equal to the three-month London Interbank Offered Rate ("LIBOR") determined as described in the section entitled "Description of the Notes Floating-Rate Interest Period" in this prospectus supplement, plus % , payable quarterly in arrears on , and , beginning on , 2020. So long as no event of default with respect to the Notes has occurred and is continuing, we will have the right at one or more times to defer the payment of interest on the Notes as described in the section entitled "Description of the Notes Option to Defer Interest Payments" in this prospectus supplement for one or more consecutive interest periods that together do not exceed five years. During an extension period (as defined herein), interest will continue to accrue on the Notes, and deferred interest on the Notes will bear additional interest at the annual interest rate then applicable to the Notes.

The Notes will mature on , 2055. Payment of the principal on the Notes will be accelerated only in the case of certain events of bankruptcy, insolvency, reorganization or receivership with respect to us or Principal Financial Services, Inc. and certain events relating to the Subsidiary Guarantee (as defined herein). There is no right of acceleration in the case of default in the payment of interest on the Notes or the performance of any of our other obligations with respect to the Notes.

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We may redeem the Notes, in whole but not in part, at any time prior to \_\_\_\_\_, 2020, within 90 days after the occurrence of a "rating agency event," at a make-whole redemption price calculated as described in the section entitled "Description of the Notes Redemption" in this prospectus supplement. We may redeem the Notes, in whole but not in part, at any time prior to \_\_\_\_\_, 2020, within 90 days after the occurrence of a "tax event" or a "regulatory capital event," at a redemption price equal to the principal amount of the Notes plus accrued and unpaid interest to, but excluding, the Redemption Date (as defined herein). On or after \_\_\_\_\_, 2020, we may redeem the Notes, at our option, at any time and from time to time, in whole or in part, at a redemption price equal to the principal amount of the Notes to be redeemed plus accrued and unpaid interest to, but excluding, the Redemption Date.

The Notes will be fully, unconditionally and irrevocably guaranteed (the "Subsidiary Guarantee") by our subsidiary, Principal Financial Services, Inc., which is an intermediary holding company whose assets include all of the outstanding shares of our principal operating companies, including Principal Life Insurance Company.

The Notes will be our junior subordinated unsecured obligations, will rank equally with all of our future equally ranking junior subordinated indebtedness, if any, and will be subordinated and junior in right of payment to all of our existing and future senior indebtedness. The Subsidiary Guarantee will be a junior subordinated unsecured obligation of Principal Financial Services, Inc., will rank equally with all of Principal Financial Services, Inc.'s future equally ranking junior subordinated indebtedness, if any, and will be subordinated and junior in right of payment to all of its existing and future senior indebtedness.

The Notes are a new issue of securities with no established trading market. The Notes will not be listed on any securities exchange or included in any automated quotation system.

We are concurrently offering senior notes by means of a separate prospectus supplement (the "concurrent offering"). The senior notes being offered in the concurrent offering (and the related guarantee of those senior notes by Principal Financial Services, Inc.) will constitute senior indebtedness and, therefore, will rank senior in right of payment to the Notes and the Subsidiary Guarantee offered hereby. The offering of the Notes is not conditioned on the completion of the concurrent offering, and vice versa. There can be no assurance that the concurrent offering will be completed.

***Investing in the Notes involves risks. See the section entitled "Risk Factors" beginning on page S-7 of this prospectus supplement and the other information included in or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in the Notes.***

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

|   | Per Note | Total |
|---|----------|-------|
| Public Offering Price(1)                                      | %        | \$    |
| Underwriting Discounts  | %        | \$    |
| Proceeds to Principal Financial Group, Inc. (before expenses) | %        | \$    |

(1) Plus accrued interest, if any, from \_\_\_\_\_, 2015 if settlement occurs after that date.

The underwriters expect to deliver the Notes only in book-entry form through the facilities of The Depository Trust Company ("DTC") for the accounts of its participants, including Euroclear Bank S.A./N.V. and Clearstream Banking *société anonyme*, against payment therefor, in New York, New York on or about \_\_\_\_\_, 2015.

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*Joint Book-Running Managers*

**BofA Merrill Lynch**

**HSBC**

**Wells Fargo Securities**

**Barclays**

**Deutsche Bank Securities**

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**Goldman, Sachs & Co.**

, 2015



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You should rely only on the information contained in this prospectus supplement, any related free writing prospectus issued by us (which we refer to as a "company free writing prospectus"), the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus or to which we have referred you. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement, any related company free writing prospectus and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this prospectus supplement, any related company free writing prospectus and the accompanying prospectus in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer or solicitation of an offer in such jurisdiction. You should not assume that the information contained in this prospectus supplement, any related company free writing prospectus and the accompanying prospectus or any document incorporated by reference is accurate as of any date other than the date of the applicable document. Neither the delivery of this prospectus supplement, any related company free writing prospectus and the accompanying prospectus nor any distribution of securities pursuant to this prospectus supplement and the accompanying prospectus shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated by reference into this prospectus supplement, any related company free writing prospectus and the accompanying prospectus or in our affairs since the date of this prospectus supplement. Our business, financial condition, results of operations and prospects may have changed since that date.

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This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of Notes and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

Unless otherwise indicated, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to "Principal," the "Company," "we," "us" and "our" or similar terms are to Principal Financial Group, Inc. and its subsidiaries, references to "Principal Financial Services" and the "Subsidiary Guarantor" are to Principal Financial Services, Inc., and references to "Principal Life" are to Principal Life Insurance Company.

We are offering to sell the Notes only in those jurisdictions in the United States, and may offer the Notes in those jurisdictions in Europe, Asia and elsewhere, where it is lawful to make such offers. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons who receive this prospectus supplement and the accompanying prospectus should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. See the section entitled "Underwriting" in this prospectus supplement.

You should read this entire prospectus supplement carefully, including the section entitled "Risk Factors," our consolidated financial statements and the related notes thereto and the other information incorporated by reference into this prospectus supplement and the accompanying prospectus and any related company free writing prospectus, before making an investment decision.

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**FORWARD-LOOKING STATEMENTS**

Some of the statements contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and in the accompanying prospectus may be forward-looking statements, including any statements about our projected financial condition and results of operations, future business operations or strategies, financing plans, competitive position, potential growth opportunities or the effects of competition and of future legislation or regulations. These statements can be identified by the use of forward-looking language such as "will likely result," "may," "should," "expects," "plans," "anticipates," "estimates," "projects," "intends," or the negative of these terms or other similar words or expressions. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and include estimates and assumptions related to economic, competitive and legislative developments. These forward-looking statements are subject to change and uncertainty which are, in many instances, beyond our control and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with management's expectations or that the effect of future developments on us will be those anticipated by management. Actual results could differ materially from those expected by us, depending on the outcome of various factors. These factors include:

adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs as well as our access to capital and cost of capital;

conditions in the global capital markets and the economy generally may materially and adversely affect our business and results of operations;

continued volatility or declines in the equity, bond or real estate markets could reduce our assets under management ("AUM") and may result in investors withdrawing from the markets or decreasing their rates of investment, all of which could reduce our revenues and net income;

changes in interest rates or credit spreads or a sustained low interest rate environment may adversely affect our results of operations, financial condition and liquidity, and our net income can vary from period-to-period;

our investment portfolio is subject to several risks that may diminish the value of our invested assets and the investment returns credited to customers, which could reduce our sales, revenues, AUM and net income;

our valuation of investments and the determinations of the amount of allowances and impairments taken on our investments may include methodologies, estimations and assumptions which are subject to differing interpretations and, if changed, could materially adversely affect our results of operations or financial condition;

any impairments of or valuation allowances against our deferred tax assets could adversely affect our results of operations and financial condition;

we may face losses if our actual experience differs significantly from our pricing and reserving assumptions;

the pattern of amortizing our deferred acquisition costs ("DAC") and other actuarial balances on our universal life-type insurance contracts, participating life insurance policies and certain investment contracts may change, impacting both the level of the DAC and other actuarial balances and the timing of our net income;

we may not be able to protect our intellectual property and may be subject to infringement claims;



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our ability to pay stockholder dividends and meet our obligations may be constrained by the limitations on dividends Iowa insurance laws impose on Principal Life;

changes in laws or regulations may reduce our profitability;

changes in accounting standards may reduce the transparency of our reported profitability and financial condition;

results of litigation and regulatory investigations may affect our financial strength or reduce our profitability;

from time to time we may become subject to tax audits, tax litigation or similar proceedings, and as a result we may owe additional taxes, interest and penalties in amounts that may be material;

applicable laws and our certificate of incorporation and by-laws may discourage takeovers and business combinations that some stockholders might consider in their best interests;

competition from companies that may have greater financial resources, broader arrays of products, higher ratings and stronger financial performance may impair our ability to retain existing customers, attract new customers and maintain our profitability;

a downgrade in our financial strength or credit ratings may increase policy surrenders and withdrawals, reduce new sales and terminate relationships with distributors, impact existing liabilities and increase our cost of capital, any of which could adversely affect our profitability and financial condition;

guarantees within certain of our products that protect policyholders may decrease our earnings or increase the volatility of our results of operations or financial position under U.S. generally accepted accounting principles ("U.S. GAAP") if our hedging or risk management strategies prove ineffective or insufficient;

if we are unable to attract and retain qualified employees and sales representatives and develop new distribution sources, our results of operations, financial condition and sales of our products may be adversely impacted;

our international businesses face political, legal, operational and other risks that could reduce our profitability in those businesses;

we may need to fund deficiencies in our closed block assets;

a pandemic, terrorist attack, military action or other catastrophic event could adversely affect our net income;

our reinsurers could default on their obligations or increase their rates, which could adversely impact our net income and financial condition;

we face risks arising from acquisitions of businesses;



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a computer system failure or security breach could disrupt our business, damage our reputation and adversely impact our profitability;

loss of key vendor relationships or failure of a vendor to protect information of our customers or employees could adversely affect our business or result in losses; and

our financial results may be adversely impacted by global climate changes.

Additional information concerning these and other factors is contained in our filings with the Securities and Exchange Commission (the "SEC"), including but not limited to our Annual Report on Form 10-K for the year ended December 31, 2014 (the "2014 Form 10-K"), incorporated by reference in this prospectus supplement and the accompanying prospectus, and the risk factors or uncertainties

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listed in the section entitled "Risk Factors" in this prospectus supplement and in the 2014 Form 10-K and in the other documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

We undertake no obligation to update publicly these forward-looking statements to reflect new information, future events or otherwise.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before deciding to invest in the Notes. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the section entitled "Risk Factors" in this prospectus supplement and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, which contain our consolidated financial statements and the related notes.*

**Principal Financial Group, Inc.**

Principal Financial Group, Inc. is a global investment management leader offering businesses, individuals and institutional clients a wide range of financial products and services, including retirement, asset management and insurance through our diverse family of financial services companies. We had \$530.3 billion in AUM and approximately 19.9 million customers worldwide as of March 31, 2015.

We primarily focus on small- and medium-sized businesses, which we define as companies with fewer than 1,000 employees, providing a broad array of retirement and employee benefit solutions to meet the needs of the business, the business owner and their employees. We are a leading provider of corporate defined contribution plans in the U.S. We are also the leading employee stock ownership plan consultant. In addition, we are a leading provider of nonqualified plans, defined benefit plans and plan termination annuities. We are also one of the largest providers of specialty benefits insurance product solutions.

We believe small- and medium-sized businesses are an underserved market, offering attractive growth opportunities in the U.S. in retirement services and other employee benefits. We also believe there is a significant opportunity to leverage our U.S. retirement expertise into select international markets that have adopted or are moving toward private-sector defined contribution pension systems. This opportunity is particularly compelling as aging populations around the world are driving increased demand for retirement accumulation, retirement asset management and retirement income management solutions.

We organize our businesses into the following reportable segments:

***Retirement and Investor Services***, which offers a comprehensive portfolio of asset accumulation products and services for retirement savings and investment to businesses of all sizes with a concentration on small- and medium-sized businesses, large institutional clients, and employees of businesses and other individuals;

***Principal Global Investors***, which manages assets for sophisticated investors around the world, using a multi-boutique strategy that enables the segment to provide an expanded range of diverse investment capabilities including equity, fixed income, real estate and other alternative investments, focusing on providing services to our other segments and third-party institutional clients;

***Principal International***, which offers pension accumulation products and services, mutual funds, asset management, income annuities and life insurance accumulation products through acquisitions, start-up operations and joint ventures in Brazil, Chile, China, Hong Kong Special Administrative Region, India, Mexico and Southeast Asia; and

***U.S. Insurance Solutions***, which offers individual and group insurance solutions, focusing on providing comprehensive insurance solutions for small- and medium-sized businesses and their owners and executives.

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We also have a Corporate segment, which consists of the assets and activities that have not been allocated to any other segment.

The principal executive office for both Principal Financial Group, Inc. and Principal Financial Services, Inc. is located at 711 High Street, Des Moines, Iowa 50392, and the telephone number is (515) 247-5111.

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**The Offering**

*The terms of the Notes are summarized below solely for your convenience. This summary is not a complete description of the Notes. You should read the full text and more specific details contained elsewhere in this prospectus supplement, any company free writing prospectus and the accompanying prospectus. For a more detailed description of the Notes and the Subsidiary Guarantee, see the discussion in the section entitled "Description of the Notes" in this prospectus supplement and "Description of Junior Subordinated Debentures" and "Description of Guarantee of Principal Financial Services, Inc." in the accompanying prospectus.*

**Maturity**

The Notes will mature on \_\_\_\_\_, 2055 (the "maturity date"). If that day is not a business day, payment of principal and interest will be due on the next business day.

**Interest**

Interest will accrue from \_\_\_\_\_, 2015. From, and including, \_\_\_\_\_, 2015 to, but excluding, \_\_\_\_\_, 2020 or any earlier Redemption Date, the Notes will bear interest at a rate of \_\_\_\_\_ % per annum. We will pay accrued interest semiannually in arrears on \_\_\_\_\_ and \_\_\_\_\_ of each year (or if any such date is not a business day, on the next business day, and no interest will accrue as a result of such postponement), beginning on \_\_\_\_\_, 2015 and ending on \_\_\_\_\_, 2020, subject to our rights and obligations described in the section entitled "Description of the Notes Option to Defer Interest Payments" in this prospectus supplement. From, and including, \_\_\_\_\_, 2020 to, but excluding, the maturity date or any earlier Redemption Date, the Notes will bear interest at a rate per annum equal to three-month LIBOR (as defined herein), plus \_\_\_\_\_ %, and we will pay accrued interest quarterly in arrears on \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ (or if any of such date is not a business day, on the next business day, except that, if such business day is in the next succeeding calendar month, interest will be payable on the immediately preceding business day, and no interest will accrue or fail to accrue as a result of such postponement or earlier payment), beginning on \_\_\_\_\_, 2020, subject to our rights and obligations described in the section entitled "Description of the Notes Option to Defer Interest Payments" in this prospectus supplement.

**Option to Defer Interest Payments**

So long as no event of default with respect to the Notes has occurred and is continuing, we will have the right, at any time and from time to time, to defer the payment of interest on the Notes for one or more consecutive interest periods that together do not exceed five years as described in the section entitled "Description of the Notes Option to Defer Interest Payments" in this prospectus supplement. We may not defer interest beyond the maturity date, any earlier accelerated maturity date arising from an event of default or any other earlier redemption of the Notes. During an extension period, interest will continue to accrue on the Notes at the then-applicable annual interest rate described above and deferred interest on the Notes will bear additional interest at the then-applicable annual interest rate, compounded on each interest payment date, subject to applicable law. If we have paid all deferred interest (including compounded interest thereon) on the Notes, we can again defer interest payments on the Notes as described above.

**Subsidiary Guarantee**

Our obligations under the Junior Indenture (as defined herein) and the Notes, including payment of principal of, and premium, if any, and interest on the Notes, will be fully, unconditionally and

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irrevocably guaranteed by the Subsidiary Guarantor. See the section entitled "Description of the Notes - Subsidiary Guarantee" in this prospectus supplement.

**Ranking and Subordination**

The Notes will be our junior subordinated unsecured obligations, will rank equally with all of our future equally ranking junior subordinated indebtedness, if any, and will be subordinated and junior in right of payment to all of our existing and future senior indebtedness, which means we will not be able to make any payments on the Notes if we are in default on any of our senior indebtedness. In addition, except to the extent we have a prior or equal claim against our subsidiaries as a creditor or in connection with the junior subordinated obligation of the Subsidiary Guarantor under the Subsidiary Guarantee, the Notes will be effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries, including obligations to policyholders.

The Subsidiary Guarantee will be a junior subordinated unsecured obligation of the Subsidiary Guarantor, will rank equally with all of the Subsidiary Guarantor's future equally ranking junior subordinated indebtedness, if any, and will be subordinated and junior in right of payment to all of its existing and future senior indebtedness, which means the Subsidiary Guarantor will not be able to make any payments on the Notes pursuant to the Junior Indenture or the Subsidiary Guarantee if it is in default on any of its senior indebtedness. In addition, except to the extent the Subsidiary Guarantor has a prior or equal claim against its subsidiaries as a creditor, the Subsidiary Guarantee will be effectively subordinated to all existing and future indebtedness and other liabilities of the Subsidiary Guarantor's subsidiaries, including obligations to policyholders.

See the sections entitled "Description of the Notes - Ranking" and " - Subordination" in this prospectus supplement for a summary of the ranking and subordination provisions of the Notes and the Subsidiary Guarantee, and see the section entitled "Description of the Notes - Subordination" in this prospectus supplement for the definition of "senior indebtedness."

**Certain Payment Restrictions Applicable to Us**

We will agree in the Junior Indenture that, so long as any Notes remain outstanding, if we have given notice of our election to defer interest payments on the Notes but the related extension period has not yet commenced or an extension period is continuing, we and our subsidiaries generally will not make any payments with respect to any shares of our capital stock, make any payments pursuant to our debt securities or guarantees that rank upon our liquidation on a parity with or junior to the Notes or any debt securities or guarantees of the Subsidiary Guarantor that rank upon its liquidation on a parity with or junior to the Subsidiary Guarantee, subject to certain limited exceptions. During an extension period, the terms of the Notes permit us to make any payment of current or deferred interest on pari passu securities that is made pro rata to the amounts due on such pari passu securities (including the Notes) and any payment of principal or current or deferred interest on pari passu securities that, if not made, would cause us to breach the terms of the instrument governing such pari passu securities. "Pari passu securities" means indebtedness that by its terms ranks in right of payment upon our liquidation on a parity with the Notes. The terms of the Junior Indenture do not limit the amount of pari passu securities that we may issue. Notwithstanding the foregoing, the terms of the Notes will not restrict in any manner the ability of any of our subsidiaries to pay dividends or make any distributions, advances or other payments to us or to any of our other subsidiaries.

See the section entitled "Description of the Notes - Interest Rate and Interest Payment Dates - Dividend and Other Payment Stoppages During Extension Periods and Under Certain Other Circumstances" in this prospectus supplement.

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**Redemption of the Notes**

We may redeem the Notes (the date of any such redemption, a "Redemption Date") at the applicable redemption price (the "Redemption Price") set forth below:

on or after \_\_\_\_\_, 2020, at our option, at any time and from time to time, in whole or in part, at a Redemption Price equal to the principal amount of the Notes to be redeemed plus accrued and unpaid interest to, but excluding, the Redemption Date;

before \_\_\_\_\_, 2020, within 90 days after the occurrence of a "tax event" or a "regulatory capital event," in whole but not in part, at a Redemption Price equal to the principal amount of the Notes plus accrued and unpaid interest to, but excluding, the Redemption Date; and

before \_\_\_\_\_, 2020, within 90 days after the occurrence of a "rating agency event," in whole but not in part, at a Redemption Price equal to the make-whole redemption price.

For more information and the definitions of "rating agency event," "tax event," "regulatory capital event" and "make-whole redemption price," see the section entitled "Description of the Notes - Redemption" in this prospectus supplement.

**Events of Default**

An "event of default" with respect to the Notes will occur only upon (i) certain events of bankruptcy, insolvency, reorganization or receivership with respect to us, (ii) certain events of bankruptcy, insolvency, reorganization or receivership with respect to the Subsidiary Guarantor, or (iii) the Subsidiary Guarantee ceasing to be in full force and effect (other than in accordance with its terms) or the Subsidiary Guarantor denying or disaffirming its obligation under the Subsidiary Guarantee.

There will be no right of acceleration in the case of any payment default or other breaches of covenants under the Junior Indenture or the Notes. Notwithstanding the foregoing, in the case of a default in the payment of any interest on the Notes, including any compounded interest, when such interest becomes due and payable and such default continues for a period of 30 days (and, in the case of payment of deferred interest, such default continues for 30 calendar days after the conclusion of any extension period), or in the case of a default in the payment of the principal of (and premium, if any, on) the Notes at the maturity thereof, the holder of a Note may, or if directed by the holders of a majority in aggregate outstanding principal amount of the Notes, the trustee will, subject to the conditions set forth in the Junior Indenture, demand payment of the amount then due and payable and may institute legal proceedings for the collection of such amount if we fail to make payment thereof upon demand.

**Form and Denomination**

The Notes will be issued in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The Notes will be represented by one or more global securities registered in the name of Cede & Co., as nominee for DTC. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the global securities through either DTC (in the United States) or Clearstream Banking, *société anonyme*, Luxembourg or Euroclear Bank S.A./N.V., as operator of the Euroclear System (in Europe) if they are participants in those systems, or indirectly through organizations which are participants in those systems. We will issue certificated Notes only in the limited circumstances described in the section entitled "Description of the Notes - Book-Entry System" in this prospectus supplement.

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**The Indenture and the Trustee**

The Notes will be issued pursuant to a Junior Subordinated Indenture to be entered into by Principal Financial Group, Inc., Principal Financial Services, as the subsidiary guarantor, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "trustee"), as will be supplemented by a supplemental indenture with respect to the Notes (as supplemented, the "Junior Indenture").

**Listing**

The Notes are not, and are not expected to be, listed on any securities exchange nor included in any automated quotation system.

**Governing Law**

The Junior Indenture and the Notes will be governed by and construed in accordance with the laws of the State of New York.

**Risk Factors**

See the section entitled "Risk Factors" beginning on page S-5 in this prospectus supplement and the other information included in or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in the Notes.

**Use of Proceeds**

We estimate that the net proceeds from this offering will be approximately \$ \_\_\_\_\_ million after deducting the underwriting discounts and estimated offering expenses payable by us. We intend to use the estimated net proceeds from this offering, together with the estimated net proceeds from the concurrent offering, to redeem our Series A Non-Cumulative Perpetual Preferred Stock (the "Series A preferred stock") and Series B Non-Cumulative Perpetual Preferred Stock (the "Series B preferred stock"), in whole or in part, and the remainder, if any, for general corporate purposes. See the section entitled "Use of Proceeds" in this prospectus supplement.

**Conflicts of Interest**

Because more than 5% of the net proceeds of this offering may be directed to Wells Fargo Securities, LLC or its affiliates as a result of the Series A preferred stock and the Series B preferred stock owned by Wells Fargo Securities, LLC, this underwriter may have a "conflict of interest" with us pursuant to Rule 5121 of the Financial Industry Regulatory Authority, Inc. ("FINRA") and, accordingly, this offering will be conducted in compliance with the requirements of Rule 5121. For additional information, see the section entitled "Underwriting (Conflicts of Interest) Relationships; Conflicts of Interest" in this prospectus supplement.

**Concurrent Offering**

We are concurrently offering senior notes by means of a separate prospectus supplement. The senior notes being offered in the concurrent offering (and the related guarantee of those senior notes by Principal Financial Services, Inc.) will constitute senior indebtedness and, therefore, will rank senior in right of payment to the Notes and the Subsidiary Guarantee offered hereby. The offering of the Notes is not conditioned on the completion of the concurrent offering, and vice versa. There can be no assurance that the concurrent offering will be completed.



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**RISK FACTORS**

*An investment in the Notes involves certain risks. In considering whether to purchase the Notes, you should carefully consider the risks described below and all of the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus, including but not limited to, the risks and uncertainties discussed in "Item 1A Risk Factors" of the 2014 Form 10-K and other information that may be incorporated by reference in this prospectus supplement and the accompanying prospectus on or after the date hereof. Our business, financial condition, results of operations and prospects could be materially adversely affected by any of these risks.*

***We will have the right to defer interest on the Notes for up to five consecutive years.***

We will have the right, at any time and from time to time, to defer interest on the Notes for one or more consecutive interest periods that together do not exceed five years. During any such extension period, holders of Notes will receive limited or no current payments on the Notes. At the end of an extension period, if all amounts due are paid, we may start a new extension period of up to five years. Holders will have no remedies against us for nonpayment unless we fail to pay all deferred interest (including compounded interest) at the end of the applicable extension period, at the maturity date, or, if applicable, at the earlier accelerated maturity date or Redemption Date of the Notes.

***Deferral of interest payments and other characteristics of the Notes could adversely affect the market price of the Notes.***

To the extent a secondary market develops for the Notes, the market price of the Notes is likely to be adversely affected if we defer payments of interest on the Notes. As a result of our deferral right or if investors perceive that there is a likelihood that we will exercise our deferral right, the market for the Notes may become less active or be discontinued during such an extension period or period of anticipation, and the market price of the Notes may be more volatile than the market prices of other securities that are not subject to a similar deferral right. If we do defer interest on the Notes and you sell your Notes during that extension period, you may not receive the same return on your investment as a holder that continues to hold its Notes until we pay the deferred interest at the end of the applicable extension period.

***A holder of the Notes will not have rights of acceleration in the case of payment defaults or other breaches of covenants.***

The events of default under the Junior Indenture are limited to certain events of bankruptcy, insolvency, reorganization or receivership with respect to us or the Subsidiary Guarantor and certain events relating to the Subsidiary Guarantee. There is no right of acceleration in the case of payment defaults or other breaches of covenants under the Junior Indenture.

***The Junior Indenture does not limit the amount of indebtedness that we or our subsidiaries can issue and the Notes will be junior in right of payment to all of our existing and future senior indebtedness.***

We and our subsidiaries will not be limited from incurring or issuing any additional indebtedness under the Junior Indenture or the Notes. The Notes will be our junior subordinated unsecured obligations, will rank equally with all of our future equally ranking junior subordinated indebtedness, if any, and will be subordinated and junior in right of payment to all of our existing and future senior indebtedness, which means we will not be able to make any payments on the Notes if we are in default on any of our senior indebtedness. As of March 31, 2015, Principal Financial Group, Inc., on a standalone basis, had \$2,449.0 million of senior indebtedness that would have ranked senior in right of payment to the Notes and no indebtedness that would have ranked equally in right of payment with the

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Notes. We are concurrently offering senior notes by means of a separate prospectus supplement, which would be senior in right of payment to the Notes.

The Subsidiary Guarantee will rank equally with all of the Subsidiary Guarantor's future equally ranking junior subordinated indebtedness, if any, and will be subordinated and junior in right of payment to all of its existing and future senior indebtedness, which means the Subsidiary Guarantor will not be able to make any payments on the Notes pursuant to the Junior Indenture or the Subsidiary Guarantee if it is in default on any of its senior indebtedness. As of March 31, 2015, Principal Financial Services had no senior indebtedness that would have ranked senior in right of payment to the Subsidiary Guarantee (other than subsidiary guarantees of our senior indebtedness) and no indebtedness that would have ranked equally in right of payment with the Subsidiary Guarantee. In connection with the concurrent offering, the Subsidiary Guarantor will guarantee the senior notes being offered, which guarantee would be senior in right of payment to the Subsidiary Guarantee.

Any additional indebtedness incurred could reduce the amount of cash we or the Subsidiary Guarantor would have available to satisfy our respective obligations under the Notes and the Subsidiary Guarantee. We and the Subsidiary Guarantor expect from time to time to incur additional indebtedness.

The terms of the Notes will not afford you protection in the event of a highly leveraged transaction that may adversely affect you, including a reorganization, recapitalization, restructuring, merger or other similar transaction involving us. We could enter into any such transaction even though the transaction could increase the total amount of our outstanding debt, adversely affect our capital structure or credit rating or otherwise adversely affect the holders of the Notes. The Junior Indenture does not contain provisions that permit the holders of the Notes to require us to repurchase the Notes in the event of a takeover, recapitalization or similar transaction.

***We are a holding company with no direct operations and the Subsidiary Guarantor is an intermediary holding company with no direct operations; as a consequence, our ability to satisfy our obligations under the Notes and the Subsidiary Guarantor's ability to satisfy its obligation under the Subsidiary Guarantee will depend in large part on the ability of our and the Subsidiary Guarantor's subsidiaries to pay dividends, and the dividend paying ability of our insurance company subsidiaries is restricted by law.***

We are an insurance holding company whose assets include all of the outstanding shares of common stock of the Subsidiary Guarantor. The Subsidiary Guarantor is an intermediary holding company whose assets include all of the outstanding shares of Principal Life and other subsidiaries. Our and the Subsidiary Guarantor's ability to meet our respective obligations depends upon the ability of Principal Life and other subsidiaries to declare and distribute dividends or to advance money in the form of intercompany loans. Our insurance company subsidiaries are subject to various statutory and regulatory restrictions, applicable to insurance companies generally, that limit the amount of cash dividends, loans and advances that those subsidiaries may pay. Regulations relating to capital requirements affecting some of our other subsidiaries also restrict their ability to pay dividends and other distributions and make loans to us. The payment of dividends from Principal Life to the Subsidiary Guarantor is subject to restrictions set forth in the insurance laws of the State of Iowa. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources The Holding Companies: Principal Financial Group, Inc. and Principal Financial Services, Inc." in the 2014 Form 10-K, incorporated by reference herein and in the accompanying prospectus. As a result, our cash flows and ability to service our obligations, including the Notes, are dependent upon the earnings of our subsidiaries, distributions of those earnings to us and other payments or distributions of funds by our subsidiaries to us. It is possible that in the future Principal Life may be unable to pay dividends in an amount sufficient to permit us or the Subsidiary Guarantor to meet our respective obligations due to a lack of statutory net gain from operations, a diminishing statutory policyholders surplus, changes to the Iowa insurance laws

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or regulations, or for some other reason. If the Subsidiary Guarantor or Principal Life were unable to pay sufficient dividends to us in the future, we would be unable to meet our obligation to make scheduled payments under the Notes, which would negatively affect our business and financial condition as well as the trading price of the Notes.

***The Notes will be effectively subordinated to the indebtedness and other obligations of our subsidiaries, which could impair our ability to make payments on the Notes, and the Subsidiary Guarantee will be effectively subordinated to all existing and future indebtedness and other obligations of the Subsidiary Guarantor's subsidiaries, which could impair the Subsidiary Guarantor's ability to make payments on the Subsidiary Guarantee.***

Except to the extent we have a prior or equal claim against our subsidiaries as a creditor or in connection with the junior subordinated obligation of the Subsidiary Guarantor under the Subsidiary Guarantee, the Notes will be effectively subordinated to all of our subsidiaries' existing and future indebtedness and other liabilities because, as the common stockholder of our subsidiaries, we will be subject to the prior claims of our subsidiaries' creditors, including trade accounts payable and other liabilities arising in the ordinary course of business, the claims of policyholders with respect to our insurance subsidiaries, and the claims of our subsidiaries' preferred stockholders. Creditors of our subsidiaries generally will be paid from the assets of those subsidiaries before holders of the Notes have any claims to those assets by virtue of our equity interest in those subsidiaries. Consequently, the Notes will be effectively subordinated to all liabilities (excluding the Subsidiary Guarantee) of any of our subsidiaries and the claims of their preferred stockholders, policyholders and other creditors.

Moreover, a default by one or more of our subsidiaries could have a material adverse effect on our ability to meet our obligations under the Notes. In particular, in the event of a default by a subsidiary under any of its indebtedness, the subsidiary's creditors could elect to declare such indebtedness, together with any accrued and unpaid interest and other amounts, to be due and payable prior to any distributions by the subsidiary to pay interest or principal due on the Notes. In addition, if we caused a subsidiary to pay a dividend to enable us to make payments in respect of the Notes, and the dividend were deemed a fraudulent transfer or in breach of relevant corporate or insurance laws, the holders of the Notes could be required to return the payment to (or for the benefit of) the creditors of that subsidiary. In addition, our subsidiaries have no obligation to pay any amounts due on the Notes, other than the Subsidiary Guarantor's obligation under the Subsidiary Guarantee. Substantially all of our business is currently conducted through our subsidiaries, and we expect this to continue.

Because the Subsidiary Guarantor is an intermediary holding company, the rights of the Subsidiary Guarantor and the rights of its creditors, including the holders of the Notes as beneficiaries of the Subsidiary Guarantee, to a share of the assets of any subsidiary upon the liquidation or recapitalization of such subsidiary will be subject to the prior claims of such subsidiary's creditors, except to the extent the Subsidiary Guarantor may be a creditor with recognized claims against such subsidiary. Accordingly, the Subsidiary Guarantee will be effectively subordinated to all existing and future indebtedness and other liabilities of the Subsidiary Guarantor's subsidiaries, including their trade accounts payable and other liabilities arising in the ordinary course of business (including obligations to policyholders and preferred stockholders). As of March 31, 2015, in addition to the liabilities arising from obligations to our policyholders, the subsidiaries of the Subsidiary Guarantor had approximately \$27.2 million of indebtedness that would have been effectively senior to the Subsidiary Guarantee and, therefore, the Notes. In addition, as of March 31, 2015, collateralized private investment vehicles that are "consolidated variable interest entities" because Principal Financial Group, Inc. is the primary beneficiary had approximately \$65.6 million of secured indebtedness outstanding that would have been effectively senior to the Notes.

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***We may redeem the Notes on or after \_\_\_\_\_, 2020, and at any time in the event of a tax event, rating agency event or regulatory capital event.***

We may redeem the Notes, in whole but not in part, at any time prior to \_\_\_\_\_, 2020, within 90 days after the occurrence of a "rating agency event," at a Redemption Price equal to the make-whole redemption price calculated as described in the section entitled "Description of the Notes Redemption" in this prospectus supplement. We may redeem the Notes, in whole but not in part, at any time prior to \_\_\_\_\_, 2020, within 90 days after the occurrence of a "tax event" or a "regulatory capital event," at a Redemption Price equal to the principal amount of the Notes plus accrued and unpaid interest to, but excluding, the Redemption Date. On or after \_\_\_\_\_, 2020, we may redeem the Notes, at our option, at any time and from time to time, in whole or in part, at a Redemption Price equal to the principal amount of the Notes to be redeemed plus accrued and unpaid interest to, but excluding, the Redemption Date.

Events that would constitute a "tax event," a "rating agency event" or a "regulatory capital event" could occur at any time and could result in the Notes to be redeemed earlier than would otherwise be the case. If we choose to redeem the Notes, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes.

***We may make certain payments on pari passu securities during an extension period.***

During an extension period, the terms of the Notes permit us to make any payment of current or deferred interest on pari passu securities that is made pro rata to the amounts due on such pari passu securities (including the Notes) or any payment of principal or current or deferred interest on pari passu securities that, if not made, would cause us to breach the terms of the instrument governing such pari passu securities. The terms of the Junior Indenture do not limit the amount of pari passu securities that we may issue. The terms of other pari passu securities may require us to make payments of deferred interest that are not made pro rata with payments of deferred interest on the Notes.

***If interest payments on the Notes are deferred, the Notes would be treated as issued with original issue discount for U.S. federal income tax purposes at the time of such deferral.***

If we were to defer interest payments on the Notes, the Notes would be treated as issued with original issue discount ("OID") at the time of such deferral, and all stated interest due after such deferral would be treated as OID. In such case, a U.S. Holder (as defined in the section entitled "U.S. Federal Income Tax Considerations" in this prospectus supplement) generally would be required to include such OID in income as it accrues, regardless of its regular method of accounting for U.S. federal income tax purposes, using a constant yield method, before such U.S. Holder receives any payment attributable to such income, and would not separately report the actual cash payments of interest on the Notes as taxable income. See the section entitled "U.S. Federal Income Tax Considerations U.S. Holders Interest on the Notes" in this prospectus supplement.

***An active after-market for the Notes may not develop.***

The Notes constitute a new issue of securities with no established trading market. We do not intend to have the Notes listed on any securities exchange or included in any automated dealer quotation system. We cannot assure you that an active after-market for the Notes will develop or be sustained, that holders of the Notes will be able to sell their Notes or that holders of the Notes will be able to sell their Notes at favorable prices.

If a trading market does develop, general market conditions and unpredictable factors could adversely affect market prices for the Notes, and there can be no assurance about the market prices for

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the Notes. Several factors, many of which are beyond our control, will influence the market value of the Notes. Factors that might influence the market value of the Notes include, but are not limited to:

our election to defer interest payments on the Notes (see " Deferral of interest payments and other characteristics of the Notes could adversely affect the market price of the Notes");

the number of holders of the Notes;

the interest of securities dealers in the Notes;

prevailing interest rates;

our creditworthiness, financial condition, performance and prospects;

whether the ratings on the Notes provided by any ratings agency have changed;

the market for similar securities; and

economic, financial, geopolitical, regulatory or judicial events that affect us or the financial markets generally.

If you purchase Notes, whether in this offering or in the secondary market, the Notes may subsequently trade at a discount to the price that you paid for them. The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market price of the Notes. Notes purchased in this offering or in the secondary market may subsequently trade at a discount to the price paid for them in any such transaction.

***From, and including, \_\_\_\_\_, 2020, the Notes will bear interest at a floating rate that may be volatile. Uncertainty relating to the LIBOR calculation process may adversely affect the value of your Notes.***

From, and including, \_\_\_\_\_, 2020 to, but excluding, the maturity date or any earlier Redemption Date, the Notes will bear interest at an annual floating rate of interest equal to three-month LIBOR, as adjusted periodically, plus a fixed margin. This interest rate may be volatile and subject to wide fluctuations in response to factors that are beyond our control. For instance, regulators and law enforcement agencies from a number of governments, including entities in the United States, the United Kingdom, Japan and Canada, and others, are conducting civil and criminal investigations into the manner of calculating LIBOR and in particular whether the banks that contribute to the British Bankers' Association (the "BBA") in connection with the calculation of daily LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR. Actions by the BBA, regulators or law enforcement agencies could result in changes to the manner in which LIBOR is determined, and there can be no assurance that LIBOR will continue to be calculated as it has been historically, if at all. Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the value of the Notes. Uncertainty as to the nature of such potential changes may adversely affect the trading market for LIBOR-based securities, including the Notes.

To the extent that interest rates were to increase significantly, our interest expense and borrowing costs would correspondingly increase, reducing our cash flow and decreasing funds available for our operations. However, there can be no assurance of an increase in market interest rates, including three-month LIBOR, which are currently at low levels relative to historical rates. We may elect to engage in interest rate hedging, although there can be no assurance that such hedging will be available on commercially reasonable terms or at all. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements.

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***The historical levels of three-month LIBOR are not an indication of the future levels of three-month LIBOR.***

In the past, the level of three-month LIBOR has experienced significant fluctuations. Historical levels, fluctuations and trends of three-month LIBOR are not necessarily indicative of future levels, fluctuations and trends. Any historical upward or downward trend in three-month LIBOR is not an indication that three-month LIBOR is more or less likely to increase or decrease at any time during a floating-rate interest period, and you should not take the historical levels of three-month LIBOR rate as an indication of its future performance.

***The Subsidiary Guarantee may be subject to challenge under fraudulent transfer laws.***

Under U.S. bankruptcy law and comparable provisions of state fraudulent transfer laws, a court could subordinate or void any guarantee if it found that the guarantee was incurred with actual intent to hinder, delay or defraud creditors or the guarantor did not receive fair consideration or reasonably equivalent value for the guarantee and the guarantor was any of the following: (i) insolvent or was rendered insolvent because of the guarantee; (ii) engaged in a business or transaction for which its remaining assets constituted unreasonably small capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay at maturity. To the extent the Subsidiary Guarantee with respect to the Notes were to be voided as a fraudulent conveyance or held unenforceable for any other reason, holders of the Notes would cease to have any claim in respect of the Subsidiary Guarantor and would be solely our creditors. In that event, the claims of the holders of the Notes against the Subsidiary Guarantor would be subject to the prior payment of all liabilities of the Subsidiary Guarantor. There can be no assurance that, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes relating to the voided Subsidiary Guarantee.

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The following table shows our ratio of earnings to fixed charges for each of the periods indicated:

|  | <b>For the<br/>Three<br/>Months<br/>Ended</b> | <b>For the Year Ended December 31,</b> |             |             |             |             |
|--|---|--|-------------|-------------|-------------|-------------|
|  | <b>March 31,<br/>2015</b>                     | <b>2014</b>                            | <b>2013</b> | <b>2012</b> | <b>2011</b> | <b>2010</b> |
| Ratio of earnings to fixed charges before interest credited on investment products | 10.8  | 8.7                                    | 6.4         | 6.0         | 5.1         | 4.7         |
| Ratio of earnings to fixed charges   | 6.0   | 4.7                                    | 3.2         | 2.6         | 2.2         | 1.8         |

We calculate the ratio of "earnings to fixed charges before interest credited on investment products" by dividing the sum of income from continuing operations before income taxes (BT), interest expense, which includes interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF) less undistributed income from equity investees (E) by the sum of interest expense, which includes interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF), and preferred stock dividends by the registrant (PD). The formula for this ratio is:  $(BT+I+IF - E) / (I+IF+PD)$ .

We calculate the ratio of "earnings to fixed charges" by dividing the sum of income from continuing operations before income taxes (BT), interest expense, which includes interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF) less undistributed income from equity investees (E) and the addition of interest credited on investment products (IC) by interest expense, which includes interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF), preferred stock dividends by the registrant (PD) and interest credited on investment products (IC). The formula for this calculation is:  $(BT+I+IF - E+IC) / (I+IF+PD+IC)$ . "Interest credited on investment products" includes interest paid on guaranteed investment contracts, funding agreements and other investment-only pension products. Similar to debt, these products have a total fixed return and a fixed maturity date.

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**USE OF PROCEEDS**

We estimate that the net proceeds from this offering will be approximately \$ \_\_\_\_\_ million, after deducting the underwriting discounts and estimated offering expenses payable by us. We intend to use the estimated net proceeds from this offering, together with the estimated net proceeds from the concurrent offering, to redeem the Series A preferred stock and the Series B preferred stock, in whole or in part, and the remainder, if any, for general corporate purposes. This offering is not conditioned on the completion of the concurrent offering, and vice versa, and there can be no assurance that the concurrent offering will be completed.

The Series A preferred stock has an aggregate redemption price of \$300 million plus accrued and unpaid dividends to the date of redemption, and the Series B preferred stock has an aggregate redemption price of \$250 million plus accrued and unpaid dividends to the date of redemption. This prospectus supplement does not constitute a notice of redemption under the certificates of designation governing the Series A preferred stock or the Series B preferred stock.

Pending such use, we may invest the net proceeds temporarily in short-term, interest-bearing, investment-grade securities or similar assets.

For additional information, see the section entitled "Underwriting (Conflicts of Interest) Relationships; Conflicts of Interest" in this prospectus supplement.



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The following table shows our cash and cash equivalents and our consolidated capitalization as of March 31, 2015 (i) on an actual basis and (ii) on an as adjusted basis giving effect to the sale of the Notes offered hereby and the sale of the senior notes in the concurrent offering, and the application of the net proceeds therefrom (assuming that the Series A preferred stock and the Series B preferred stock are redeemed in full). This information should be read in conjunction with the section entitled "Use of Proceeds" in this prospectus supplement and our unaudited consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, which is incorporated by reference herein and in the accompanying prospectus.

|  | As of March 31, 2015 |             |
|--|----------------------|-------------|
|  | Actual               | As Adjusted |
|  | (in millions)        |             |
| Cash and cash equivalents  | \$ 1,452.0           | \$          |
| Long-term debt   | \$ 2,514.6           | \$          |
| Notes offered hereby   |                      |             |
| Senior notes offered in the concurrent offering                            |                      |             |
| Total long-term debt   | 2,514.6              |             |
| Series A preferred stock   |                      |             |
| Series B preferred stock   | 0.1                  |             |
| Common stock   | 4.6                  |             |
| Additional paid-in capital   | 9,975.6              |             |
| Retained earnings  | 6,420.4              |             |
| Accumulated other comprehensive income (loss)                              | 28.0                 |             |
| Treasury stock, at cost  | (6,006.1)            |             |
| Total stockholders' equity attributable to Principal Financial Group, Inc. | 10,422.6             |             |
| Noncontrolling interest  | 69.5                 |             |
| Total stockholders' equity   | 10,492.1             |             |
| Total capitalization   | \$ 13,006.7          | \$          |

In addition to long-term debt outstanding, as of March 31, 2015, we had short-term debt outstanding of \$27.2 million.

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**SELECTED FINANCIAL INFORMATION**

The following table sets forth certain selected historical consolidated financial information of Principal Financial Group, Inc. We derived the consolidated financial information (except for amounts referred to as "Other Supplemental Data") for each of the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013 from our audited consolidated financial statements and notes to the financial statements included in the 2014 Form 10-K, which is incorporated by reference herein and in the accompanying prospectus. This selected consolidated financial information should be read in conjunction with and is qualified by reference to these financial statements and the related notes. We derived the consolidated financial information (except for amounts referred to as "Other Supplemental Data") for the years ended December 31, 2011 and 2010 and as of December 31, 2012, 2011 and 2010 from our audited consolidated financial statements not included or incorporated by reference in this prospectus supplement or the accompanying prospectus. The selected consolidated financial information as of and for the three months ended March 31, 2015 and 2014 has been derived from the unaudited interim consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, which is incorporated by reference herein and in the accompanying prospectus. The following consolidated statements of operations and consolidated statements of position data have been prepared in conformity with U.S. GAAP.

In order to fully understand our consolidated financial information, you should read the following information in conjunction with our financial statements and the notes thereto and the other financial and statistical information that we include or incorporate by reference in this prospectus supplement and the accompanying prospectus. The results for past accounting periods are not necessarily indicative

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of the results to be expected for any future accounting period, and the interim period results are not necessarily indicative of the results for the full year.

|  | Three Months Ended<br>March 31 |                    | As of or for the<br>Year Ended December 31, |                   |                   |                   |                   |
|--|--------------------------------|--------------------|---|-------------------|-------------------|-------------------|-------------------|
|  | 2015                           | 2014               | 2014(1)                                     | 2013(1)           | 2012(1)           | 2011              | 2010              |
| (\$ in millions, except per share data and as noted)                       |                                |                    |   |                   |                   |                   |                   |
| <b>Consolidated Statement of Operations Data:</b>                          |                                |                    |   |                   |                   |                   |                   |
| Revenues:  |                                |                    |   |                   |                   |                   |                   |
| Premiums and other considerations  | \$ 916.4                       | \$ 803.6           | \$ 3,722.9                                  | \$ 3,154.1        | \$ 3,219.4        | \$ 2,891.0        | \$ 3,555.5        |
| Fees and other revenues  | 950.8                          | 829.7              | 3,482.1                                     | 3,222.2           | 2,626.7           | 2,526.7           | 2,337.1           |
| Net investment income  | 723.9                          | 844.7              | 3,257.9                                     | 3,138.4           | 3,254.9           | 3,375.3           | 3,495.8           |
| Net realized capital gains (losses)  | 66.2                           | 0.6                | 14.7  | (225.2)           | 114.1             | (122.3)           | (190.2)           |
| <b>Total revenues</b>  | <b>\$ 2,657.3</b>              | <b>\$ 2,478.6</b>  | <b>\$ 10,477.6</b>                          | <b>\$ 9,289.5</b> | <b>\$ 9,215.1</b> | <b>\$ 8,670.7</b> | <b>\$ 9,198.2</b> |
| Income from continuing operations, net of related income taxes             |                                |                    |   |                   |                   |                   |                   |
|  | \$ 429.1                       | \$ 324.1           | \$ 1,176.4                                  | \$ 936.1          | \$ 825.4          | \$ 674.5          | \$ 670.5          |
| <b>Net income</b>  | <b>\$ 429.1</b>                | <b>\$ 324.1</b>    | <b>\$ 1,176.4</b>                           | <b>\$ 936.1</b>   | <b>\$ 825.4</b>   | <b>\$ 674.5</b>   | <b>\$ 670.5</b>   |
| Net income attributable to noncontrolling interest                         | 6.7                            | 22.2               | 32.3  | 23.4              | 18.8              | 36.2              | 17.9              |
| Net income attributable to Principal Financial Group, Inc.                 | 422.4                          | 301.9              | 1,144.1                                     | 912.7             | 806.6             | 638.3             | 652.6             |
| Preferred stock dividends  | 8.2                            | 8.2                | 33.0  | 33.0              | 33.0              | 33.0              | 33.0              |
| Net income available to common stockholders                                | \$ 414.2                       | \$ 293.7           | \$ 1,111.1                                  | \$ 879.7          | \$ 773.6          | \$ 605.3          | \$ 619.6          |
| <b>Consolidated Statement of Financial Position Data:</b>                  |                                |                    |   |                   |                   |                   |                   |
| Total assets   | \$ 222,494.9                   | \$ 211,193.9       | \$ 219,087.0                                | \$ 208,191.4      | \$ 161,830.2      | \$ 147,271.5      | \$ 144,591.3      |
| Long-term debt   | \$ 2,514.6                     | \$ 2,516.0         | \$ 2,531.2                                  | \$ 2,601.4        | \$ 2,671.3        | \$ 1,564.8        | \$ 1,583.7        |
| Series A preferred stock   | \$                             | \$                 | \$  | \$                | \$                | \$                | \$                |
| Series B preferred stock   | \$ 0.1                         | \$ 0.1             | \$ 0.1                                      | \$ 0.1            | \$ 0.1            | \$ 0.1            | \$ 0.1            |
| Total stockholders' equity attributable to Principal Financial Group, Inc. | \$ 10,422.6                    | \$ 9,987.9         | \$ 10,184.0                                 | \$ 9,684.2        | \$ 9,683.4        | \$ 8,952.4        | \$ 9,089.6        |
| Noncontrolling interest  | 69.5                           | 70.0               | 48.0  | 92.8              | 20.0              | 353.8             | 157.2             |
| <b>Total stockholders' equity</b>  | <b>\$ 10,492.1</b>             | <b>\$ 10,057.9</b> | <b>\$ 10,232.0</b>                          | <b>\$ 9,777.0</b> | <b>\$ 9,703.4</b> | <b>\$ 9,306.2</b> | <b>\$ 9,246.8</b> |
| <b>Other Supplemental Data:</b>  |                                |                    |   |                   |                   |                   |                   |
| AUM (\$ in billions)   | \$ 530.3                       | \$ 495.5           | \$ 519.3                                    | \$ 483.2          | \$ 403.0          | \$ 335.0          | \$ 318.8          |

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For a discussion of items materially affecting the comparability of 2014, 2013 and 2012, please see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations Transactions Affecting Comparability of Results of Operations" in the 2014 Form 10-K, which is incorporated by reference herein and in the accompanying prospectus.

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**DESCRIPTION OF THE NOTES**

*The Notes offered by this prospectus supplement are a series of "junior subordinated debentures" as described in the accompanying prospectus. This description supplements the description of the general terms and provisions of the junior subordinated debentures found in the accompanying prospectus in the section entitled "Description of Junior Subordinated Debentures."*

Capitalized terms used and not otherwise defined below or elsewhere in this prospectus supplement or the accompanying prospectus are used with the respective meanings given thereto in the Junior Subordinated Indenture to be entered into by Principal Financial Group, Inc., Principal Financial Services, as the subsidiary guarantor, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "trustee"), as will be supplemented by a supplemental indenture with respect to the Notes (as supplemented, the "Junior Indenture"). Any reference to "Notes" contained in this prospectus supplement refers to the % Fixed-to-Floating Rate Junior Subordinated Notes due 2055 offered by this prospectus supplement, unless the context indicates otherwise. In this "Description of the Notes," references to "Principal," "we," "us" and "our" or similar terms are only to Principal Financial Group, Inc. and not its subsidiaries, and references to the "Subsidiary Guarantor" are only to Principal Financial Services, Inc. and not its subsidiaries.

**General**

The Notes will mature on , 2055. The Notes initially will be limited to \$ aggregate principal amount. We may, without the consent of the holders of the Notes, increase the principal amount of the Notes in the future, on the same terms and conditions (except that the public offering price, the first interest payment date and the issue date may vary) and with the same CUSIP and ISIN numbers as the Notes being offered by this prospectus supplement.

The Notes will not be subject to any sinking fund provision. Principal of, and premium, if any, and interest on the Notes will be payable, and transfers of the Notes will be registrable, at our office or agency in the Borough of Manhattan, The City of New York. Transfers of the Notes will also be registrable at any of our other offices or agencies that we may maintain for that purpose. The Notes are to be issued in denominations of \$2,000 or any multiple of \$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, except for any tax or other governmental charge that may be imposed in connection therewith.

**Subsidiary Guarantee**

Our obligations under the Junior Indenture and the Notes, including payment of principal of, and premium, if any, and interest on the Notes, will be fully, unconditionally and irrevocably guaranteed by the Subsidiary Guarantor, which is an intermediary holding company whose assets include all of the outstanding shares of our principal operating companies.

**Ranking**

***Ranking of the Notes***

The Notes will be our junior subordinated unsecured obligations, will rank equally with all of our future equally ranking junior subordinated indebtedness, if any, and will be subordinated and junior in right of payment to all of our existing and future senior indebtedness, which means we will not be able to make any payments on the Notes if we are in default on any of our senior indebtedness. See the section entitled " Subordination" below for a summary of the subordination provisions of the Notes and the Subsidiary Guarantee and for the definition of "senior indebtedness." The Notes will rank senior to all of our equity securities and any of our securities that expressly by their terms are junior or otherwise subordinated to the Notes. In addition, except to the extent we have a prior or equal claim against our subsidiaries as a creditor or in connection with the junior subordinated obligation of the

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Subsidiary Guarantor under the Subsidiary Guarantee, the Notes will be effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries, including obligations to policyholders.

We are an insurance holding company with no direct operations whose assets include all of the outstanding shares of common stock of the Subsidiary Guarantor. The Subsidiary Guarantor is an intermediary holding company with no direct operations whose assets include all of the outstanding shares of Principal Life and other subsidiaries. As a consequence, Principal's ability to satisfy its obligations under the Notes and the Subsidiary Guarantor's ability to satisfy its obligation under the Subsidiary Guarantee will depend on the ability of Principal Life and our other subsidiaries to declare and distribute dividends or to advance money in the form of intercompany loans. Our insurance company subsidiaries are subject to various statutory and regulatory restrictions, applicable to insurance companies generally, that limit the amount of cash dividends, loans and advances that those subsidiaries may pay. Regulations relating to capital requirements affecting some of our other subsidiaries also restrict their ability to pay dividends and other distributions and make loans to us. The payment of dividends from Principal Life to the Subsidiary Guarantor is subject to restrictions set forth in the insurance laws of the State of Iowa. As a result, our cash flows and ability to service our obligations, including the Notes, are dependent upon the earnings of our subsidiaries, distributions of those earnings to us and other payments or distributions of funds by our subsidiaries to us.

***Ranking of the Subsidiary Guarantee***

The Subsidiary Guarantee will be a junior subordinated unsecured obligation of the Subsidiary Guarantor, will rank equally with all of the Subsidiary Guarantor's future equally ranking junior subordinated indebtedness, if any, and will be subordinated and junior in right of payment to all of its existing and future senior indebtedness, which means the Subsidiary Guarantor will not be able to make any payments on the Notes pursuant to the Junior Indenture or the Subsidiary Guarantee if it is in default on any of its senior indebtedness. See the section entitled "Subordination" for a summary of the subordination provisions of the Notes and the Subsidiary Guarantee and for the definition of "senior indebtedness." The Subsidiary Guarantee will rank senior to all of the equity securities of the Subsidiary Guarantor and any of the securities of the Subsidiary Guarantor that expressly by their terms are junior or otherwise subordinated to the Subsidiary Guarantee. In addition, except to the extent the Subsidiary Guarantor has a prior or equal claim against its subsidiaries as a creditor, the Subsidiary Guarantee will be effectively subordinated to all existing and future indebtedness and other liabilities of the Subsidiary Guarantor's subsidiaries, including obligations to policyholders.

**Subordination**

In the Junior Indenture, we will agree, and holders of the Notes will be deemed to have agreed, that the Notes will be subordinate and junior in right of payment to prior payment in full of all amounts then due and payable in respect of all of our senior indebtedness to the extent provided in the Junior Indenture.

Upon any payment or distribution of assets to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, debt restructuring or similar proceeding in connection with our insolvency or bankruptcy, the holders of our senior indebtedness will first be entitled to receive payment in full of principal of, premium, if any, and interest on such senior indebtedness before the holders of the Notes will be entitled to receive or retain any payment of the principal of, premium, if any, or interest on the Notes.

If the maturity of any Note is accelerated, the holders of all of our senior indebtedness outstanding at the time of the acceleration will first be entitled to receive payment in full of all amounts due, including any amounts due upon acceleration, before holders of the Notes will be entitled to receive any payment of the principal of, premium, if any, or interest on the Notes.

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We will not make any payments of principal of, premium, if any, or interest on the Notes or for the repurchase or other acquisition of Notes if:

a default in any payment on any of our senior indebtedness then exists;

an event of default on any of our senior indebtedness resulting in the acceleration of its maturity then exists; or

any judicial proceeding is pending in connection with any such default in payment or event of default.

When we use the term "indebtedness," we mean, with respect to any person, whether recourse is to all or a portion of the assets of that person and whether or not contingent:

any obligation of, or any obligation guaranteed by, that person for the repayment of borrowed money, whether or not evidenced by bonds, debentures, notes or other written instruments;

any obligation of, or any obligation guaranteed by, that person evidenced by bonds, debentures, notes or other similar instruments, including obligations assumed or incurred in connection with the acquisition of property, assets or businesses but excluding the obligation to pay the deferred purchase price of any such property, assets or business if payable in full within 90 days from the date such indebtedness was created;

any capital lease obligation of that person; and

any amendments, renewals, extensions, modifications and refundings of any such indebtedness.

The term "indebtedness" does not include trade accounts payable or accrued liabilities arising in the ordinary course of business.

When we use the term "senior indebtedness," we mean the principal of, premium, if any, and interest on our indebtedness, whether incurred on, prior to, or after the date of the Junior Indenture, unless the instrument creating or evidencing that indebtedness or pursuant to which that indebtedness is outstanding states that those obligations are not superior in right of payment to the Notes or Subsidiary Guarantee, as applicable, or to other indebtedness which ranks equally with, or junior to, the Notes or Subsidiary Guarantee, as applicable. Interest on senior indebtedness includes interest accruing on or after the filing of any petition in bankruptcy or for reorganization, whether or not the claim for post-petition interest is allowed in that proceeding.

The Subsidiary Guarantee will be subordinate and junior in right of payment to all senior indebtedness of the Subsidiary Guarantor to the same extent as the foregoing subordination provisions with respect to the Notes.

**Consolidation, Merger, Sale of Assets and Other Transactions**

***Principal***

The Junior Indenture will contain a negative covenant limiting Principal's ability to effect a consolidation, merger and sale of assets. See the section entitled "Description of Junior Subordinated Debentures Consolidation, Merger, Sale of Assets and Other Transactions" in the accompanying prospectus. This covenant would not apply to the direct or indirect conveyance, transfer or lease of all or any portion of the stock, assets or liabilities of any of our wholly owned subsidiaries to us or to our other wholly owned subsidiaries. In addition, this covenant would not apply to any recapitalization transaction, a change of control of Principal or a highly leveraged transaction unless such transaction or change of control were structured to include a merger or consolidation by us or the conveyance, transfer or lease of our assets substantially as an entirety.

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***Subsidiary Guarantor***

The Subsidiary Guarantee will provide that the Subsidiary Guarantor will not consolidate with or merge with or into any other person or convey, transfer or lease its assets substantially as an entirety to any person, and no person may consolidate with or merge with or into the Subsidiary Guarantor, unless the Subsidiary Guarantor or Principal is the surviving company in any merger or consolidation, or:

if the Subsidiary Guarantor consolidates with or merges into another person or conveys, transfers or leases its assets substantially as an entirety to any person, the successor person is an entity organized and validly existing under the laws of the United States or any state thereof or the District of Columbia, and the successor entity expressly assumes all of the obligations of the Subsidiary Guarantor under the Junior Indenture and the Subsidiary Guarantee;

immediately after giving effect to the consolidation, merger, conveyance, transfer or lease there exists no event of default, and no event which, after notice or lapse of time or both, would become an event of default; and

other conditions described in the Subsidiary Guarantee are met.

The Subsidiary Guarantee will further provide that upon any consolidation of the Subsidiary Guarantor with, or merger of the Subsidiary Guarantor into, another person or any conveyance, transfer or lease of the assets of the Subsidiary Guarantor substantially as an entirety to any person, the successor person formed by such consolidation or into which the Subsidiary Guarantor is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Subsidiary Guarantor under the Subsidiary Guarantee with the same effect as if such successor person had been named as the Subsidiary Guarantor, and thereafter, except in the case of any lease, the Subsidiary Guarantor shall be relieved of all obligations and covenants under the Subsidiary Guarantee.

This covenant would not apply to the direct or indirect conveyance, transfer or lease of all or any portion of the stock, assets or liabilities of any of the Subsidiary Guarantor's wholly owned subsidiaries to the Subsidiary Guarantor, to Principal or to other wholly owned subsidiaries of the Subsidiary Guarantor. In addition, this covenant would not apply to any recapitalization transaction, a change of control of the Subsidiary Guarantor or a highly leveraged transaction unless such transaction or change of control were structured to include a merger or consolidation by the Subsidiary Guarantor or the conveyance, transfer or lease of the Subsidiary Guarantor's assets substantially as an entirety.

**Interest Rate and Interest Payment Dates**

***Fixed-Rate Interest Period***

From, and including, \_\_\_\_\_, 2015 to, but excluding, \_\_\_\_\_, 2020 or any earlier Redemption Date, the Notes will bear interest at a rate of \_\_\_\_\_ % per annum, and we will pay accrued interest semiannually in arrears on \_\_\_\_\_ and \_\_\_\_\_ of each year (or if any such date is not a business day, on the next business day, and no interest will accrue as a result of such postponement), beginning on \_\_\_\_\_, 2015 and ending on \_\_\_\_\_, 2020, subject to our rights and obligations described in the section entitled " Option to Defer Interest Payments" below. We refer to these dates as "fixed-rate interest payment dates" and we refer to the period from, and including, \_\_\_\_\_, 2015 to, but excluding, the first fixed-rate interest payment date and each successive period from, and including, a fixed-rate interest payment date to, but excluding, the next fixed-rate interest payment date as a "fixed-rate interest period."

Interest payments will be made to the persons or entities in whose names the Notes are registered at the close of business on \_\_\_\_\_ and \_\_\_\_\_ (whether or not a business day), as the case may be, immediately preceding the related fixed-rate interest payment date. The amount of



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interest payable for any fixed-rate interest period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

A "business day" is any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in New York, New York or Des Moines, Iowa, the corporate trust office of the trustee, or any place of payment are authorized or required by law or executive order to close, or (iii) on or after \_\_\_\_\_, 2020, a day that is not a London banking day (as defined below).

***Floating-Rate Interest Period***

From, and including, \_\_\_\_\_, 2020 to, but excluding, the maturity date or any earlier Redemption Date, the Notes will bear interest at a rate per annum equal to three-month LIBOR, plus \_\_\_\_\_%, and we will pay accrued interest quarterly in arrears on \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ (or if any such date is not a business day, on the next business day, except that, if such business day is in the next succeeding calendar month, interest will be payable on the immediately preceding business day, and no interest will accrue or fail to accrue as a result of such postponement or earlier payment) (the "floating-rate interest payment dates" and, together with the fixed-rate interest payment dates, the "interest payment dates"), beginning on \_\_\_\_\_, 2020, subject to our rights and obligations described in the section entitled "Option to Defer Interest Payments" below. We refer to the period from, and including, \_\_\_\_\_, 2020 to, but excluding, the first floating-rate interest payment date and each successive period from and including a floating-rate interest payment date to, but excluding, the next floating-rate interest payment date as a "floating-rate interest period" and, together with each fixed-rate interest period, an "interest period."

Interest payments will be made to the persons or entities in whose names the Notes are registered at the close of business on \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ (whether or not a business day), as the case may be, immediately preceding the related floating-rate interest payment date. The amount of interest payable for any floating-rate interest period will be computed on the basis of a 360-day year and the actual number of days elapsed.

For the purposes of calculating interest due on the Notes during any floating-rate interest period:

"Three-month LIBOR" means, with respect to any floating-rate interest period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a three-month period commencing on the first day of that floating-rate interest period that appears on Reuters Page LIBOR01 as of 11:00 a.m., London time, on the LIBOR determination date (as defined below) for that floating-rate interest period. If such rate does not appear on Reuters Page LIBOR01 on any LIBOR determination date, three-month LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period commencing on the first day of that floating-rate interest 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 (as defined below) after consultation with us, at approximately 11:00 a.m., London time, on the LIBOR determination date for that floating-rate interest period. The calculation agent will request the principal London office of each of these banks to provide a quotation of its rate. If at least two such quotations are provided, three-month LIBOR with respect to that floating-rate interest period will be the arithmetic mean (rounded upward if necessary to the nearest whole multiple of 0.00001%) of such quotations. If fewer than two quotations are provided, three-month LIBOR with respect to that floating-rate interest period will be the arithmetic mean (rounded upward if necessary to the nearest whole multiple of 0.00001%) of the rates quoted by three major banks in New York City selected by the calculation agent after consultation with us, at approximately 11:00 a.m., New York City time, on the first day of that floating-rate interest period for loans in U.S. dollars to leading European banks for a three-month period commencing on the first day of that floating-rate interest period and in a principal amount of not less than \$1,000,000. However, if fewer than three banks selected

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by the calculation agent to provide quotations are quoting as described above, three-month LIBOR for that floating-rate interest period will be the same as three-month LIBOR as determined for the previous floating-rate interest period or, in the case of the floating-rate interest period beginning on \_\_\_\_\_, 2020, \_\_\_\_%. The establishment of three-month LIBOR for each floating-rate interest period by the calculation agent will (in the absence of manifest error) be final and binding.

"calculation agent" means The Bank of New York Mellon Trust Company, N.A., or any other firm appointed by us, acting as calculation agent.

"Reuters Page LIBOR01" means the display so designated on the Reuters 3000 Xtra (or such other page as may replace that page on that service, or such other service as may be nominated by us as the information vendor, for the purpose of displaying rates or prices comparable to the London Interbank Offered Rate for U.S. dollar deposits).

"LIBOR determination date" means the second London banking day immediately preceding the first day of the relevant floating-rate interest 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.

***Option to Defer Interest Payments***

So long as no event of default with respect to the Notes has occurred and is continuing, we will have the right, at any time and from time to time, to defer the payment of interest on the Notes for one or more consecutive interest periods that together do not exceed five years for any single extension period. We may not defer interest beyond the maturity date, any earlier accelerated maturity date arising from an event of default (which, under the Junior Indenture, is limited to certain events of bankruptcy, insolvency, reorganization or receivership with respect to us or the Subsidiary Guarantor and certain events relating to the Subsidiary Guarantee) or any other earlier acceleration or redemption of the Notes.

During an extension period, interest will continue to accrue on the Notes, and deferred interest on the Notes will bear additional interest at the then-applicable annual interest rate, compounded on each interest payment date, subject to applicable law. As used in this prospectus supplement, an "extension period" refers to the period beginning on an interest payment date with respect to which we elect to defer the payment of interest on the Notes and ending on the earlier of (i) the fifth anniversary of that interest payment date and (ii) the next interest payment date on which we have paid all deferred and unpaid amounts (including compounded interest on such deferred amounts) and all other accrued interest on the Notes. When we use the term "interest" in this prospectus supplement, we are referring not only to regularly scheduled interest payments but also to interest on interest payments not paid on the applicable interest payment date.

During an extension period, the terms of the Notes permit us to make (i) any payment of current or deferred interest on pari passu securities that is made pro rata to the amounts due on such pari passu securities (including the Notes) and (ii) any payment of principal or current or deferred interest on pari passu securities that, if not made, would cause us to breach the terms of the instrument governing such pari passu securities. The terms of other pari passu securities may require us to make payments of deferred interest that are not made pro rata with payments of deferred interest on the Notes.

At the end of five years following the commencement of any extension period, we must pay all accrued and unpaid deferred interest, including compounded interest. If we have paid all deferred interest (including compounded interest thereon) on the Notes, we can again defer interest payments on the Notes as described above.

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We will give the holders of the Notes and the trustee written notice of our election to commence or continue any extension period at least one business day and not more than 60 business days before the next interest payment date. Such notice shall be given to the trustee and each holder of the Notes, at such holder's address appearing in the security register, by first-class mail, postage prepaid.

We have no present intention to defer interest payments.

***Dividend and Other Payment Stoppages During Extension Periods and Under Certain Other Circumstances***

We will agree in the Junior Indenture that, so long as any Notes remain outstanding, if:

we have given notice of our election to defer interest payments on the Notes but the related extension period has not yet commenced; or

an extension period is continuing;

then we will not, nor will we permit any of our subsidiaries to:

declare or pay any dividends or other distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of our capital stock;

make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any of (x) our debt securities that rank upon our liquidation on a parity with or junior to the Notes or (y) any debt securities of the Subsidiary Guarantor that rank upon its liquidation on a parity with or junior to the Subsidiary Guarantee;

make any guarantee payments pursuant to any guarantee issued by us of debt securities of any of our subsidiaries if the guarantee ranks upon our liquidation on a parity with or junior to the Notes; or

make any guarantee payments pursuant to any guarantee issued by the Subsidiary Guarantor of our debt securities or the debt securities of any of our subsidiaries if such guarantee ranks upon the Subsidiary Guarantor's liquidation on a parity with or junior to the Subsidiary Guarantee.

The restrictions listed above do not apply to:

any purchase, redemption or other acquisition of shares of capital stock in connection with:

any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more of our employees, officers, directors, consultants or independent contractors;

the satisfaction of our obligations pursuant to any contract entered into prior to the beginning of the applicable extension period;

a dividend reinvestment or shareholder purchase plan; or

the issuance of shares of capital stock, or securities convertible into or exercisable for such shares of capital stock, as consideration in an acquisition transaction, the definitive agreement for which is entered into prior to the

applicable extension period;

any exchange, redemption or conversion of any class or series of our capital stock, or the capital stock of one of our subsidiaries, for any other class or series of our capital stock, or of any class or series of our indebtedness for any class or series of our capital stock;

any purchase of fractional interests in shares of capital stock pursuant to the conversion or exchange provisions of such shares or the securities being converted or exchanged;

any declaration of a dividend in connection with any shareholder rights plan, or the issuance of rights, stock or other property under any shareholder rights plan, or the redemption or purchase of rights pursuant thereto;

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any dividend in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock; or

(i) any payment of current or deferred interest on pari passu securities that is made pro rata with respect to the amounts due on such pari passu securities (including the Notes) and (ii) any payment of principal or current or deferred interest on pari passu securities that, if not made, would cause us to breach the terms of the instrument governing such pari passu securities.

Notwithstanding the foregoing, the terms of the Notes will not restrict in any manner the ability of any of our subsidiaries to pay dividends or make any distributions, advances or other payments to us or to any of our other subsidiaries.

**Redemption**

The Notes are redeemable at our election on or after \_\_\_\_\_, 2020 or within 90 days after the occurrence of certain events prior to \_\_\_\_\_, 2020, in each case at the applicable Redemption Price set forth below.

We may redeem the Notes:

(a) on or after \_\_\_\_\_, 2020, at our option, at any time and from time to time, in whole or in part, at a Redemption Price equal to the principal amount of the Notes to be redeemed plus accrued and unpaid interest to, but excluding, the Redemption Date;

(b) before \_\_\_\_\_, 2020, within 90 days after the occurrence of a "tax event" or a "regulatory capital event," in whole but not in part, at a Redemption Price equal to the principal amount of the Notes plus accrued and unpaid interest to, but excluding, the Redemption Date; and

(c) before \_\_\_\_\_, 2020, within 90 days after the occurrence of a "rating agency event," in whole but not in part, at a Redemption Price equal to the make-whole redemption price.

If we have given notice as provided in the Junior Indenture and made funds available for the redemption of any Notes called for redemption on the Redemption Date referred to in that notice, those Notes will cease to bear interest on that Redemption Date. Any interest accrued to the Redemption Date will be paid as specified in such notice. We will give written notice of any redemption of any Notes to holders of the Notes to be redeemed at their addresses, as shown in the security register for the Notes, at least 30 days and not more than 60 days prior to the Redemption Date. The notice of redemption will specify, among other items, the Redemption Date, the Redemption Price and the aggregate principal amount of the Notes to be redeemed.

If we choose to redeem less than all of the Notes, the particular Notes to be redeemed shall be selected by the trustee not more than 45 days prior to the Redemption Date. The trustee will select the method in its sole discretion, in such manner as it shall deem appropriate and fair, subject to the procedures of the depositary, for the Notes to be redeemed in part.

As used in this prospectus supplement:

"Comparable Treasury Issue" means the United States Treasury security selected by the Independent Investment Banker as having a maturity comparable to the remaining term of the Notes to be redeemed (assuming, for this purpose, that the Notes were to mature on \_\_\_\_\_, 2020) that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

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"Comparable Treasury Price" means, with respect to any Redemption Date for the Notes, the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if we obtain fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means an independent investment banking institution of national standing appointed by us.

"make-whole redemption price" means the greater of:

(i) 100% of the principal amount of the Notes to be redeemed; or

(ii) an amount equal to the present value of a principal payment on \_\_\_\_\_, 2020 plus the sum of the present values of the scheduled payments of interest that would have accrued on the Notes to be redeemed from the Redemption Date to \_\_\_\_\_, 2020, not including any portion of the payments of interest accrued as of such Redemption Date, discounted to such Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus \_\_\_\_\_ basis points, as calculated by an Independent Investment Banker;

plus, in each case, accrued and unpaid interest on the Notes to be redeemed to, but excluding, such Redemption Date.

"rating agency event" means that any nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Securities Exchange Act of 1934, as amended, that then publishes a rating with respect to us (a "rating agency") amends, clarifies, changes or replaces any criteria it uses to assign equity credit to securities such as the Notes, which amendment, clarification, change or replacement results in:

(a) the shortening of the length of time the Notes are assigned a particular level of equity credit by that rating agency as compared to the length of time they would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Notes; or

(b) the lowering of the equity credit (including up to a lesser amount) assigned to the Notes by that rating agency as compared to the equity credit assigned by that rating agency or its predecessor on the initial issuance of the Notes.

"Reference Treasury Dealer" means each of (i) HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer") selected by Wells Fargo Securities, LLC, or their respective successors, and (ii) two other Primary Treasury Dealers selected by us; provided that if any of the foregoing cease to be a Primary Treasury Dealer, we will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to the Reference Treasury Dealer and any Redemption Date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed, in each case, as a percentage of its principal amount) quoted in writing to us by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such Redemption Date.

"regulatory capital event" means that we become subject to capital adequacy supervision by a capital regulator and the capital adequacy guidelines that apply to us as a result of being so subject set forth criteria pursuant to which the full principal amount of the Notes would not qualify as capital under such capital adequacy guidelines, as we may determine at any time, in our sole discretion.

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"tax event" means the receipt by us of an opinion of independent counsel experienced in such matters to the effect that, as a result of any:

- (a) amendment to, clarification of or change in (including any announced proposed amendment to, clarification of or change in) the laws or regulations of the United States or any political subdivision or taxing authority of or in the United States that is enacted or announced or that becomes effective on or after the initial issuance of the Notes;
- (b) official administrative decision or judicial decision or administrative action or other official pronouncement (including a private letter ruling, technical advice memorandum or other similar pronouncement) by any court, government agency or regulatory authority that reflects an amendment to, clarification of or change in, the interpretation or application of those laws or regulations that is announced or that becomes effective on or after the initial issuance of the Notes; or
- (c) threatened challenge asserted in connection with an audit of us, or a threatened challenge asserted in writing against any taxpayer that has raised capital through the issuance of securities that are substantially similar to the Notes, which challenge is asserted against us or becomes publicly known on or after the initial issuance of the Notes;

there is more than an insubstantial increase in the risk that interest accruing or payable by us on the Notes is not, or within 90 days of the date of such opinion will not be, wholly deductible by us for U.S. federal income tax purposes.

"Treasury Rate" means the rate per year equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date. The Treasury Rate shall be calculated on the third business day preceding the Redemption Date.

**Events of Default**

*Events of Default with Respect to the Notes*

Each of the following will constitute an event of default for the Notes:

certain events of bankruptcy, insolvency, reorganization or receivership with respect to us; or

certain events of bankruptcy, insolvency, reorganization or receivership with respect to the Subsidiary Guarantor; or

the Subsidiary Guarantee ceases to be in full force and effect (other than in accordance with its terms) or the Subsidiary Guarantor denies or disaffirms its obligation under the Subsidiary Guarantee.

There will be no right of acceleration in the case of any payment default or other breach of covenants under the Junior Indenture or the Notes. Notwithstanding the foregoing, in the case of a default in the payment of any interest on the Notes, including any compounded interest, when such interest becomes due and payable and such default continues for a period of 30 days (and, in the case of payment of deferred interest, such default continues for 30 calendar days after the conclusion of any extension period), or in the case of a default in the payment of the principal of (and premium, if any, on) the Notes at the maturity thereof, the holder of a Note may, or, if directed by the holders of a majority in aggregate outstanding principal amount of the Notes, the trustee will, subject to the conditions set forth in the Junior Indenture, demand payment of the amount then due and payable and may institute legal proceedings for the collection of such amount if we fail to make payment thereof upon demand.

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***Effect of Events of Default***

The holders of a majority in aggregate outstanding principal amount of the Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee. The trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Notes may declare the principal of the Notes and accrued but unpaid interest thereon due and payable immediately upon an event of default (other than an event of default relating to our bankruptcy, insolvency, reorganization or receivership). If an event of default relating to our bankruptcy, insolvency, reorganization or receivership occurs, the principal amount of all Notes and accrued but unpaid interest thereon shall automatically become due and payable.

***Waiver of Event of Default***

The holders of a majority in aggregate outstanding principal amount of the Notes may rescind and annul the declaration of an event of default and its consequences if:

all other events of default have been cured or waived; and

we have paid or deposited with the trustee a sum sufficient to pay:

all overdue installments of interest (including interest on overdue installments of interest) and principal (and premium, if any) due other than by acceleration; and

certain amounts owing to the trustee, its agents and counsel.

The holders of a majority in aggregate outstanding principal amount of the Notes affected by the default may, on behalf of the holders of all the Notes, waive any past default and its consequences, except a default (1) in the payment of the principal of, or premium, if any, or interest on, any Note or (2) in respect of a covenant or provision which under the Junior Indenture cannot be modified or amended without the consent of the holder of each outstanding Note affected thereby.

We will be required under the Junior Indenture to file a certificate of compliance with the trustee annually.

**Defeasance and Covenant Defeasance**

The Junior Indenture will provide that, at any time on or prior to \_\_\_\_\_, 2020, we may discharge all of our obligations, other than as to transfers and exchanges and certain other specified obligations, under the Notes at any time, and that we may also be released from our obligations described in the section entitled " Consolidation, Merger, Sale of Assets and Other Transactions" above and from certain other obligations imposed by the supplemental indenture with respect to the Notes, and elect not to comply with those sections and obligations without creating an event of default. Discharge under the first procedure is called "defeasance" and under the second procedure is called "covenant defeasance."

Defeasance or covenant defeasance may be effected only if:

we irrevocably deposit or cause to be deposited with the trustee money or U.S. government obligations or a combination thereof, as trust funds in an amount sufficient to pay and discharge, on \_\_\_\_\_, 2020, the principal of (and any premium on) the Notes, and, on their respective stated maturities, the scheduled payments of interest that will accrue on the Notes from the date of the deposit to \_\_\_\_\_, 2020;

we deliver to the trustee an opinion of counsel to the effect that the holders of the Notes will not recognize gain or loss for U.S. federal income tax purposes as a result of the deposit, defeasance and discharge or the deposit and covenant defeasance to be effected with respect to such Notes and will be subject to U.S. federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit, defeasance and discharge or such deposit and covenant defeasance were not to occur, and, in the case of a defeasance, this





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opinion must be based on a ruling we have received from, or that has been published by, the Internal Revenue Service or a change in applicable U.S. federal income tax law occurring after the date of execution of the Junior Indenture;

no event of default under the Junior Indenture has occurred and is continuing;

such defeasance or covenant defeasance does not result in a breach or violation of, or constitute a default under, any indenture or other agreement or instrument for borrowed money to which we are a party or by which we are bound;

such defeasance or covenant defeasance does not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act of 1940 unless such trust shall be registered under the Investment Company Act of 1940 or exempt from registration thereunder;

we deliver to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent with respect to such defeasance or covenant defeasance have been complied with; and

other conditions specified in the Junior Indenture are met.

The trustee will pay, on \_\_\_\_\_, 2020 to holders of the Notes as shown in the security register for the Notes, the principal of (and any premium on) the Notes, and, on their respective stated maturities, the scheduled payments of interest that will accrue on the Notes from the date of the deposit to \_\_\_\_\_, 2020, in each case in accordance with the provisions of the Junior Indenture. If we elect defeasance or covenant defeasance with respect to the Notes as described above, and we have deposited or caused to be deposited trust funds as described above, we will be required to redeem the Notes in whole on \_\_\_\_\_, 2020 in accordance with the procedures set forth in the Junior Indenture.

The Junior Indenture will not be discharged as described above if we have defaulted in the payment of principal of, premium, if any, or interest on any senior indebtedness, and that default is continuing or another event of default on the senior indebtedness then exists and has resulted in the senior indebtedness becoming or being declared due and payable prior to the date it otherwise would have become due and payable.

**Satisfaction and Discharge**

The Junior Indenture will provide that when, among other things, all Notes not previously delivered to the trustee for cancellation:

have become due and payable; or

will become due and payable at their stated maturity within one year; or

are to be called for redemption within one year under arrangements satisfactory to the trustee for the giving of notice of redemption by the trustee in our name, and at our expense;

and we deposit or cause to be deposited with the trustee, in trust, (1) money; (2) U.S. government obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money; or (3) a combination thereof, in each case in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the trustee for cancellation, for the principal, premium, if any, and interest on the date of the deposit or to the stated maturity or Redemption Date, as the case may be, and we have paid or caused to be paid all other sums due under the Junior Indenture, then the Junior Indenture will cease to be of further effect with respect to the Notes and we will be deemed to have satisfied and discharged the Junior Indenture with respect to the Notes. We will continue to be obligated to pay certain other sums due under the Junior Indenture and to provide the officers' certificates and opinions of counsel described in the Junior Indenture.



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**Modification of the Junior Indenture and the Subsidiary Guarantee**

The Junior Indenture may be modified or amended as described in the section entitled "Description of Junior Subordinated Debentures Modification of Indenture" in the accompanying prospectus. The Subsidiary Guarantee may be modified or amended on the same terms as the Junior Indenture.

**Agreed Tax Treatment**

We agree, and, by acquiring an interest in a Note, each beneficial owner of a Note agrees, to treat the Notes as indebtedness for U.S. federal income tax purposes.

**Global Securities**

The Notes will be issued in the form of one or more global securities that will be deposited with, or on behalf of, the depository, The Depository Trust Company ("DTC" or the "depository"). Interests in the global securities will be issued only in denominations of \$2,000 or any multiple of \$1,000 in excess thereof. Unless and until it is exchanged in whole or in part for Notes in definitive form, a global security may not be transferred except as a whole to a nominee of the depository for the global security, or by a nominee of the depository to the depository or another nominee of the depository, or by the depository or any nominee to a successor depository or a nominee of the successor depository.

**Same-Day Settlement and Payment**

Settlement for the Notes will be made by the underwriters in immediately available funds. So long as the depository continues to make same-day settlement available to us, all payments of principal and interest on the Notes will be made by us in immediately available funds.

The depository will facilitate same-day settlement for trading in the Notes until maturity, and secondary market trading activity in the Notes will therefore be required by the depository to settle in immediately available funds.

**Book-Entry System**

*DTC*

Initially, the Notes will be registered in the name of Cede & Co., the nominee of the depository. Accordingly, beneficial interests in the Notes will be shown on, and transfers thereof will be effected only through, records maintained by the depository and its participants.

The depository has advised us and the underwriters as follows: the depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the United States Securities Exchange Act of 1934, as amended. The depository holds securities that its participants ("Direct Participants") deposit with the depository. The depository also eliminates the need for physical movement of securities certificates by facilitating the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in the Direct Participants' accounts. Direct Participants include securities brokers and dealers, including the underwriters, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is a holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Incorporation, all of which are registered clearing agencies. Access to the depository's book-entry system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly

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("Indirect Participants"). The rules applicable to the depositary and its Direct and Indirect Participants are on file with the SEC.

The depositary advises that its established procedures provide that:

upon our issuance of the Notes, the depositary will credit the accounts of Direct Participants designated by the underwriters with the principal amounts of the Notes purchased by the underwriters; and

ownership of interests in the global securities will be shown on, and the transfer of the ownership will be effected only through, records maintained by the depositary, the Direct Participants and the Indirect Participants.

The laws of some states require that certain persons take physical delivery in definitive form of securities which they own. Persons required to take physical delivery of securities they own may not be able to purchase beneficial interests in the global securities.

So long as a nominee of the depositary is the registered owner of the global securities, the nominee for all purposes will be considered the sole owner or holder of the global securities under the Junior Indenture. Except as provided below, owners of beneficial interests in the global securities will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive form and will not be considered the owners or holders thereof under the Junior Indenture.

Neither we, the trustee, any paying agent nor the registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global securities, or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

Principal, premium and interest payments on the Notes registered in the name of the depositary's nominee will be made in immediately available funds to the depositary's nominee as the registered owner of the global securities. Under the terms of the Notes, we and the trustee will treat the persons in whose names the Notes are registered as the owners of those Notes for the purpose of receiving payment of principal and interest on those Notes and for all other purposes whatsoever. Therefore, neither we, the trustee nor any paying agent has any direct responsibility or liability for the payment of principal or interest on the Notes to owners of beneficial interests in the global securities. The depositary has advised us and the trustee that its current practice is, upon receipt of any payment of principal or interest, to credit Direct Participants' accounts on the payment date in accordance with their respective holdings of beneficial interests in the global securities as shown on the depositary's records, unless the depositary has reason to believe that it will not receive payment on the payment date. Payments by Direct and Indirect Participants to owners of beneficial interests in the global securities will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Direct and Indirect Participants and not of the depositary, the trustee or us, subject to any statutory requirements that may be in effect from time to time. Payment of principal and interest to the depositary is our responsibility or the responsibility of the trustee; disbursement of those payments to the owners of beneficial interests in the global securities shall be the responsibility of the depositary and Direct and Indirect Participants.

Notes represented by a global security will be exchangeable for Notes in definitive form of like tenor as the global security in denominations of \$2,000 or any multiple of \$1,000 in excess thereof if the depositary notifies us that it is unwilling or unable to continue as depositary for the global security or if at any time the depositary ceases to be a clearing agency registered under applicable law and a successor depositary is not appointed by us within 90 days or we in our discretion at any time determine not to require all of the Notes to be represented by a global security and notify the trustee thereof. Any Notes that are exchangeable pursuant to the preceding sentence are exchangeable for

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Notes issuable in authorized denominations and registered in such names as the depository shall direct. Subject to the foregoing, a global security is not exchangeable, except for a global security or global securities of the same aggregate denominations to be registered in the name of the depository or its nominee.

Clearstream Banking, société anonyme ("Clearstream") and Euroclear Bank S.A./N.V. ("Euroclear") have provided us with the following information and neither we nor the underwriters take any responsibility for its accuracy:

***Clearstream***

Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry transfers between the accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic securities markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (also known as the *Commission de Surveillance du Secteur Financier*). Clearstream participants include underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Clearstream's U.S. participants are limited to securities brokers and dealers and banks. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant either directly or indirectly.

Distributions with respect to Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by the U.S. depository for Clearstream.

***Euroclear***

Euroclear was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear performs various other services, including securities lending and borrowing and interacts with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. under contract with Euroclear plc, a U.K. corporation. Euroclear plc establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks, including central banks, securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear operator is a Belgian bank. As such it is regulated by the Belgian Banking and Finance Commission.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific clearance

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accounts. The Euroclear operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by the U.S. depository for Euroclear.

Euroclear has further advised us that investors who acquire, hold and transfer interests in the Notes by book-entry through accounts with the Euroclear operator or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the global securities certificates.

***Global Clearance and Settlement Procedures***

Secondary market trading between the Direct Participants will occur in the ordinary way in accordance with the DTC rules and will be settled in immediately available funds. Secondary market trading between Clearstream participants and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional eurobonds in immediately available funds.

Cross market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected through DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its U.S. depository; however, such cross market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. depository to take action to effect final settlement on its behalf by delivering or receiving Notes through DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to their respective U.S. depositories.

Because of time zone differences, credits of Notes received through Clearstream or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and will be credited the business day following the DTC settlement date. Such credits or any transactions in such Notes settled during such processing will be reported to the relevant Euroclear participants or Clearstream participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of Notes by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time. Neither we nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective direct or indirect participants of their obligations under the rules and procedures governing their operations.

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**U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following is a discussion of the material U.S. federal income tax considerations relating to the purchase, ownership and disposition of the Notes by U.S. Holders and Non-U.S. Holders (each as defined below) that purchase the Notes at their issue price (generally the first price at which a substantial amount of the Notes is sold, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) pursuant to this offering and hold such Notes as capital assets. This discussion (other than matters stated to be our belief) is the opinion of Debevoise & Plimpton LLP, our counsel. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect, or to different interpretation. This discussion does not address all of the U.S. federal income tax considerations that may be relevant to specific Holders (as defined below) in light of their particular circumstances or to Holders subject to special treatment under U.S. federal income tax law (such as banks, insurance companies, dealers in securities or other Holders that generally mark their securities to market for U.S. federal income tax purposes, tax-exempt entities, retirement plans, regulated investment companies, real estate investment trusts, certain former citizens or residents of the United States, Holders that hold a Note as part of a straddle, hedge, conversion or other integrated transaction or U.S. Holders that have a "functional currency" other than the U.S. dollar). This discussion does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate (except as discussed below for Non-U.S. Holders), gift or alternative minimum tax considerations.

As used in this discussion, the term "U.S. Holder" means a beneficial owner of a Note that, for U.S. federal income tax purposes, is (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (y) that has in effect a valid election under applicable U.S. Treasury regulations to be treated as a U.S. person.

As used in this discussion, the term "Non-U.S. Holder" means a beneficial owner of a Note that is neither a U.S. Holder nor a partnership for U.S. federal income tax purposes, and the term "Holder" means a U.S. Holder or a Non-U.S. Holder.

If an entity treated as a partnership for U.S. federal income tax purposes invests in a Note, the U.S. federal income tax considerations relating to such investment will depend in part upon the status and activities of such entity and the particular partner. Any such entity should consult its own tax advisor regarding the U.S. federal income tax considerations applicable to it and its partners relating to the purchase, ownership and disposition of a Note.

**EACH PERSON CONSIDERING AN INVESTMENT IN THE NOTES SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. INCOME, ESTATE AND OTHER TAX CONSIDERATIONS RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF ITS PARTICULAR CIRCUMSTANCES.**

**Classification of the Notes**

The determination of whether a security should be classified as indebtedness or equity for U.S. federal income tax purposes requires a judgment based on all relevant facts and circumstances. There is no statutory, judicial or administrative authority that directly addresses the U.S. federal income tax treatment of securities similar to the Notes. Based upon an analysis of the relevant facts and



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circumstances, under applicable law as of the issue date of the Notes, the Notes will be treated as indebtedness for U.S. federal income tax purposes. However, there can be no assurance that the Internal Revenue Service (the "IRS") or a court will agree with this determination. No ruling is being sought from the IRS on any of the issues discussed herein.

We agree, and by acquiring an interest in a Note each beneficial owner of a Note agrees, to treat the Notes as indebtedness for U.S. federal income tax purposes, and the remainder of this discussion assumes such treatment.

**U.S. Holders**

*Interest on the Notes*

It is expected, and assumed for purposes of this discussion, that subject to the discussion below, the Notes will not be issued with more than de minimis OID for U.S. federal income tax purposes.

Treasury regulations provide that the possibility that interest on the Notes might be deferred could result in the Notes being treated as issued with OID, unless the likelihood of such deferral is remote. We believe that the likelihood we will elect to defer payment of interest on the Notes is remote, and therefore believe that the possibility of such deferral will not result in the Notes being treated as issued with OID. Accordingly, interest payable on a Note should be taxable to a U.S. Holder as ordinary interest income when it is received or accrued, in accordance with such U.S. Holder's regular method of accounting for U.S. federal income tax purposes. However, no rulings or other interpretations have been issued by the IRS that address the meaning of the term "remote," as used in the applicable Treasury regulations, and there can be no assurance that the IRS or a court will agree with our position.

If the possibility of interest deferral were determined not to be remote, or if interest were in fact deferred, the Notes would be treated as issued with OID at the time of issuance, or at the time of such deferral, as the case may be, and all stated interest, or if interest is in fact deferred all stated interest due after such deferral, would be treated as OID. In such case, a U.S. Holder generally would be required to include such OID in income as it accrues, regardless of its regular method of accounting for U.S. federal income tax purposes, using a constant yield method, before such U.S. Holder receives any payment attributable to such income, and would not separately report the actual cash payments of interest on the Notes as taxable income.

*Sale, Exchange, Retirement or Other Disposition of the Notes*

Upon the sale, exchange, retirement or other disposition of a Note, a U.S. Holder generally will recognize gain or loss in an amount equal to the difference between the amount realized on such sale, exchange, retirement or other disposition (other than any amount attributable to accrued interest, which, if not previously included in such U.S. Holder's income, will be taxable as interest income to such U.S. Holder) and such U.S. Holder's "adjusted tax basis" in such Note. Assuming that interest payments on the Notes are not deferred and that the Notes are not treated as issued with OID, a U.S. Holder's adjusted tax basis in a Note generally will be its initial purchase price. If the Notes are treated as issued with OID, a U.S. Holder's adjusted tax basis in a Note generally will be its initial purchase price, increased by OID previously includible in such U.S. Holder's gross income to the date of disposition and decreased by payments received by such U.S. Holder on such Note since and including the date that such Note was treated as issued with OID. Any gain or loss so recognized generally will be capital gain or loss and will be long-term capital gain or loss if such U.S. Holder has held such Note for more than one year at the time of such sale, exchange, retirement or other disposition. Net long-term capital gain of certain non-corporate U.S. Holders generally is subject to preferential rates of tax. The deductibility of capital losses is subject to limitations.

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**Medicare Tax**

In addition to regular U.S. federal income tax, certain U.S. Holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their "net investment income," which may include all or a portion of their interest (including OID) income on a Note and net gain from the sale, exchange, retirement or other disposition of a Note.

**Information Reporting and Backup Withholding**

Information reporting generally will apply to payments to a U.S. Holder of interest (including OID) on, or proceeds from the sale, exchange, retirement or other disposition of, a Note, unless such U.S. Holder is an entity that is exempt from information reporting and, when required, demonstrates this fact. Any such payment to a U.S. Holder that is subject to information reporting generally will also be subject to backup withholding, unless such U.S. Holder provides the appropriate documentation (generally, IRS Form W-9) to the applicable withholding agent certifying that, among other things, its taxpayer identification number is correct, or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability if the required information is furnished by such U.S. Holder on a timely basis to the IRS.

**Non-U.S. Holders**

**General**

Subject to the discussion below under " FATCA Withholding" and " Information Reporting and Backup Withholding":

(a) payments of principal, interest and premium with respect to a Note owned by a Non-U.S. Holder generally will not be subject to U.S. federal withholding tax; provided that, in the case of amounts treated as payments of interest (which term, for purposes of this discussion of the tax consequences to Non-U.S. Holders, also includes any payment to the extent of any OID that accrued on such Note while held by such Non-U.S. Holder and that has not been previously taken into account for this purpose):

(i) such amounts are not effectively connected with the conduct of a trade or business in the United States by such Non-U.S. Holder;

(ii) such Non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote;

(iii) such Non-U.S. Holder is not a controlled foreign corporation described in section 957(a) of the Code that is related to us through stock ownership;

(iv) such Non-U.S. Holder is not a bank whose receipt of such amounts is described in section 881(c)(3)(A) of the Code; and

(v) the certification requirements described below are satisfied; and

(b) a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain recognized on the sale, exchange, retirement or other disposition of a Note, unless (i) such gain is effectively connected with the conduct of a trade or business in the United States by such Non-U.S. Holder, in which event such gain generally will be subject to U.S. federal income tax in the manner described below, or (ii) such Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of such sale, exchange, retirement or other disposition and certain other conditions are met, in which event such gain (net of certain

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U.S. source losses) generally will be subject to U.S. federal income tax at a rate of 30% (except as provided by an applicable tax treaty).

The certification requirements referred to in clause (a)(v) above generally will be satisfied if the Non-U.S. Holder provides the applicable withholding agent with a statement (generally on IRS Form W-8BEN or W-8BEN-E), signed under penalties of perjury, stating, among other things, that such Non-U.S. Holder is not a U.S. person. U.S. Treasury regulations provide additional rules for a Note held through one or more intermediaries or pass-through entities.

If the requirements set forth in clause (a) above are not satisfied with respect to a Non-U.S. Holder, amounts treated as payments of interest generally will be subject to U.S. federal withholding tax at a rate of 30%, unless another exemption is applicable. For example, an applicable tax treaty may reduce or eliminate this withholding tax if such Non-U.S. Holder provides the appropriate documentation (generally, IRS Form W-8BEN or W-8BEN-E) to the applicable withholding agent.

If a Non-U.S. Holder is engaged in the conduct of a trade or business in the United States, and if amounts treated as interest on a Note or gain recognized on the sale, exchange, retirement or other disposition of a Note are effectively connected with such trade or business, such Non-U.S. Holder generally will not be subject to U.S. federal withholding tax on such interest or gain; provided that, in the case of amounts treated as interest, such Non-U.S. Holder provides the appropriate documentation (generally, IRS Form W-8ECI) to the applicable withholding agent. Instead, such Non-U.S. Holder generally will be subject to U.S. federal income tax on such interest or gain in substantially the same manner as a U.S. Holder (except as provided by an applicable tax treaty). In addition, a Non-U.S. Holder that is treated as a corporation for U.S. federal income tax purposes may be subject to a branch profits tax at a rate of 30% (or a lower rate if provided by an applicable tax treaty) on its effectively connected income for the taxable year, subject to certain adjustments.

***FATCA Withholding***

Under the Foreign Account Tax Compliance Act provisions of the Code and related U.S. Treasury guidance ("FATCA"), a withholding tax of 30% will be imposed in certain circumstances on payments of (i) interest on the Notes and (ii) on or after January 1, 2017, gross proceeds from the sale or other disposition of the Notes. In the case of payments made to a "foreign financial institution" (such as a bank, a broker, an investment fund or, in certain cases, a holding company), as a beneficial owner or as an intermediary, this tax generally will be imposed, subject to certain exceptions, unless such institution (i) has agreed to (and does) comply with the requirements of an agreement with the United States (an "FFI Agreement") or (ii) is required by (and does comply with) applicable foreign law enacted in connection with an intergovernmental agreement between the United States and a foreign jurisdiction (an "IGA") to, among other things, collect and provide to the U.S. tax authorities or other relevant tax authorities certain information regarding U.S. account holders of such institution and, in either case, such institution provides the withholding agent with a certification as to its FATCA status. In the case of payments made to a foreign entity that is not a financial institution (as a beneficial owner), the tax generally will be imposed, subject to certain exceptions, unless such entity provides the withholding agent with a certification as to its FATCA status and, in certain cases, identifies any "substantial" U.S. owner (generally, any specified U.S. person that directly or indirectly owns more than a specified percentage of such entity). If a Note is held through a foreign financial institution that has agreed to comply with the requirements of an FFI Agreement or is subject to similar requirements under applicable foreign law enacted in connection with an IGA, such foreign financial institution (or, in certain cases, a person paying amounts to such foreign financial institution) generally will be required, subject to certain exceptions, to withhold tax on payments made to (i) a person (including an individual) that fails to provide any required information or documentation or (ii) a foreign financial institution that has not agreed to comply with the requirements of an FFI Agreement and is not subject to similar requirements under applicable foreign law enacted in connection with an IGA. Each

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Non-U.S. Holder should consult its own tax advisor regarding the application of FATCA to the ownership and disposition of the Notes.

***Information Reporting and Backup Withholding***

Amounts treated as payments of interest on a Note to a Non-U.S. Holder and the amount of any U.S. federal tax withheld from such payments generally must be reported annually to the IRS and to such Non-U.S. Holder by the applicable withholding agent.

The information reporting and backup withholding rules that apply to payments of interest to certain U.S. Holders generally will not apply to amounts treated as payments of interest to a Non-U.S. Holder if such Non-U.S. Holder certifies under penalties of perjury that it is not a U.S. person (generally by providing an IRS Form W-8BEN or W-8BEN-E to the applicable withholding agent) or otherwise establishes an exemption.

Proceeds from the sale, exchange, retirement or other disposition of a Note by a Non-U.S. Holder effected outside the United States through a non-U.S. office of a non-U.S. broker generally will not be subject to the information reporting and backup withholding rules that apply to payments to certain U.S. persons; provided that the proceeds are paid to the Non-U.S. Holder outside the United States. However, proceeds from the sale, exchange, retirement or other disposition of a Note by a Non-U.S. Holder effected through a non-U.S. office of a non-U.S. broker with certain specified U.S. connections or a U.S. broker generally will be subject to these information reporting rules (but generally not to these backup withholding rules), even if the proceeds are paid to such Non-U.S. Holder outside the United States, unless such Non-U.S. Holder certifies under penalties of perjury that it is not a U.S. person (generally by providing an IRS Form W-8BEN or W-8BEN-E to the applicable withholding agent) or otherwise establishes an exemption. Proceeds from the sale, exchange, retirement or other disposition of a Note by a Non-U.S. Holder effected through a U.S. office of a broker generally will be subject to these information reporting and backup withholding rules, unless such Non-U.S. Holder certifies under penalties of perjury that it is not a U.S. person (generally by providing an IRS Form W-8BEN or W-8BEN-E to the applicable withholding agent) or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability if the required information is furnished by such Non-U.S. Holder on a timely basis to the IRS.

***U.S. Federal Estate Tax***

An individual Non-U.S. Holder who, for U.S. federal estate tax purposes, is not a resident of the United States at the time of such Non-U.S. Holder's death generally will not be subject to U.S. federal estate tax on any part of the value of a Note owned or treated as owned by such Non-U.S. Holder if, at the time of such Non-U.S. Holder's death, (i) such Non-U.S. Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote and (ii) amounts treated as interest earned on such Note are not effectively connected with the conduct of a trade or business in the United States by such Non-U.S. Holder.

Table of Contents**UNDERWRITING (CONFLICTS OF INTEREST)****General**

The Company, the Subsidiary Guarantor and the underwriters for the offering named below, for whom HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC are acting as representatives, have entered into an underwriting agreement with respect to the Notes dated the date of this prospectus supplement. Subject to certain conditions in the underwriting agreement, we have agreed to sell to each of the underwriters named below and each underwriter has severally, and not jointly, agreed to purchase the principal amount of Notes indicated in the following table.

| <b>Underwriter</b>                                    | <b>Principal Amount<br/>of the Notes</b> |
|---|--|
| HSBC Securities (USA) Inc.                            | \$                                       |
| Merrill Lynch, Pierce, Fenner & Smith<br>Incorporated |  |
| Wells Fargo Securities, LLC                           |  |
| Barclays Capital Inc.                                 |  |
| Deutsche Bank Securities Inc.                         |  |
| Goldman, Sachs & Co.                                  |  |
| <b>Total</b>  | <b>\$</b>                                |

The underwriting agreement provides that the obligations of the underwriters to purchase the Notes in connection with this offering are subject to the approval of legal matters by counsel and other conditions. The underwriters are committed to take and pay for all of the Notes being offered, if any are taken.

Notes sold by the underwriters to the public will initially be offered at the public offering price set forth on the cover of this prospectus supplement. Any Notes sold by the underwriters to securities dealers may be sold at a discount from the applicable public offering price of up to % of the principal amount of the Notes. Any such securities dealers may resell any Notes purchased from the underwriters to certain other brokers or dealers at a discount from the public offering price of up to % of the principal amount of the Notes. If all of the Notes are not sold at the public offering price, the underwriters may change the offering price and the other selling terms of the Notes.

**New Issue**

The Notes are a new issue of securities with no established trading market. We have been advised by the underwriters that the underwriters intend to make a market in the Notes but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes.

**Underwriting Discounts**

The following table shows the underwriting discounts that we are to pay to the underwriters in connection with this offering (expressed as a percentage of principal amount):

| <b>Per Note</b> | <b>Paid by the<br/>Company</b> | <b>%</b> |
|-----------------|--------------------------------|----------|
|                 |                                |          |

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**Price Stabilization and Short Positions**

In connection with the offering, the underwriters may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of Notes than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discounts received by it because the representatives have repurchased Notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters, as well as other purchases by the underwriters for their own accounts, may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

**Expenses and Indemnification**

We estimate that our share of the total expenses of the offering, excluding the underwriting discounts, will be approximately \$1.25 million.

We and the Subsidiary Guarantor have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

**Relationships; Conflicts of Interest**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory, commercial banking and investment banking services for us and our affiliates, for which they received or will receive customary fees and expenses. Certain of the underwriters provide credit to our affiliates as lenders from time to time. Certain of the underwriters are also acting as underwriters in connection with the concurrent offering.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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We intend to use the estimated net proceeds from this offering, together with the estimated net proceeds from the concurrent offering, to redeem the Series A preferred stock and the Series B preferred stock, in whole or in part. Because more than 5% of the net proceeds of this offering may be directed to Wells Fargo Securities, LLC or its affiliates as a result of the Series A preferred stock and the Series B preferred stock owned by Wells Fargo Securities, LLC, this underwriter may have a "conflict of interest" with us pursuant to Rule 5121 of FINRA and, accordingly, this offering will be conducted in compliance with the requirements of Rule 5121. Wells Fargo Securities, LLC will not confirm sales to any accounts over which it exercises discretionary authority without first receiving the specific written approval of the account holder.

**European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the other representatives for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

*provided* that no such offer of Notes shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of the above, (i) the expression an "*offer of Notes to the public*" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and (ii) the expression "*Prospectus Directive*" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

**United Kingdom**

Each underwriter has represented and agreed that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 the Notes which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus in circumstances in which Section 21(1) of such Act does not apply to Principal Financial Group, Inc., and that it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

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**VALIDITY OF THE NOTES**

The validity of the Notes and the Subsidiary Guarantee will be passed upon for us by Debevoise & Plimpton LLP, 919 Third Avenue, New York, New York 10022. Certain legal matters relating to the issuance of the Notes and the Subsidiary Guarantee will be passed upon for the underwriters by Pillsbury Winthrop Shaw Pittman LLP, 1540 Broadway, New York, New York 10036. Certain legal matters relating to the issuance of the Subsidiary Guarantee will be passed upon for us by Karen E. Shaff, Executive Vice President, General Counsel and Secretary of the Company.

**EXPERTS**

The consolidated financial statements of Principal Financial Group, Inc. appearing in Principal Financial Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014 (including schedules appearing therein), and the effectiveness of Principal Financial Group, Inc.'s internal control over financial reporting as of December 31, 2014, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at <http://www.sec.gov>, from which interested persons can electronically access our filings with the SEC, including the registration statement to which this prospectus supplement relates (including the exhibits and schedules thereto).

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement, and information that we file later with the SEC prior to the termination of the offering under this prospectus supplement will automatically update and supersede this information. We incorporate by reference the documents listed below and all documents we will file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, other than reports or portions thereof furnished under Item 2.02 or 7.01 on Form 8-K and not specifically incorporated by reference, prior to the termination or completion of the offering under this prospectus supplement:

- (a) Our Annual Report on Form 10-K for the fiscal year ended December 31, 2014;
- (b) Our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015;
- (c) Our Current Report on Form 8-K filed on March 20, 2015; and
- (d) Our Proxy Statement filed on April 8, 2015 for the 2015 Annual Meeting of Stockholders.

You can obtain any of the filings incorporated by reference in this prospectus supplement through us or from the SEC through the SEC's Internet site or at the address listed above. You may request orally or in writing, without charge, a copy of any or all of the documents which are incorporated by reference in this prospectus supplement and the accompanying prospectus. Requests for such copies should be directed to the Office of the Corporate Secretary, Principal Financial Group, Inc., 711 High Street, Des Moines, Iowa 50392, Telephone: 515 247-5111.



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**PROSPECTUS**

**Principal Financial Group, Inc.**

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**Junior Subordinated Debt Securities**  
**Junior Subordinated Debentures**  
**Preferred Stock**  
**Common Stock**  
**Depository Shares**  
**Warrants**  
**Purchase Contracts**  
**Purchase Units**

**Principal Capital I**  
**Principal Capital II**  
**Principal Capital III**

**Preferred Securities Guaranteed**

**as Described in this Prospectus**  
**and the Accompanying Prospectus Supplement**  
**by Principal Financial Group, Inc.**

By this prospectus, we may offer from time to time the securities described in this prospectus separately or together in any combination and the trusts may offer from time to time the trust preferred securities.

We will provide specific terms of any securities and any associated subsidiary guarantee to be offered in supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest. A supplement may also change, add to, update, supplement or clarify information contained in this prospectus.

We will not use this prospectus to confirm sales of any of our securities unless it is attached to a prospectus supplement.

Unless we state otherwise in a prospectus supplement, we will not list any of these securities on any securities exchange.

Our Common Stock is listed on the New York Stock Exchange under the symbol "PFG".

We or the trusts may offer and sell these securities to or through one or more agents, underwriters, dealers or other third parties or directly to one or more purchasers on a continuous or delayed basis.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is May 7, 2014

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement on Form S-3 that we and the trusts filed with the Securities and Exchange Commission utilizing a "shelf" registration process. Under this shelf process, we and the trusts are registering an unspecified amount of each class of the securities described in this prospectus, and we may sell any combination of the securities described in this prospectus in one or more offerings, and the trusts may sell their trust preferred securities. In addition, we or the trusts or any of their respective affiliates may use this prospectus and the applicable prospectus supplement in a remarketing or other resale transaction involving the securities after their initial sale. This prospectus provides you with a general description of the securities we or the trusts may offer. Each time we or the trusts sell securities, we or the trusts will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add to, change, update, supplement or clarify information contained in this prospectus. Any statement that we make in this prospectus will be modified or superseded by any inconsistent statement made by us in a prospectus supplement. The rules of the Securities and Exchange Commission allow us to incorporate by reference information into this prospectus. This information incorporated by reference is considered to be a part of this prospectus, and information that we file later with the Securities and Exchange Commission will automatically update and supersede this information. See "Incorporation by Reference." You should read both this prospectus and any prospectus supplement together with additional information described under the heading "Where You Can Find More Information."

No person has been authorized to give any information or to make any representations, other than those contained or incorporated by reference in this prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by Principal Financial Group, Inc., or any underwriter, agent, dealer or remarketing firm. Neither the delivery of this prospectus nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of Principal Financial Group, Inc. since the date hereof or that the information contained or incorporated by reference herein is correct as of any time subsequent to the date of such information. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Unless otherwise indicated, or the context otherwise requires, references in this prospectus to the "trusts" are to Principal Capital I, Principal Capital II and Principal Capital III, collectively, and references to a "trust" are to Principal Capital I, Principal Capital II or Principal Capital III, individually. Unless otherwise indicated, or the context otherwise requires, references in this prospectus to "Principal," "we," "us" and "our" or similar terms are to Principal Financial Group, Inc. and its subsidiaries, references to the "Subsidiary Guarantor" are to Principal Financial Services, Inc., and references to "Principal Life" are to Principal Life Insurance Company.

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**FORWARD-LOOKING STATEMENTS**

Certain of the statements contained in this prospectus or incorporated by reference are forward-looking statements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and include estimates and assumptions related to economic, competitive and legislative developments. These forward-looking statements are subject to change and uncertainty which are, in many instances, beyond our control and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with management's expectations or that the effect of future developments on us will be those anticipated by management. Actual results could differ materially from those expected by us, depending on the outcome of various factors, including but not limited to, those set forth in our most recently filed Annual Report on Form 10-K (as updated from time to time). These factors include:

adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs, as well as our access to capital and cost of capital;

conditions in the global capital markets and the economy generally may materially and adversely affect our business and results of operations;

continued volatility or declines in the equity, bond or real estate markets could reduce our assets under management ("AUM") and may result in investors withdrawing from the markets or decreasing their rates of investment, all of which could reduce our revenues and net income;

changes in interest rates or credit spreads or a sustained low interest rate environment may adversely affect our results of operations, financial condition and liquidity, and our net income can vary from period-to-period;

our investment portfolio is subject to several risks that may diminish the value of our invested assets and the investment returns credited to customers, which could reduce our sales, revenues, AUM and net income;

our valuation of fixed maturities, equity securities and derivatives may include methodologies, estimations and assumptions which are subject to differing interpretations and could result in changes to investment valuations that may materially adversely affect our results of operations or financial condition;

the determination of the amount of allowances and impairments taken on our investments requires estimations and assumptions which are subject to differing interpretations and could materially impact our results of operations or financial position;

any impairments of or valuation allowances against our deferred tax assets could adversely affect our results of operations and financial condition;

gross unrealized losses may be realized or result in future impairments, resulting in a reduction in our net income;

competition from companies that may have greater financial resources, broader arrays of products, higher ratings and stronger financial performance may impair our ability to retain existing customers, attract new customers and maintain our profitability;

we may not be able to protect our intellectual property and may be subject to infringement claims;

a downgrade in our financial strength or credit ratings may increase policy surrenders and withdrawals, reduce new sales and terminate relationships with distributors, impact existing

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liabilities and increase our cost of capital, any of which could adversely affect our profitability and financial condition;

guarantees within certain of our products that protect policyholders may decrease our earnings or increase the volatility of our results of operations or financial position under U.S. generally accepted accounting principles if our hedging or risk management strategies prove ineffective or insufficient;

if we are unable to attract and retain qualified employees and sales representatives and develop new distribution sources, our results of operations, financial condition and sales of our products may be adversely impacted;

our international businesses face political, legal, operational and other risks that could reduce our profitability in those businesses;

we may face losses if our actual experience differs significantly from our pricing and reserving assumptions;

our ability to pay stockholder dividends and meet our obligations may be constrained by the limitations on dividends Iowa insurance laws impose on Principal Life;

the pattern of amortizing our deferred acquisition cost asset and other actuarial balances on our universal life-type insurance contracts, participating life insurance policies and certain investment contracts may change, impacting both the level of the deferred acquisition cost asset and other actuarial balances and the timing of our net income;

we may need to fund deficiencies in our closed block assets;

a pandemic, terrorist attack, military action or other catastrophic event could adversely affect our net income;

our reinsurers could default on their obligations or increase their rates, which could adversely impact our net income and financial condition;

we face risks arising from acquisitions of businesses;

changes in laws or regulations may reduce our profitability;

we may be unable to mitigate the impact of Regulation XXX and Actuarial Guideline 38, potentially resulting in a negative impact to our capital position and/or a reduction in sales of term and universal life insurance products;

changes in accounting standards may reduce the transparency of our reported profitability and financial condition;

a computer system failure or security breach could disrupt our business, damage our reputation and adversely impact our profitability;

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loss of key vendor relationships or failure of a vendor to protect information of our customers or employees could adversely affect our business or result in losses;

results of litigation and regulatory investigations may affect our financial strength or reduce our profitability;

from time to time we may become subject to tax audits, tax litigation or similar proceedings, and as a result we may owe additional taxes, interest and penalties in amounts that may be material;

fluctuations in foreign currency exchange rates could adversely impact our profitability and financial condition;

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applicable laws and our certificate of incorporation and by-laws may discourage takeovers and business combinations that some stockholders might consider in their best interests;

our financial results may be adversely impacted by global climate changes; and

the risk factors or uncertainties listed from time to time in any prospectus supplement or any document incorporated into this prospectus by reference.

We undertake no obligation to update publicly these forward-looking statements to reflect new information, future events or otherwise.



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**NOTE REGARDING RELIANCE ON STATEMENTS IN OUR CONTRACTS**

In reviewing the agreements included as exhibits to any of the documents incorporated by reference into this prospectus and the accompanying prospectus supplements, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about Principal, its subsidiaries or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;

may apply standards of materiality in a way that is different from what may be viewed as material to investors; and

were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about Principal and its subsidiaries may be found elsewhere in this prospectus and the accompanying prospectus supplement, as well as Principal's other public filings, which are available without charge through the SEC website at [www.sec.gov](http://www.sec.gov).

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**PRINCIPAL FINANCIAL GROUP, INC.**

The Principal Financial Group is a global investment management leader offering retirement services, insurance solutions and asset management. We offer businesses, individuals and institutional clients a wide range of financial products and services, including retirement, asset management and insurance through our diverse family of financial services companies. We had \$495.5 billion in assets under management and approximately 19.2 million customers worldwide as of March 31, 2014.

Our U.S. and international operations concentrate primarily on asset accumulation and asset management. In addition, we offer a broad range of individual and group life insurance, individual and group disability insurance and group dental and vision insurance.

We primarily focus on small and medium-sized businesses, which we define as companies with less than 1,000 employees, providing a broad array of retirement and employee benefit solutions to meet the needs of the business, the business owner and their employees. We are the leading provider of corporate defined contribution plans in the U.S., according to Spectrem Group. We are also the leading employee stock ownership plan consultant. In addition, we are a leading provider of nonqualified plans, defined benefit plans and plan termination annuities. We are also one of the largest providers of non-medical insurance product solutions.

We believe small and medium-sized businesses are an underserved market, offering attractive growth opportunities in the U.S. in retirement services and other employee benefits. We also believe there is a significant opportunity to leverage our U.S. retirement expertise into select international markets that have adopted or are moving toward private sector defined contribution pension systems. This opportunity is particularly compelling as aging populations around the world are driving increased demand for retirement accumulation, retirement asset management and retirement income management solutions.

We organize our business into the following reportable segments: (1) Retirement and Investor Services, which provides a comprehensive portfolio of asset accumulation products and services for retirement savings and investment to businesses and individuals, with a concentration on small and medium-sized businesses; (2) Principal Global Investors, which provides a diverse range of asset management services covering a broad range of asset classes, investment styles and portfolio structures to our other segments and third-party institutional clients; (3) Principal International, which provides retirement products and services, annuities, institutional asset management, annuities and life insurance accumulation products through acquisitions, start-up operations and joint ventures in various countries; and (4) U.S. Insurance Solutions, which provides individual life insurance and specialty benefits, which include group dental, group vision, group life, group disability, wellness and individual disability insurance throughout the U.S. We also have a Corporate segment, which consists of the assets and activities that have not been allocated to any other segment.

We were organized as an individual life insurer in 1879 and formed a mutual insurance holding company in 1998. Principal Financial Group, Inc. was organized on April 18, 2001, as a Delaware business corporation. Under the terms of Principal Mutual Holding Company's Plan of Conversion, Principal Mutual Holding Company converted from a mutual insurance holding company to a stock company subsidiary of Principal Financial Group, Inc., and merged into Principal Financial Services, Inc. on October 26, 2001, when we completed our initial public offering.

The principal executive office for both Principal Financial Group, Inc. and Principal Financial Services, Inc. is located at 711 High Street, Des Moines, Iowa 50392, and the telephone number is (515) 247-5111.

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**THE PRINCIPAL CAPITAL TRUSTS**

We created each trust as a Delaware statutory trust pursuant to a trust agreement. We will enter into an amended and restated trust agreement for each trust, which will state the terms and conditions for the trust to issue and sell its preferred securities and common securities. We will amend and restate each trust agreement in its entirety substantially in the form filed as an exhibit to the registration statement that includes this prospectus. Each trust agreement will be qualified as an indenture under the Trust Indenture Act of 1939, as amended, which we refer to in this prospectus as the "Trust Indenture Act."

Each trust exists for the exclusive purposes of:

issuing and selling to the public preferred securities, representing undivided beneficial interests in the assets of the trust,

issuing and selling to us common securities, representing undivided beneficial interests in the assets of the trust,

using the proceeds from the sale of the preferred securities and common securities to acquire a corresponding series of junior subordinated deferrable interest debentures, which we refer to in this prospectus as the "corresponding junior subordinated debt securities,"

distributing the cash payments it receives from the corresponding junior subordinated debt securities it owns to you and the other holders of preferred securities and us, as the holder of common securities, and

engaging in the other activities that are necessary, convenient or incidental to these purposes.

Accordingly, the corresponding junior subordinated debt securities will be the sole assets of each trust, and payments under the corresponding junior subordinated debt securities and the related expense agreement will be the sole revenue of each trust.

We will own all of the common securities of each trust. The common securities of a trust will rank equally with, and payments will be made pro rata with, the preferred securities of the trust, except that if an event of default under a trust agreement then exists, our rights as holder of the common securities to payment of distributions and payments upon liquidation or redemption will be subordinated to your rights as a holder of the preferred securities of the trust. See "Description of Preferred Securities Subordination of Common Securities."

Unless we state otherwise in a prospectus supplement, each trust has a term of approximately 45 years from its date of formation. A trust may also terminate earlier. The trustees of each trust will conduct its business and affairs. As holder of the common securities we will initially appoint the trustees. Initially, the trustees will be:

Wilmington Trust Company, which will act as property trustee and as Delaware trustee, and

Two of our employees or officers or those of our affiliates, who will act as administrative trustees.

Wilmington Trust Company, as property trustee, will act as sole indenture trustee under each trust agreement for purposes of compliance with the provisions of the Trust Indenture Act. Wilmington Trust Company will also act as trustee under the guarantee and the junior subordinated debt security indenture pursuant to which we will issue the junior subordinated debt securities. See "Description of Junior Subordinated Debt Securities" and "Description of Guarantee by Principal Financial Group, Inc. of the Trust Preferred Securities."

The holder of the common securities of a trust, or the holders of a majority in liquidation preference of the preferred securities if an event of default under the trust agreement for the trust has



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occurred and is continuing, will be entitled to appoint, remove or replace the property trustee and/or the Delaware trustee of the trust. You will not have the right to vote to appoint, remove or replace the administrative trustees. Only we, as the holder of the common securities, will have these voting rights. The duties and obligations of the trustees are governed by the applicable trust agreement. We will pay all fees and expenses related to the trusts and the offering of the preferred securities and will pay, directly or indirectly, all ongoing costs, expenses and liabilities of the trusts, except for payments made on the preferred securities or the common securities, subject to the guarantee.

The principal executive office of each trust is 711 High Street, Des Moines, Iowa 50392, Attention: Corporate Secretary, and its telephone number is (515) 247-5111.

In the future, we may form additional Delaware statutory trusts or other entities similar to the trusts, and those other trusts or entities could issue securities similar to the trust securities described in this prospectus. In that event, we may issue debt securities to those other trusts or entities and guarantees under a guarantee agreement with respect to the securities they may issue. The debt securities and guarantees we may issue in those cases would be similar to those described in this prospectus, with such modifications as may be described in the applicable prospectus supplement.

### **USE OF PROCEEDS**

Unless we state otherwise in a prospectus supplement, we intend to use the proceeds from the sale of the securities offered by this prospectus, including the corresponding junior subordinated debt securities issued to the trusts in connection with their investment of all the proceeds from the sale of preferred securities, for general corporate purposes, including working capital, capital expenditures, investments in subsidiaries, acquisitions and refinancing of debt, including commercial paper and other short-term indebtedness. We will include a more detailed description of the use of proceeds of any specific offering of securities in the prospectus supplement relating to the offering.

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth, for each of the periods indicated, our ratio of earnings to fixed charges.

|  | For the Three Months<br>Ended March 31, |      | For the Years Ended December 31, |      |      |      |      |
|--|---|------|----------------------------------|------|------|------|------|
|  | 2014                                    | 2013 | 2013                             | 2012 | 2011 | 2010 | 2009 |
| Ratio of earnings to fixed charges before interest credited on investment products | 8.7                                     | 5.2  | 6.4                              | 6.0  | 5.1  | 4.7  | 4.4  |
| Ratio of earnings to fixed charges   | 4.6                                     | 2.6  | 3.2                              | 2.6  | 2.2  | 1.8  | 1.6  |

We calculate the ratio of "earnings to fixed charges before interest credited on investment products" by dividing the sum of income from continuing operations before income taxes (BT), interest expense, which includes interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF) less undistributed income from equity investees (E) by the sum of interest expense, which includes interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF), preferred stock dividends by the registrant (PD) and dividends on majority-owned subsidiary redeemable preferred securities (non-intercompany) (D). The formula for this ratio is:  $(BT+I+IF - E) / (I+IF+PD+D)$ .

We calculate the ratio of "earnings to fixed charges" by dividing the sum of income from continuing operations before income taxes (BT), interest expense, which includes interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF) less undistributed income from equity investees (E) and the addition of interest credited on investment products (IC) by interest expense, which includes interest expense incurred on uncertain tax positions (I), interest factor of rental expense (IF), preferred stock dividends by the registrant (PD), dividends on majority-owned subsidiary redeemable preferred securities (non intercompany) (D) and interest credited on investment products (IC). The formula for this calculation is:  $(BT+I+IF - E+IC) / (I+IF+PD+D+IC)$ . "Interest credited on investment products" includes interest paid on guaranteed investment contracts, funding agreements and other investment-only pension products. Similar to debt, these products have a total fixed return and a fixed maturity date.

**DESCRIPTION OF GUARANTEE OF PRINCIPAL FINANCIAL SERVICES, INC.**

Principal Financial Services, Inc. may guarantee, fully and unconditionally or otherwise, our obligations with respect to any non-convertible securities, other than common stock, as described in the applicable prospectus supplement.

If Principal Financial Services, Inc. guarantees these obligations under any such securities, we will tell you in the applicable prospectus supplement and describe the terms of such subsidiary guarantee in such prospectus supplement. Unless we tell you otherwise in the applicable prospectus supplement, such subsidiary guarantee will be an unsecured obligation of Principal Financial Services, Inc. and will be enforceable against Principal Financial Services, Inc. without any need to first enforce against Principal Financial Group, Inc.

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**DESCRIPTION OF THE DEBT SECURITIES**

We may offer unsecured senior debt securities or subordinated debt securities. We refer to the senior debt securities and the subordinated debt securities together in this prospectus as the "debt securities." The senior debt securities will rank equally with all of our other unsecured, unsubordinated obligations. The subordinated debt securities will be subordinate and junior in right of payment to all of our senior debt.

We will issue the senior debt securities in one or more series under an indenture, which we refer to as the "senior indenture," entered into among us, Principal Financial Services, Inc. which we refer to in this prospectus as the Subsidiary Guarantor, as guarantor, and The Bank of New York Mellon Trust Company, N.A., as trustee. We will issue subordinated debt securities in one or more series under an indenture, which we refer to as the "subordinated indenture," between us, the Subsidiary Guarantor, as guarantor, and The Bank of New York Mellon Trust Company, N.A., as trustee.

We may from time to time without notice to, or the consent of, the holders of the debt securities, create and issue additional debt securities under the indentures, equal in rank to existing debt securities in all respects (or in all respects except for the payment of interest accruing prior to the issue date of the new debt securities, or except for the first payment of interest following the issue date of the new debt securities) so that the new debt securities may be consolidated and form a single series with existing debt securities and have the same terms as to status, redemption and otherwise as existing debt securities.

The following description of the terms of the indentures is a summary. It summarizes only those portions of the indentures which we believe will be most important to your decision to invest in our debt securities. You should keep in mind, however, that it is the indentures, and not this summary, which define your rights as a debtholder. There may be other provisions in the indentures which are also important to you. You should read the indentures for a full description of the terms of the debt. The senior indenture and the subordinated indenture are filed as exhibits to the registration statement that includes this prospectus. See "Where You Can Find More Information" for information on how to obtain copies of the senior indenture and the subordinated indenture.

**The Debt Securities Are Unsecured Obligations**

Our debt securities will be unsecured obligations and our senior debt securities will be unsecured and will rank equally with all of our other senior unsecured and unsubordinated obligations.

We are an insurance holding company with no direct operations whose assets include all of the outstanding shares of common stock of the Subsidiary Guarantor. The Subsidiary Guarantor is an intermediary holding company with no direct operations whose assets include all of the outstanding shares of Principal Life Insurance Company ("Principal Life") and other subsidiaries. As a consequence, our ability to satisfy our obligations under the debt securities and the Subsidiary Guarantor's ability to satisfy its obligations under the subsidiary guarantee will depend in large part on the ability of our insurance company and other subsidiaries to declare and distribute dividends or to advance money in the form of intercompany loans. Our insurance company subsidiaries are subject to various statutory and regulatory restrictions, applicable to insurance companies generally, that limit the amount of cash dividends, loans and advances that those subsidiaries may pay. Regulations relating to capital requirements affecting some of our other subsidiaries also restrict their ability to pay dividends and other distributions and make loans to us. The payment of dividends from Principal Life to the Subsidiary Guarantor is subject to restrictions set forth in the insurance laws of the State of Iowa. As a result, our cash flows and ability to service our obligations, including the debt securities, are dependent upon the earnings of our subsidiaries, distributions of those earnings to us and other payments or distributions of funds by our subsidiaries to us. In addition, the debt securities will be effectively subordinated to all existing and future liabilities of our subsidiaries, including those of the Subsidiary

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Guarantor, and the subsidiary guarantee will be effectively subordinated to all existing and future liabilities of the Subsidiary Guarantor's subsidiaries, including obligations to policyholders.

Unless we state otherwise in the applicable prospectus supplement, the indentures do not limit us from incurring or issuing other secured or unsecured debt under either of the indentures or any other indenture that we may have entered into or enter into in the future. See " Subordination under the Subordinated Indenture" and the prospectus supplement relating to any offering of subordinated debt securities.

**Terms of the Debt Securities**

We may issue the debt securities in one or more series through an indenture that supplements the senior indenture or the subordinated indenture or through a resolution of our board of directors or an authorized committee of our board of directors.

You should refer to the applicable prospectus supplement for the specific terms of the debt securities. These terms may include the following:

title of the debt securities,

any limit upon the aggregate principal amount of the series,

maturity date(s) or the method of determining the maturity date(s),

interest rate(s) or the method of determining the interest rate(s),

dates on which interest will be payable and circumstances, if any, in which interest may be deferred,

dates from which interest will accrue and the method of determining those dates,

place or places where we may pay principal, premium, if any, and interest and where you may present the debt securities for registration or transfer or exchange,

place or places where notices and demands relating to the debt securities and the indentures may be made,

redemption or early payment provisions pursuant to any sinking fund or similar provisions,

authorized denominations if other than denominations of \$1,000 or integral multiples of \$1,000,

currency, currencies, or currency units, if other than in U.S. dollars, in which the principal of, premium, if any, and interest on the debt securities is payable, or in which the debt securities are denominated,

any additions, modifications or deletions, in the events of default or covenants of Principal Financial Group, Inc. specified in the indenture relating to the debt securities,



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if other than the principal amount of the debt securities, the portion of the principal amount of the debt securities that is payable upon declaration of acceleration of maturity,

any additions or changes to the indenture relating to a series of debt securities necessary to permit or facilitate issuing the series in bearer form, registrable or not registrable as to principal, and with or without interest coupons,

any index or indices used to determine the amount of payments of principal of and premium, if any, on the debt securities and the method of determining these amounts,

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whether a temporary global security will be issued and the terms upon which these temporary debt securities may be exchanged for definitive debt securities,

whether the debt securities will be issued in whole or in part in the form of one or more global securities,

identity of the depositary for global securities,

appointment of any paying agent(s),

the terms and conditions of any obligation or right we would have or any option you would have to convert or exchange the debt securities into other securities or cash or property of Principal Financial Group, Inc. or any other person and any changes to the indenture to permit or facilitate such conversion or exchange,

in the case of the subordinated indenture, any provisions regarding subordination,