Principal Financial Advisors, Inc.

August 2010

Mr. Radu Dodea
City of Hallandale Beach
City Hall
400 South Federal Highway
Hallandale Beach, FL 33009-6433

RE: City of Hallandale Beach Professional/Management Retirement Plan
Contract No: 4-47771

Dear Mr. Dodea,

Thank you for being a continuing client of Principal Financial Advisors. Enclosed is a copy of your Investment Advisory Report. We are pleased to continue working with you and hope that you find this summary helpful.

Principal Financial Advisors, Inc., is a registered investment adviser and wholly owned subsidiary of the Principal Financial Group®. Federal securities laws require us to offer you a copy of Principal Financial Advisors ADV Part 2. This filing provides information about Principal Financial Advisors and the services we offer. Please let me know if you would like a copy of the ADV Part 2.

Please contact me at the number below if you have any questions regarding this report.

Best regards,

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CC Don Huegerich

Compliance Approval No. 122322007

Principal Financial Advisors, Inc.

Investment Advisory Report
City of Hallandale Beach Professional/Management Retirement Plan

Contract No. 4-47771
October 01, 2009 - June 30, 2010

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Principal Financial Advisors, Inc. Overview

Making informed and effective asset allocation decisions may be one of the most important – and challenging – endeavors an employer undertakes for their retirement plan. This decision is key in determining whether the plan will meet its long-term investment goals and objectives. At the Principal Financial Group® (The Principal®), we understand the challenges and pressures employers face as a retirement plan sponsor, including the selection of optimal investment options.

For over 20 years, Principal Financial Advisors, Inc., a registered investment advisor and a member company of the Principal Financial Group®, has been providing asset allocation solutions for clients. As of June 30, 2010, we manage more than $5 billion in assets overall and have more than 400 clients using our advisory services for retirement plans.

Our mission is to provide high quality investment advisory and consulting services to help clients meet their goals and objectives by offering premier investment managers and customized asset allocation solutions.

The investment advisory services of Principal Financial Advisors, Inc., are consistent with the following core beliefs:

1) Strategic asset allocation decisions are key determinants of investor success.
2) Liability analysis and plan sponsor attributes dictate asset allocation decisions for defined benefit plans.
3) Diversification by asset class, style, and manager is the primary tool for limiting investment risk.
4) Value is added through manager selection.

Principal Financial Advisors, Inc., provides:

1) Benefits of the Principal Due Diligence Program℠ provided by Principal Life Insurance Company.
2) Asset liability analysis for defined benefit plans and scenarios to help meet your plan's goals.
3) Assumption of fiduciary responsibility for asset allocation decisions.*
4) Experienced investment personnel.
5) Comprehensive reporting and top-tier client service.

Principal Financial Advisors, Inc., focuses on long-term asset allocation strategies with the goal of providing optimal return and risk scenarios to help meet your defined benefit plan's goals.

* The plan sponsor remains the named fiduciary of the plan, but Principal Financial Advisors, Inc., has been selected as the plan's investment advisor.

Portfolio and Strategic Asset Allocation Review

Investment Review - Allocation 10/01/2009 through 06/30/2010					
Investment Advisor	Investment Option	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
	Large U.S. Equity				
	Large Value				
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 17, 22, 31, 41]	$426,293	5.38%	$437,833	5.32%
UBS / TS&W	LargeCap Value I Separate Account-R6 [15, 41, 45]	$787,807	9.95%	$796,325	9.68%
	Large Blend				
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 9, 24]	$532,966	6.73%	$557,378	6.77%
	Large Growth				
Columbus Circle Investors	LargeCap Growth Separate Account-R6 [25]	$609,164	7.69%	$637,891	7.75%
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 35, 41, 43]	$606,175	7.65%	$649,824	7.90%
	Small/Mid U.S. Equity				
	Mid Cap Value				
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1, 13, 26]	$144,849	1.83%	$159,568	1.94%
	Mid Cap Growth				
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 12, 27, 41]	$144,961	1.83%	$156,719	1.90%
	Small Value				
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 15, 35, 38, 41]	$143,555	1.81%	$154,866	1.88%
	Small Growth				
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 41, 42]	$144,405	1.82%	$155,194	1.89%
	International Equity				
	Diversified Emerging Markets				
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	$113,737	1.44%	$119,856	1.46%
	Foreign Large Value				
AXA Rosenberg/Causeway	International Value I Separate Account-R6 [4, 15, 41]	$338,705	4.28%	$313,597	3.81%
	Foreign Large Blend				
Fidelity / Schroders	International I Separate Account-R6 [4, 15, 19, 29, 41, 46]	$329,691	4.16%	$310,317	3.77%
	Foreign Large Growth				
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	$337,177	4.26%	$333,961	4.06%
	Real Estate				
	Owned Real Estate				
Principal Real Estate Inv	U.S. Property Separate Account-R6 [6]	$316,172	3.99%	$315,211	3.83%
	Real Estate				
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 8]	$167,800	2.12%	$201,842	2.45%

Portfolio and Strategic Asset Allocation Review

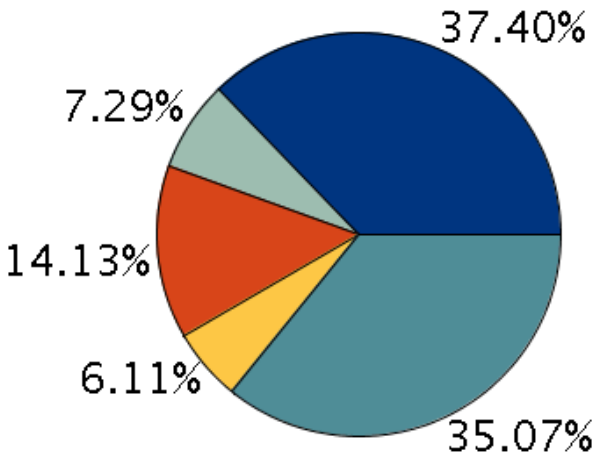
Investment Review - Allocation 10/01/2009 through 06/30/2010					
Investment Advisor	Investment Option	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
	Fixed Income				
	High Yield Bond				
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 15, 18, 20, 21, 30]	$357,505	4.51%	$416,967	5.07%
	Intermediate-Term Bond				
PIMCO	Core Plus Bond I Separate Account-R6 [15, 18, 21]	$998,032	12.60%	$1,080,726	13.13%
Principal Global Investors	Bond and Mortgage Separate Account-I2 [18, 21]	$1,006,209	12.70%	$959,140	11.66%
	Inflation-Protected Bond				
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [15, 18, 21, 32]	$416,376	5.26%	$472,017	5.74%
TOTAL		$7,921,579	100%	$8,229,232	100%

Please see important disclosures at the end of this presentation.

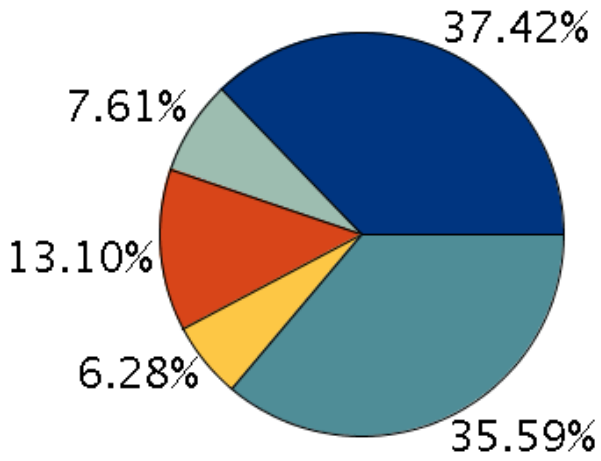
Portfolio and Strategic Asset Allocation Review

Asset Class Breakdown

Beginning % As Of 10/01/2009



Ending % As Of 06/30/2010

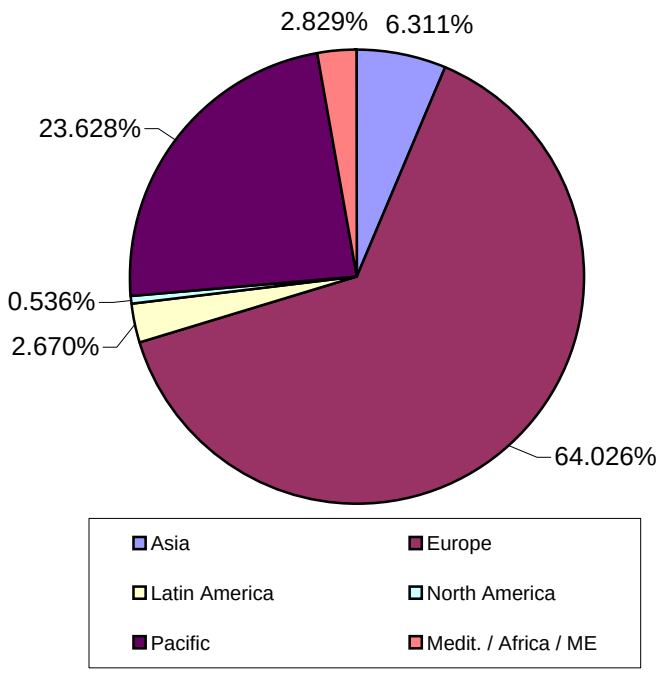


- Large U.S. Equity
- Small/Mid U.S. Equity
- International Equity
- Real Estate
- Fixed Income

Holdings of International Separate Accounts by Region as of June 30, 2010

Asia	**6.311%**
China	1.316%
India	0.841%
Indonesia	0.340%
Malaysia	0.255%
Pakistan	-
Philippines	0.049%
South Korea	2.345%
Taiwan	1.125%
Thailand	0.041%
Europe	**64.026%**
Austria	0.096%
Belgium	0.977%
Denmark	1.540%
Finland	0.589%
France	7.946%
Germany	7.459%
Greece	0.277%
Ireland	0.106%
Italy	2.088%
Luxembourg	6.738%
Netherlands	4.704%
Norway	1.628%
Portugal	0.305%
Spain	2.461%
Sweden	2.297%
Switzerland	8.377%
United Kingdom	16.439%

Latin America	**2.670%**
Argentina	-
Bermuda	0.011%
Brazil	1.730%
British Virgin Islands	0.078%
Cayman Islands	-
Chile	0.137%
Colombia	-
Mexico	0.715%
Peru	-
North America	**0.536%**
Canada	0.493%
United States	0.043%
Pacific	**23.628%**
Australia	5.426%
Hong Kong	2.984%
Japan	14.133%
New Zealand	0.019%
Singapore	1.067%
Medit. / Africa / ME	**2.829%**
Cyprus	0.011%
Czech Republic	0.035%
Egypt	0.022%
Hungary	-
Iceland	-
Israel	0.839%
Morocco	-
Poland	0.109%
Russia	0.722%
Slovenia	-
South Africa	0.798%
Turkey	0.294%



Portfolio and Strategic Asset Allocation Review

The table below illustrates the plan's target allocation for new contributions at the beginning and end of the reporting period.

Your plan's assets and liabilities are reviewed periodically during the year and we make changes as needed. We will continue to monitor your plan and adjust its allocation as necessary.

Target Allocation 10/01/2009 through 06/30/2010			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	Large U.S. Equity	36.80%	36.80%
	Large Value		
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 17, 22, 31, 41]	4.80%	5.30%
UBS / TS&W	LargeCap Value I Separate Account-R6 [15, 41, 45]	9.20%	9.80%
	Large Blend		
Goldman Sachs Asset Mgt	LargeCap Blend I Separate Account-R6 [*10]	8.80%	0.00%
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 9, 24]	0.00%	6.60%
	Large Growth		
Columbus Circle Investors	LargeCap Growth Separate Account-R6 [25]	7.00%	7.60%
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 35, 41, 43]	7.00%	7.50%
	Small/Mid U.S. Equity	7.20%	7.20%
	Mid Cap Value		
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1, 13, 26]	1.80%	1.80%
	Mid Cap Growth		
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 12, 27, 41]	1.80%	1.80%
	Small Value		
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 15, 35, 38, 41]	0.00%	1.80%
JP Morgan/Mellon Capital Mgmt	SmallCap Value I Separate Account-R6 [*1, 3, 16, 41]	1.80%	0.00%
	Small Growth		
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 41, 42]	1.80%	1.80%
	International Equity	13.90%	13.90%
	Diversified Emerging Markets		
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	1.40%	1.40%
	Foreign Large Value		
AXA Rosenberg/Causeway	International Value I Separate Account-R6 [4, 15, 41]	4.20%	4.20%
	Foreign Large Blend		
Fidelity / Schroders	International I Separate Account-R6 [4, 15, 19, 29, 41, 46]	4.10%	4.10%

Portfolio and Strategic Asset Allocation Review

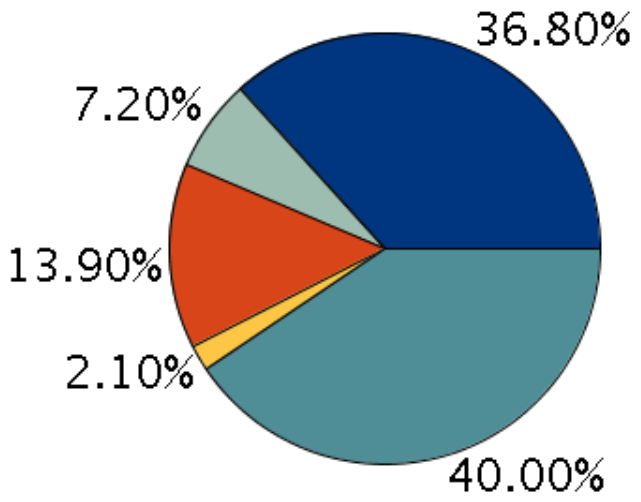
Target Allocation 10/01/2009 through 06/30/2010			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	Foreign Large Growth		
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	4.20%	4.20%
	Real Estate	2.10%	2.10%
	Real Estate		
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 8]	2.10%	2.10%
	Fixed Income	40.00%	40.00%
	High Yield Bond		
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 15, 18, 20, 21, 30]	4.40%	4.40%
	Intermediate-Term Bond		
PIMCO	Core Plus Bond I Separate Account-R6 [15, 18, 21]	15.20%	15.20%
Principal Global Investors	Bond and Mortgage Separate Account-I2 [18, 21]	15.30%	15.30%
	Inflation-Protected Bond		
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [15, 18, 21, 32]	5.10%	5.10%

Please see important disclosures at the end of this presentation.

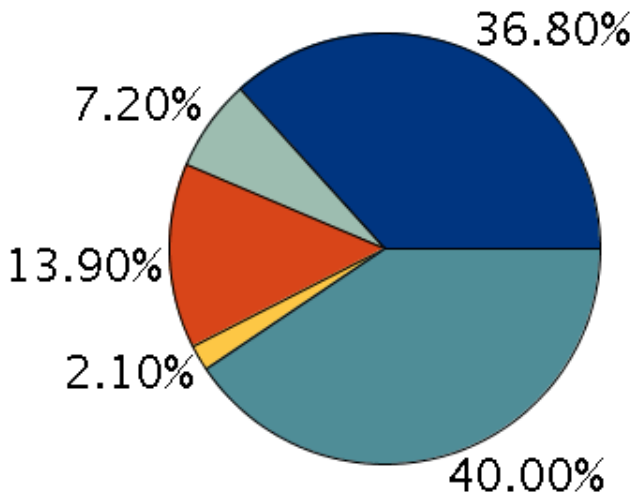
Portfolio and Strategic Asset Allocation Review

Please note that a slight variance between your plan's target allocation displayed in this report and its weightings is normal. This variance is due to changes in your account values caused by fluctuations in the market. We periodically initiate rebalancing transfers to bring the plan's assets back to its target allocation.

Beginning Target Allocation As Of October 01, 2009



Ending Target Allocation As Of June 30, 2010



- Large U.S. Equity
- Small/Mid U.S. Equity
- International Equity
- Real Estate
- Fixed Income

Portfolio and Strategic Asset Allocation Review

This section of your report includes all investment options with plan assets as of the end of the reporting period.

Large U.S. Equity		
Large Value	**Large Blend**	**Large Growth**
LargeCap Value III Separate Account-R6 [3, 17, 22, 31, 41] AllianceBernstein Investments Westwood Management LargeCap Value I Separate Account-R6 [15, 41, 45] UBS Global Asset Management TS&W Thompson, Siegel & Walmsley LLC Investment Management	LargeCap S&P 500 Index Separate Account-R6 [2, 9, 24] ++	LargeCap Growth Separate Account-R6 [25] Columbus Circle Investors LargeCap Growth I Separate Account-R6 [3, 35, 41, 43] T.Rowe Price Invest with Confidence Brown Advisory
Small/Mid U.S. Equity		
Mid Cap Value	**Mid Cap Blend**	**Mid Cap Growth**
MidCap Value III Separate Account-R6 [1, 13, 26] Principal Global Investors Barrow, Hanley, Mewhinney & Strauss, Inc.		MidCap Growth III Separate Account-R6 [1, 12, 27, 41] Turner investment partners Mellon Capital Management Jacobs Levy Equity Management
Small Value	**Small Blend**	**Small Growth**
SmallCap Value II Separate Account-R6 [1, 15, 35, 38, 41] Dimensional Vaughan Nelson Investment Management, LP Los Angeles Capital Management		SmallCap Growth II Separate Account-R6 [1, 3, 41, 42] Emerald Advisers, Inc. Essex

Portfolio and Strategic Asset Allocation Review

International Equity	Real Estate	Balanced/Asset Allocation
International Value I Separate Account-R6 [4, 15, 41] AXA Rosenberg An AXA Investment Managers Company Causeway Capital Management LLC International I Separate Account-R6 [4, 15, 19, 29, 41, 46] Fidelity Investments Schroders International Emerging Markets Separate Account-R6 [4] International Growth Separate Account-R6 [3, 4] Principal Global Investors℠	Real Estate Securities Separate Account-R6 [3, 8] U.S. Property Separate Account-R6 [6] Principal Real Estate Investors	
Short-Term Fixed Income	**Fixed Income**	
	Inflation Protection Separate Account-R6 [15, 18, 21, 32] BlackRock High Yield I Separate Account-R6 [5, 15, 18, 20, 21, 30] J.P.Morgan Asset Management Neuberger Berman Core Plus Bond I Separate Account-R6 [15, 18, 21] PIMCO The Authority On Bonds™ Bond and Mortgage Separate Account-I2 [18, 21] Principal Global Investors℠	

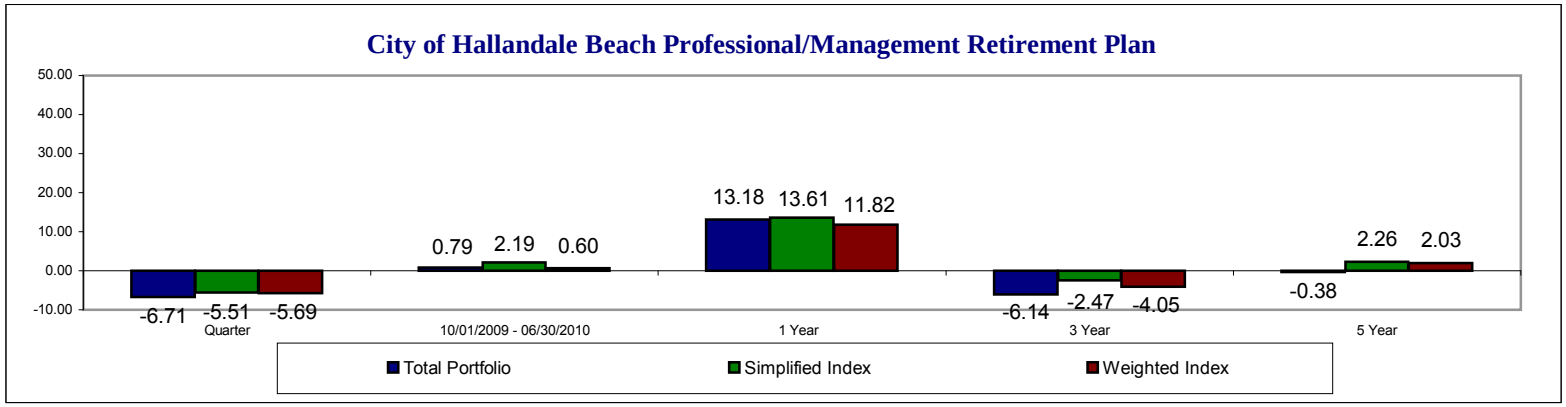
Please see important disclosures at the end of this presentation.

Portfolio Performance Review

Return Information as of 06/30/2010

Time and Dollar Weighted Returns (returns achieved by your plan)	Quarter	10/01/2009 - 06/30/2010	1 Year	3 Year	5 Year
Total Portfolio	-6.71	0.79	13.18	-6.14	-0.38
Simplified Index	-5.51	2.19	13.61	-2.47	2.26
Weighted Index	-5.69	0.60	11.82	-4.05	2.03
Difference - Simplified Index	-1.20	-1.40	-0.43	-3.67	-2.64
Difference - Weighted Index	-1.02	0.19	1.36	-2.09	-2.41

Portfolio's Fixed Income Return	2.70	7.82	15.20	1.79	2.18
Barclays Capital Aggregate Bond Index	3.49	5.54	9.50	7.55	5.54
Portfolio's U.S. Equity Return	-12.02	-1.67	14.11	-9.43	-2.15
Russell 3000 Index	-11.32	-0.51	15.72	-9.47	-0.48
Portfolio's International Equity Return	-13.61	-9.78	7.15	-11.64	-1.15
MSCI - EAFE Index NDTR D	-13.98	-11.36	5.90	-13.39	0.87
Portfolio's Real Estate Return	0.63	4.55	8.76	-9.27	-0.81
Blended Real Estate Index (75% NFI-ODCE, 25% MSCI US	2.04	3.97	5.36	-10.06	-0.06



We calculated performance of your plan assets with information provided to us by Principal Life Insurance Company from your June 30, 2010 Contractholder Fund Statement.

Please see important disclosures at the end of this presentation.

Market & Performance Commentary

Principal Financial Advisors Second Quarter 2010 Market Overview and Commentary

After Lengthy Rally, Stocks Shift Direction

Following four positive quarters in a row, both U.S. and international stocks fell in the second quarter of 2010. The rally ended as investor concerns mounted about economic stability in Europe, slowing growth in China and the sustainability of the U.S. recovery.[1]

Europe's troubles, which started with the revelation of Greece's staggering deficit and debt load, broadened as it became apparent other countries (such as Spain and Portugal) faced similar issues. Markets reacted negatively to the exposure of European banks to the sovereign and corporate debt of these countries, despite the nearly $1 trillion bailout plan put in effect by the European Union and International Monetary Fund. In China, the government's decision to reign in real estate growth weighed on international investors, as did new data indicating a slowdown in China's pace of economic growth.[2]

A Sputtering U.S. Recovery?

Negative economic data reported during the quarter pointed to slowing growth across the U.S. economy:

- Employers continued their reluctance to add staff. May payrolls were meager, following gains in April and March.[3]
- Gross Domestic Product (GDP) for the first quarter came in lower than expected. The 2.7% gain was a sharp drop from the 5.6% increase for fourth quarter 2009.[4]
- After rising for three consecutive months, consumer confidence fell unexpectedly in June, reflecting consumers' uncertainty about jobs and income.[5]
- Following expiration of the home buyer tax credit in April, new-home sales fell in May to a seasonally adjusted, annual rate of 300,000 (the lowest number since the government began tracking the figure in 1963).[6] Meanwhile, existing home sales fell 2.2% in May after gaining 8% in April.[7]

After its June meeting, the Federal Reserve reaffirmed its belief that economic recovery is proceeding, but also acknowledged that "financial conditions have become less supportive of economic growth…" and restated its intention to keep the fed funds interest rate very low "for an extended period."[8]

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[1] On the Other Hand: Economic Insights, Second Quarter 2010, by Bob Baur and the Principal Global Investors Economic Committee
[2] The Conference Board Leading Economic Index® (LEI) for China, measuring economic activity, increased 0.3% in April following increases of 1.2% in March and 0.4% in February.
[3] U.S. Bureau of Labor Statistics: Employment Situation Summary 6/4/2010 (www.bls.gov)
[4] Bureau of Economic Analysis, US Dept of Commerce (www.bea.gov)
[5] www.conference-board.org
[6] National Association of Home Builders (www.nahb.com)
[7] www.realtor.org National Association of Realtors
[8] Federal Reserve press release dated 6/23/10 (www.federalreserve.gov)

Market & Performance Commentary

In U.S. Stocks, All Sectors Struggle

The broad U.S. stock market posted a return of -11.3% as all sectors within the Russell 3000 Index delivered negative performance. The economically sensitive materials sector struggled the most. Financial stocks also were under acute pressure, as many investors grappled with the changing landscape of regulatory reform and how it might impact the industry. In this environment, growth and value performed similarly among large- and mid-cap stocks, while within small-caps, value slightly underperformed growth. From a market-cap perspective, small-caps outperformed large-caps.[9]

International Stocks Also Plummet

International stocks in developed markets returned -14.0%,[10] reflecting in part the precarious financial situation in Europe. Emerging markets performed better, but still delivered -8.37%.[11]

REITs Outperform Stocks for Quarter

Real estate investment trusts returned -4.0%[12] to outperform the broad U.S. stock market. Although real estate fundamentals were still unfavorable, access to capital for commercial real estate had improved, which drew investors hoping to participate in the asset class's recovery.

In "Flight to Safety," Treasuries Outperform

Within fixed income, risk aversion was apparent as many investors turned to the "safe haven" of U.S. Treasuries, which outperformed other fixed-income sectors. By quarter-end, the yield on the benchmark 10-year Treasury had fallen from 3.84% to 2.95%. (Bond prices and yields move in opposite directions.) Meanwhile, investment-grade corporate bonds fell -2.25% relative to duration-adjusted Treasuries. Returns were slightly worse in the financial segment of the corporate bond market (down 2.97% relative to duration-adjusted Treasuries), due in part to uncertainty and anxiety surrounding financial regulation reform. Commercial mortgage-backed securities and asset-backed securities also lagged Treasuries, while mortgage-backed securities managed to outperform Treasuries by 0.01%.[13] Finally, high-yield bonds returned -3.86% relative to duration-adjusted Treasuries, with the lowest-rated (highest risk) high-yield bonds performing the worst.[14]

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[9] As measured by Russell family of indexes
[10] As measured by the MSCI EAFE Index
[11] As measured by the MSCI EM Index
[12] MSCI U.S. REIT Index
[13] as measured by components of Barclays Capital Aggregate Bond Index
[14] Returns as measured by components of Barclays Capital High Yield Index

Market & Performance Commentary

Index Performance

	As of June 30, 2010	
Index	Q2 2010 (%)	Last 12 months ending 06/30/2010 (%)
Russell 3000 (Broad Market)	-11.32	15.72
S&P 500 (Quality Large Caps)	-11.43	14.43
NASDAQ Composite	-12.04	14.94
Russell Mid-Cap	-9.88	25.13
Russell 2000 (Small Caps)	-9.92	21.48
Russell 1000 Value	-11.15	16.92
Russell 1000 Growth	-11.75	13.62
MSCI EAFE (Core International)	-13.97	5.92
MSCI Emerging Markets (Developing Economies)	-8.37	23.15
MSCI US REIT	-3.99	55.23
Barclays Capital Treasury Bellwethers 3 Month	0.04	0.17
Barclays Capital US TIPS	3.82	9.52
Barclays Capital Long US Treasury Zeros	13.45	15.07
Barclays Capital Aggregate Bond	3.49	9.50
Barclays Capital High Yield	-0.11	26.77

Second Quarter 2010 Performance Summary

The asset allocation strategies of Principal Financial Advisors, Inc. posted negative returns, with the exception of the most conservative strategy, and lagged their respective custom benchmark indexes. Performance reflected the uptick in risk aversion which led to volatility and weak results in both the equity and fixed-income segments. In this environment, performance relative to their benchmarks was slightly worse in our fixed income-focused strategies, reflecting the underperformance of non-U.S. Treasury sectors — where most of our fixed-income portfolio is focused.

Market & Performance Commentary

U.S. Equities Lag the Russell 3000 Index

The U.S. equities segment of our strategies underperformed the broad U.S. equities market (as measured by the Russell 3000 Index), driven in part by manager underperformance within our large-cap value allocation; the large-cap value investment options within our strategies lagged not only the Russell 1000 Value Index, but also the Russell 3000 Index. Manager underperformance within the investment options that comprise our large-cap growth allocation also was a detractor. This unfavorable large-value and large-growth performance was offset by our allocation to small- and mid-cap stocks. Strong manager performance in the small-cap growth investment options within our strategies also was helpful.

International Equities Add to Returns

The international equity segment outperformed the MSCI EAFE Index, led by our allocation to international emerging markets. Our allocation to international growth also was rewarded, along with strong manager performance within our allocation to core international equities. Our allocation to international value, combined with manager underperformance within that investment option, offset otherwise favorable results.

Fixed-Income Segment Falters

The fixed-income segment of our strategies faltered this quarter, underperforming the Barclays Capital Aggregate Bond Index. Our allocation to high-yield bonds hurt returns the most, as this asset class significantly underperformed the Barclays Capital Aggregate Bond Index. Underperformance by the managers of the two core bond investment options within our strategies was detrimental, as both failed to keep pace with the index. On a positive note, our allocation to U.S. Treasury inflation-protected securities (TIPS) and manager outperformance within that investment option were beneficial.

Positive Absolute Returns in Real Estate

The Real Estate Securities Separate Account, sub-advised by Principal Real Estate Investors, added value for the broad domestic equity allocation by significantly outpacing the Russell 3000 Index. Meanwhile, the U.S. Property Separate Account, also sub-advised by Principal Real Estate Investors, generated a solid positive return as the pace of asset-value depreciation moderated considerably. This Separate Account outperformed the broad fixed-income market (as measured by Barclays Capital Aggregate Bond Index).

Market & Performance Commentary

Last 12 Months Ending June 30, 2010

All of our asset allocation strategies outpaced their custom benchmark indexes for the year, led by strong results in the fixed-income-focused strategies — due in large part to healing that occurred in the credit markets and investors' improved appetite for risk (although this sentiment reversed in the second quarter of 2010). In particular, the investment strategy of underweighting Treasuries in favor of higher-yielding fixed-income sectors was strongly rewarded in this environment.

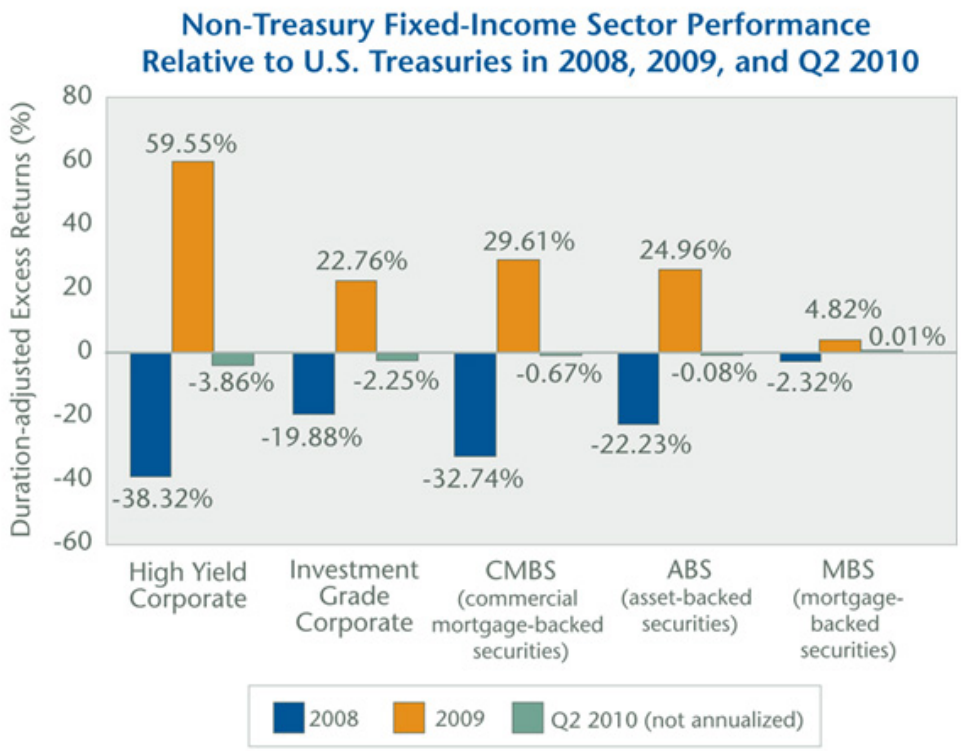
U.S. Equities Outpace the Russell 3000 Index
The U.S. equities segment of our strategies outperformed the broad U.S. equities market (as measured by the Russell 3000 Index). An allocation to small-cap value boosted returns, as did manager performance (i.e., our small-cap value investment option outperformed not only the Russell 2000 Index Value Index, but also the Russell 3000 Index). An allocation to mid-cap stocks was a further positive. Strong manager performance within large-cap growth also benefited results. Overall, exposure to large-cap growth and large-cap blend stocks detracted from results, as these segments underperformed the broad U.S. equities market.

International Equities Add to Returns
Similar to the quarter, the international equity segment outperformed the MSCI EAFE Index, led by our allocation to international emerging markets. An allocation to international growth was also rewarded. An allocation to international value offset otherwise favorable results; fortunately, our international value manager performed in line with the MSCI EAFE Index, which mitigated this effect. Manager underperformance within core international also hampered returns, as both of our managers within this segment underperformed the MSCI EAFE Index.

Market & Performance Commentary

Fixed-Income Segment Boosts Absolute and Relative Returns

The fixed-income segment of our strategies continued to perform well, maintaining an advantage over the Barclays Capital Aggregate Bond Index despite weak results in the second quarter of this year. Both of our core bond managers contributed positively to returns. An allocation to high-yield bonds also benefited significantly, as this asset class led the broad fixed-income market. Individually, each of our fixed-income investment options contributed to the outperformance.



Souce: Barclays Capital US Aggregate Bond Index
Past performance is no guarantee of future results.

Market & Performance Commentary

As the credit markets healed and non-Treasury fixed-income sectors improved, our fixed-income segment was positioned to outperform. The Bond and Mortgage Separate Account, sub-advised by Principal Global Investors, was a primary positive contributor due to its overweight to the top-performing fixed-income sector, commercial mortgage-backed securities, and out-of-index exposure to high-yield bonds. The High Yield I Separate Account, sub-advised by JP Morgan and Neuberger Berman, also added significant value, as the high-yield sector led all U.S. fixed income for the year. This trend faltered in the second quarter of 2010 when risk aversion increased. Our fixed-income segment suffered in this environment.

Positive Absolute Returns in Real Estate

The Real Estate Securities Separate Account added value for the broad domestic equity allocation by significantly outpacing the Russell 3000 Index. Meanwhile, the U.S. Property Separate Account hindered performance as asset-value depreciation resulted in a sharply negative absolute return.

Our Goal: Strong Long-Term Performance

Principal Financial Advisors recognizes that investing for retirement requires a long-term perspective. We implement and maintain a core asset allocation strategy for each client based on a solid set of fundamental views that are designed to help maximize long-term returns while helping to control long-term risks. In this manner, we can help avoid overreacting to short-term market events that many times have little if any impact on a portfolio when compared to the portfolio's overall long-term performance. Instead, we strive to deliver consistently strong investment results over the long term for our clients' benefit.

Due Diligence Update

Over the past year the following actions have impacted client portfolios designed by Principal Financial Advisors, Inc.

Investment Manager	Investment Option	Action Taken
AXA Rosenberg An AXA Investment Managers Company; Causeway Capital Management LLC	International Value I Separate Account	**Placed on Watch List in April 2010** – This Separate Account was placed on the Watch List for qualitative reasons due to information the due diligence team of Principal Life Insurance Company (Principal Life) received from AXA Rosenberg on April 15, 2010. AXA Rosenberg (which uses multiple risk models and quantitative tools in its investment process) revealed that in 2009, while conducting research on a risk modeling enhancement, the firm discovered a coding error that affected the flow of information between its risk model and portfolio optimization process. AXA Rosenberg is not certain whether client portfolios were impacted positively or negatively by the coding error and has hired an outside consultant that is currently conducting a review of the situation. Please note: The other two investment managers for this core-satellite investment option[1] – Causeway and Principal Management Corporation – remain in good standing; placement on the qualitative Watch List was triggered solely by AXA Rosenberg.
Principal Global Investors℠	International Growth Separate Account	**Placed on Watch List in September 2009** – This Separate Account received a quantitative grade of "Less Favorable" for three out of four quarters[2] and was placed on the Watch List in September 2009. The investment process of Principal Global Investors tends to struggle during periods of extreme market volatility and inflection points which characterize the markets over the past several quarters.
Emerald Advisers, Inc.; Essex	SmallCap Growth II Separate Account	**Removed UBS as Sub-Advisor in July 2009** – In June 2009, Principal Life informed clients that UBS would be terminated as a sub-advisor on this investment option due to underperformance. As part of the new core-satellite structure, a substantial portion of the assets managed by UBS was absorbed by the core portfolio; remaining assets were allocated to Emerald and Essex.[1]

The due diligence team of Principal Life Insurance Company will continue to monitor performance of all Separate Accounts placed on the Watch List. [3]

[1] In a core-satellite structure, a Separate Account is comprised of a "core" portfolio plus two or more sub-advised "satellite" portfolios. Comprised of an enhanced index, the core portfolio is actively managed within narrow risk constraints while each actively-managed satellite portfolio strives to deliver excess return relative to the benchmark. Principal Management Corporation has responsibility for portfolio management of all core portfolios.

[2] Based on the quantitative scoring criteria of the Principal Due Diligence Program℠

[3] According to the guidelines of The Principal Due Diligence Program℠, Separate Accounts may be placed on the Watch List for a period not to exceed 12 months. Any resulting action from the Principal Due Diligence Program℠ process may affect the client portfolios designed by Principal Financial Advisors.

Investment Option Performance

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown.

The gross total investment expense figure does not reflect any waivers or caps on the mutual fund or underlying mutual fund in which a Separate Account invests. Returns displayed are always based on net total investment expense.

For more performance information, including most recent month-end performance, visit the Principal Sponsor Service Center SM at www.principal.com, contact your representative of the Principal Financial Group® (The Principal®), or call our Client Contact Center at 1-800-547-7754.

		Rates of Return through 06/30/2010							Percentile Rankings as of 06/30/2010					
Investment Advisor	Investment Option	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Large U.S. Equity													
	Large Value													
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 17, 22, 31, 41]	-13.03	12.32	-16.01	-4.46	-	0.56	12/29/2000	-	61	94	93	-	0.94
UBS / TS&W	LargeCap Value I Separate Account-R6 [15, 41, 45]	-13.52	11.09	-13.85	-2.83	-	-0.22	06/01/2004	-	75	82	76	-	0.95
	Russell 1000 Value Index	-11.15	16.92	-12.32	-1.64	2.38	-	-		-	-	-	-	-
	Morningstar Category Average - Large Value	-11.78	13.64	-11.56	-1.58	2.06	Total Funds in Category		1323	1283	1135	952	494	-
	Large Blend													
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 9, 24]	-11.47	14.05	-10.04	-1.07	-1.91	7.28	01/01/1990	-	36	51	54	67	0.31
	Standard & Poor's 500 Index	-11.43	14.43	-9.81	-0.79	-1.59	-	-		-	-	-	-	-
	Morningstar Category Average - Large Blend	-11.57	13.43	-9.93	-0.85	-0.78	Total Funds in Category		2154	2062	1810	1486	772	-
	Large Growth													
Columbus Circle Investors	LargeCap Growth Separate Account-R6 [25]	-12.47	14.56	-8.41	0.04	-4.28	4.69	06/01/1995	-	25	56	44	65	0.71
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 35, 41, 43]	-10.86	17.58	-5.33	0.87	-	-1.46	12/29/2000	-	10	16	28	-	0.90
	Russell 1000 Growth Index	-11.75	13.62	-6.91	0.38	-5.14	-	-		-	-	-	-	-
	Morningstar Category Average - Large Growth	-12.11	12.41	-8.11	-0.18	-3.37	Total Funds in Category		1836	1770	1545	1298	739	-
	Small/Mid U.S. Equity													
	Mid Cap Value													
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1, 13, 26]	-10.01	24.35	-9.08	0.05	5.76	9.20	01/01/1991	-	39	41	54	76	0.81
	Russell Midcap Value Index	-9.57	28.91	-9.44	0.71	7.55	-	-		-	-	-	-	-
	Morningstar Category Average - Mid Cap Value	-10.10	23.76	-9.39	0.41	6.46	Total Funds in Category		432	410	345	259	87	-
	Mid Cap Growth													
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 12, 27, 41]	-11.11	23.01	-7.91	0.96	-3.56	1.23	10/28/1999	-	25	49	54	75	1.15
	Russell Midcap Growth Index	-10.20	21.30	-7.53	1.37	-1.99	-	-		-	-	-	-	-
	Morningstar Category Average - Mid Cap Growth	-9.61	19.58	-7.94	1.13	-0.84	Total Funds in Category		815	782	694	612	354	-

Investment Option Performance

		Rates of Return through 06/30/2010							Percentile Rankings as of 06/30/2010					
Investment Advisor	Investment Option	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Small Value													
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 15, 35, 38, 41]	-11.19	26.11	-11.09	-0.75	-	1.86	06/01/2004	-	45	73	65	-	1.25
	Russell 2000 Value Index	-10.60	25.07	-9.85	-0.51	7.48	-	-		-	-	-	-	-
	Morningstar Category Average - Small Value	-9.35	25.88	-8.66	0.36	8.13	Total Funds in Category		381	357	321	251	129	-
	Small Growth													
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 41, 42]	-8.25	16.86	-11.37	-2.10	-	-1.51	12/29/2000	-	70	76	83	-	1.18
	Russell 2000 Growth Index	-9.22	17.96	-7.54	1.14	-1.72	-	-		-	-	-	-	-
	Morningstar Category Average - Small Growth	-9.14	19.07	-8.73	0.33	-0.31	Total Funds in Category		783	758	666	549	315	-
	International Equity													
	Diversified Emerging Markets													
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	-9.23	21.89	-6.17	11.64	9.28	10.20	01/01/1995	-	47	64	27	46	1.51
	MSCI - Emerging Markets NDTR D Index	-8.37	23.15	-2.50	12.73	-	-	-		-	-	-	-	-
	Morningstar Category Average - Diversified Emerging Markets	-8.87	21.84	-5.33	10.64	9.24	Total Funds in Category		398	378	269	205	119	-
	Foreign Large Value													
AXA Rosenberg/Causeway	International Value I Separate Account-R6 [4, 15, 41]	-14.83	5.88	-	-	-	-1.86	09/30/2008	-	36	-	-	-	1.30
	MSCI EAFE Value Index	-15.53	3.21	-15.11	0.01	1.80	-	-		-	-	-	-	-
	Morningstar Category Average - Foreign Large Value	-13.89	5.37	-14.02	0.35	1.84	Total Funds in Category		379	373	293	216	125	-
	Foreign Large Blend													
Fidelity / Schroders	International I Separate Account-R6 [4, 15, 19, 29, 41, 46]	-13.77	4.62	-14.52	0.11	-0.77	1.36	07/01/1999	-	70	67	62	54	1.29
	MSCI - EAFE Index NDTR D	-13.97	5.92	-13.38	0.88	0.16	-	-		-	-	-	-	-
	Morningstar Category Average - Foreign Large Blend	-13.38	7.05	-13.04	1.13	-0.39	Total Funds in Category		838	813	655	473	260	-
	Foreign Large Growth													
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	-13.63	7.56	-16.58	-0.86	-	1.10	12/29/2000	-	69	93	88	-	1.17
	MSCI World Ex US Growth Index	-12.18	8.70	-11.16	2.18	-1.43	-	-		-	-	-	-	-
	Morningstar Category Average - Foreign Large Growth	-11.76	11.03	-10.92	2.53	-0.23	Total Funds in Category		285	270	215	158	81	-
	Real Estate													
	Owned Real Estate													
Principal Real Estate Inv	U.S. Property Separate Account-R6 [6]	4.56	-8.99	-12.97	-2.56	3.24	5.41	01/01/1982	-	-	-	-	-	1.15
	NFI-ODCE Equal-Weight	3.99	-8.50	-12.30	-1.50	3.50	-	-		-	-	-	-	-

Investment Option Performance

		Rates of Return through 06/30/2010							Percentile Rankings as of 06/30/2010					
Investment Advisor	Investment Option	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Real Estate													
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 8]	-4.89	51.44	-6.74	1.59	-	10.56	12/31/2002	-	58	12	10	-	1.15
	MSCI US REIT Index	-3.99	55.23	-9.15	0.11	9.67	-	-		-	-	-	-	-
	Morningstar Category Average - Real Estate	-3.93	51.59	-9.91	-0.81	8.73	Total Funds in Category		271	265	239	209	99	-
	Fixed Income													
	High Yield Bond													
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 15, 18, 20, 21, 30]	-0.70	24.87	7.92	7.63	-	7.15	12/31/2004	-	39	2	3	-	0.81
	Barclays Capital US Corp High Yld 2% Issuer Capped Index	-0.06	26.66	6.88	7.22	7.46	-	-		-	-	-	-	-
	Morningstar Category Average - High Yield Bond	-0.58	23.95	3.32	5.00	5.27	Total Funds in Category		582	564	500	428	280	-
	Intermediate-Term Bond													
PIMCO	Core Plus Bond I Separate Account-R6 [15, 18, 21]	2.72	9.66	-	-	-	10.32	09/30/2008	-	79	-	-	-	0.76
Principal Global Investors	Bond and Mortgage Separate Account-I2 [18, 21]	3.46	20.14	5.45	4.43	6.06	8.53	02/01/1983	-	5	71	62	38	0.55
	Barclays Capital Aggregate Bond Index	3.49	9.50	7.55	5.54	6.47	-	-		-	-	-	-	-
	Morningstar Category Average - Intermediate-Term Bond	2.71	13.11	6.03	4.51	5.75	Total Funds in Category		1202	1149	1011	880	515	-
	Inflation-Protected Bond													
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [15, 18, 21, 32]	4.03	11.20	-1.41	-0.60	-	-0.11	12/31/2004	-	14	94	95	-	0.57
	Barclays Capital US Treas TIPS Index	3.82	9.52	7.62	4.98	7.46	-	-		-	-	-	-	-
	Morningstar Category Average - Inflation-Protected Bond	3.23	9.70	6.27	3.98	6.41	Total Funds in Category		187	159	148	112	16	-

This section of your report includes all investment options with plan assets as of the end of the reporting period.

Please see important disclosures at the end of this presentation.

Calendar Year Performance Report

For performance information, including most recent month-end performance, visit the Principal Sponsor Service Center[SM] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

		Calendar Year Performance										
Investment Advisor	Investment Option	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	Inception Date
	Large U.S. Equity											
	Large Value											
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 17, 22, 31, 41]	18.88	-40.90	-3.91	21.72	5.18	13.18	27.48	-13.58	5.52	-	12/29/2000
UBS / TS&W	LargeCap Value I Separate Account-R6 [15, 41, 45]	22.35	-39.34	0.31	18.01	9.75	-	-	-	-	-	06/01/2004
	Russell 1000 Value Index	19.69	-36.85	-0.17	22.25	7.05	16.49	30.03	-15.52	-5.59	7.01	-
	Morningstar Category Average - Large Value	24.13	-37.09	1.42	18.15	5.95	12.97	28.44	-18.69	-4.99	7.87	
	Total Funds in Category	1272	1433	1432	1371	1296	1220	1050	961	892	809	
	Large Blend											
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 9, 24]	26.09	-37.10	5.18	15.46	4.58	10.49	28.18	-22.38	-12.34	-9.47	01/01/1990
	Standard & Poor's 500 Index	26.46	-37.00	5.49	15.79	4.91	10.88	28.68	-22.10	-11.89	-9.10	-
	Morningstar Category Average - Large Blend	28.17	-37.79	6.16	14.17	5.88	10.02	27.05	-22.25	-13.50	-6.31	
	Total Funds in Category	2027	2086	2090	1980	1743	1611	1526	1468	1345	1089	
	Large Growth											
Columbus Circle Investors	LargeCap Growth Separate Account-R6 [25]	26.95	-42.84	23.02	9.67	11.82	9.16	25.98	-28.87	-25.55	-10.07	06/01/1995
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 35, 41, 43]	51.92	-40.69	8.18	5.93	7.44	9.12	24.01	-27.76	-14.36	-	12/29/2000
	Russell 1000 Growth Index	37.21	-38.44	11.81	9.07	5.26	6.30	29.75	-27.88	-20.42	-22.42	-
	Morningstar Category Average - Large Growth	35.68	-40.67	13.35	7.05	6.71	7.81	28.66	-27.64	-22.30	-13.05	
	Total Funds in Category	1796	1809	1748	1642	1495	1400	1311	1234	1064	805	
	Small/Mid U.S. Equity											
	Mid Cap Value											
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1, 13, 26]	30.11	-35.92	-0.59	16.00	13.15	16.34	29.08	-7.99	3.63	6.29	01/01/1991
	Russell Midcap Value Index	34.21	-38.44	-1.42	20.22	12.65	23.71	38.07	-9.64	2.33	19.18	-
	Morningstar Category Average - Mid Cap Value	35.41	-36.77	0.83	15.87	8.82	17.85	33.85	-13.25	6.67	18.45	
	Total Funds in Category	416	442	405	375	310	320	331	311	261	233	
	Mid Cap Growth											
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 12, 27, 41]	44.81	-48.56	24.40	6.26	11.59	11.41	49.44	-32.65	-28.17	-3.54	10/28/1999
	Russell Midcap Growth Index	46.29	-44.32	11.43	10.66	12.10	15.48	42.71	-27.41	-20.15	-11.75	-
	Morningstar Category Average - Mid Cap Growth	39.11	-43.77	15.09	9.00	9.84	13.23	35.96	-27.24	-19.98	-4.78	
	Total Funds in Category	812	934	967	994	936	903	890	786	714	549	

Calendar Year Performance Report

		Calendar Year Performance										
Investment Advisor	Investment Option	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	Inception Date
	Small Value											
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 15, 35, 38, 41]	32.13	-37.14	-9.11	20.37	6.85	-	-	-	-	-	06/01/2004
	Russell 2000 Value Index	20.58	-28.92	-9.78	23.48	4.71	22.25	46.03	-11.43	14.02	22.83	-
	Morningstar Category Average - Small Value	31.32	-32.24	-6.08	16.27	6.40	21.14	42.38	-10.12	15.92	18.64	
	Total Funds in Category	370	438	438	389	348	307	303	273	261	241	
	Small Growth											
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 41, 42]	31.14	-42.31	5.64	8.79	6.88	11.00	45.09	-24.62	-20.42	-	12/29/2000
	Russell 2000 Growth Index	34.47	-38.54	7.05	13.35	4.15	14.31	48.54	-30.26	-9.23	-22.43	-
	Morningstar Category Average - Small Growth	35.46	-41.55	7.59	10.81	6.02	12.41	45.54	-27.88	-8.91	-3.85	
	Total Funds in Category	778	834	829	763	723	711	696	630	560	470	
	International Equity											
	Diversified Emerging Markets											
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	68.87	-54.93	41.60	36.36	35.09	25.63	58.03	-7.18	-4.68	-29.19	01/01/1995
	MSCI - Emerging Markets NDTR D Index	78.51	-53.33	39.39	32.17	34.00	25.55	55.82	-6.17	-2.62	-30.83	-
	Morningstar Category Average - Diversified Emerging Markets	73.81	-54.44	36.68	32.06	31.54	23.54	55.19	-6.05	-3.83	-30.33	
	Total Funds in Category	367	312	274	242	212	202	196	184	175	159	
	Foreign Large Value											
AXA Rosenberg/Causeway	International Value I Separate Account-R6 [4, 15, 41]	26.68	-	-	-	-	-	-	-	-	-	09/30/2008
	MSCI EAFE Value Index	34.23	-44.09	5.96	30.38	13.80	24.33	45.30	-15.91	-18.52	-3.17	-
	Morningstar Category Average - Foreign Large Value	30.33	-42.41	9.01	25.98	13.19	21.99	39.07	-12.37	-15.98	-6.76	
	Total Funds in Category	340	307	280	215	181	169	156	154	130	117	
	Foreign Large Blend											
Fidelity / Schroders	International I Separate Account-R6 [4, 15, 19, 29, 41, 46]	25.40	-44.35	15.06	26.36	13.40	18.44	44.11	-20.25	-20.29	-18.60	07/01/1999
	MSCI - EAFE Index NDTR D	31.78	-43.38	11.17	26.34	13.54	20.25	38.59	-15.94	-21.44	-14.17	-
	Morningstar Category Average - Foreign Large Blend	31.24	-43.99	12.71	24.77	14.72	17.39	33.58	-16.69	-21.67	-16.34	
	Total Funds in Category	823	778	743	657	608	551	504	482	439	396	
	Foreign Large Growth											
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	23.40	-47.02	12.32	24.16	22.14	22.64	38.97	-16.18	-21.06	-	12/29/2000
	MSCI World Ex US Growth Index	30.66	-42.88	18.03	22.12	14.41	16.27	32.99	-15.72	-25.33	-24.20	-
	Morningstar Category Average - Foreign Large Growth	38.02	-46.56	16.26	23.95	15.23	16.23	33.83	-19.15	-24.05	-21.04	
	Total Funds in Category	266	251	220	243	213	221	226	214	191	161	

Calendar Year Performance Report

		Calendar Year Performance										
Investment Advisor	Investment Option	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	Inception Date
	Real Estate											
	Owned Real Estate											
Principal Real Estate Inv	U.S. Property Separate Account-R6 [6]	-31.59	-13.23	13.42	15.14	18.61	12.52	8.26	3.77	6.56	12.01	01/01/1982
	NFI-ODCE Equal-Weight	-31.30	-	-	-	-	-	-	-	-	-	-
	Real Estate											
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 8]	27.56	-32.82	-17.73	36.03	15.28	33.69	37.83	-	-	-	12/31/2002
	MSCI US REIT Index	28.61	-37.97	-16.82	35.92	12.13	31.49	36.74	3.64	12.83	26.81	-
	Morningstar Category Average - Real Estate	31.26	-39.55	-14.66	33.58	11.51	32.02	36.80	4.54	10.00	27.02	
	Total Funds in Category	262	265	372	306	279	252	206	168	152	138	
	Fixed Income											
	High Yield Bond											
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 15, 18, 20, 21, 30]	52.86	-20.12	2.37	8.71	3.91	-	-	-	-	-	12/31/2004
	Barclays Capital US Corp High Yld 2% Issuer Capped Index	58.76	-25.88	2.27	10.76	2.76	11.14	28.78	-0.24	5.46	-5.79	-
	Morningstar Category Average - High Yield Bond	46.70	-26.41	1.47	10.14	2.59	9.99	24.36	-1.52	2.39	-7.12	
	Total Funds in Category	543	559	542	549	518	493	455	425	414	365	
	Intermediate-Term Bond											
PIMCO	Core Plus Bond I Separate Account-R6 [15, 18, 21]	6.76	-	-	-	-	-	-	-	-	-	09/30/2008
Principal Global Investors	Bond and Mortgage Separate Account-I2 [18, 21]	21.81	-13.06	3.83	4.72	2.64	5.02	5.21	9.91	8.40	11.99	02/01/1983
	Barclays Capital Aggregate Bond Index	5.93	5.24	6.97	4.33	2.43	4.34	4.10	10.26	8.44	11.63	-
	Morningstar Category Average - Intermediate-Term Bond	13.97	-4.70	4.70	4.15	1.80	3.91	5.10	8.04	7.64	9.44	
	Total Funds in Category	1123	1135	1097	1092	1043	1035	952	784	706	614	
	Inflation-Protected Bond											
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [15, 18, 21, 32]	6.42	-18.00	5.77	0.27	2.28	-	-	-	-	-	12/31/2004
	Barclays Capital US Treas TIPS Index	11.41	-2.35	11.64	0.41	2.84	8.46	8.40	16.57	7.90	13.18	-
	Morningstar Category Average - Inflation-Protected Bond	10.88	-4.08	9.86	0.09	2.09	7.48	7.15	14.81	7.27	12.36	
	Total Funds in Category	158	160	156	140	109	69	44	18	15	13	

Please see important disclosures at the end of this presentation.

Calendar Year Percentile Ranks

For performance information, including most recent month-end performance, visit the Principal Sponsor Service Center[SM] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

		Calendar Year Percentile Ranks										
Investment Advisor	Investment Option	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	Inception Date
	Large U.S. Equity											
	Large Value											
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 17, 22, 31, 41]	74	80	85	10	55	45	52	13	7	-	12/29/2000
UBS / TS&W	LargeCap Value I Separate Account-R6 [15, 41, 45]	55	70	61	53	16	-	-	-	-	-	06/01/2004
	Large Blend											
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 9, 24]	59	40	55	29	64	43	33	48	46	62	01/01/1990
	Large Growth											
Columbus Circle Investors	LargeCap Growth Separate Account-R6 [25]	83	71	9	25	14	36	59	59	68	36	06/01/1995
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 35, 41, 43]	6	51	75	63	40	37	75	51	19	-	12/29/2000
	Small/Mid U.S. Equity											
	Mid Cap Value											
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1, 13, 26]	68	41	65	46	9	55	70	18	60	84	01/01/1991
	Mid Cap Growth											
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 12, 27, 41]	31	80	12	69	37	65	5	78	74	44	10/28/1999
	Small Value											
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 15, 35, 38, 41]	36	81	71	15	50	-	-	-	-	-	06/01/2004
	Small Growth											
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 41, 42]	65	57	58	63	42	60	44	35	82	-	12/29/2000
	International Equity											
	Diversified Emerging Markets											
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	64	55	20	17	29	34	27	59	62	38	01/01/1995
	Foreign Large Value											
AXA Rosenberg/Causeway	International Value I Separate Account-R6 [4, 15, 41]	67	-	-	-	-	-	-	-	-	-	09/30/2008
	Foreign Large Blend											
Fidelity / Schroders	International I Separate Account-R6 [4, 15, 19, 29, 41, 46]	80	55	27	30	62	37	3	86	39	68	07/01/1999
	Foreign Large Growth											
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	90	50	80	39	8	8	24	24	27	-	12/29/2000
	Real Estate											
	Owned Real Estate											
Principal Real Estate Inv	U.S. Property Separate Account-R6 [6]	-	-	-	-	-	-	-	-	-	-	01/01/1982
	Real Estate											
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 8]	66	5	70	30	16	36	32	-	-	-	12/31/2002

Calendar Year Percentile Ranks

		Calendar Year Percentile Ranks										
Investment Advisor	Investment Option	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	Inception Date
	Fixed Income											
	High Yield Bond											
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 15, 18, 20, 21, 30]	24	14	34	81	15	-	-	-	-	-	12/31/2004
	Intermediate-Term Bond											
PIMCO	Core Plus Bond I Separate Account-R6 [15, 18, 21]	85	-	-	-	-	-	-	-	-	-	09/30/2008
Principal Global Investors	Bond and Mortgage Separate Account-I2 [18, 21]	11	89	78	19	9	14	34	16	25	8	02/01/1983
	Inflation-Protected Bond											
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [15, 18, 21, 32]	94	93	90	27	37	-	-	-	-	-	12/31/2004

Please see important disclosures at the end of this presentation.

Disclosures

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths.

++ Investment options sub-advised by Principal Global Investors.

Investment Advisory Services are provided by Principal Financial Advisors, Inc., a registered investment advisor and wholly owned subsidiary of the Principal Financial Group®.

This report includes investment options that contain information from a variety of sources. A primary source is Morningstar which provides holdings information, operations data, and rankings or statistics proprietary to Morningstar. Morningstar is generally the source of information on mutual funds unaffiliated with the Principal.

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1. Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

2. Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.

3. This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

4. International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

5. High yield investment options are subject to greater credit risk associated with high yield bonds.

6. This investment option is subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. Payment of principal and earnings may be delayed.

7. This investment option is not guaranteed by the Federal Deposit Insurance Corporation (FDIC), or any other government agency. Although this investment option seeks to preserve the value of an investment, it is possible to lose money by investing in this portfolio.

8. Real estate investment options are subject to some risks inherent in real estate and Real Estate Investment Trusts, such as risks associated with general and local economic conditions.

9. S&P 500 is a trademark of The McGraw-Hill Companies, Inc., and has been licensed for use by Principal Life Insurance Company and Principal Management Corporation. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.

12. This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holder investing in the Separate Account. For further information on the underlying mutual fund see the prospectus of the fund.

13. Effective July 12, 2005, Barrow Hanley was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

15. This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

17. From March 1, 2006, to December 31, 2007, Bank of New York served as a sub-advisor for managing the cash portion of this investment option.

18. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

19. Effective March 31, 2007, references to Fidelity Management & Research as investment advisor were replaced with Fidelity (Pyramis Global Adv). This is a name change only and does not affect the management, objective, or strategy of this investment option.

20. Effective January 2, 2008, this portfolio is co-sub-advised by JP Morgan and Neuberger Berman Fixed Income LLC (formerly named Lehman Brothers Asset Management). Prior to January 2, 2008 Post Advisory Group was a third sub-advisor for this portfolio. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

21. Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

22. Formerly known as Large-Cap Value Separate Account.

24. Formerly known as Large-Cap Stock Index Separate Account.

25. Formerly known as Large Company Growth Separate Account.

26. Formerly known as Medium Company Value Separate Account.

27. Formerly known as Mid-Cap Growth Separate Account.

29. Formerly known as International Separate Account.

30. Formerly known as High Yield Separate Account.

31. Effective July 15, 2008, Westwood Management Corp. was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

32. Effective December 31, 2008, this portfolio is sub-advised by BlackRock Financial Management, Inc. Prior to December 31, 2008, the portfolio was sub-advised by Principal Global Investors.

34. Principal Life Insurance Company may voluntarily waive a certain portion of its fees collected from the Money Market Separate Account on a temporary basis. The Total Investment Expense - Net may be lower when fees are waived.

35. This investment option maintains a voluntary waiver which is reflected in the value displayed for Total Investment Expense - Net. This waiver may be discontinued at any time.

36. The Money Market investment option is closed to new sales and existing clients not currently offering the option within their retirement plans, effective April 1, 2009. Existing clients already offerring the money market investment option within their plan can continue to have contributions directed to this investment option at this time. As of July 1, 2009 the money market investment option will be closed for any client that does not have retirement funds in the investment on that date.

38. Effective May 1, 2009, LA Capital was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

41. This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.

42. Effective June 26, 2009, this portfolio is sub-advised by Emerald Advisors and Essex. Prior to June 26, 2009, the portfolio was sub-advised by UBS Global Asset Management, Emerald Advisors and Essex. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

43. Effective July 14, 2009, Brown Advisory was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

45. Effective October 1, 2009, TS&W was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

46. Effective January 11, 2010, Schroders was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

Benchmark Descriptions

Barclays Capital Aggregate Bond Index represents securities that are domestic, taxable, and dollar denominated. The index covers the U. S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Barclays Capital Treasury Bellwethers 3 Month Index is composed of public obligations of the U. S. Treasury with a maturity of three months.

Barclays Capital US Corp High Yld 2% Issuer Capped Index is an unmanaged in ex comprised of fixed rate, non-investment grade debt securities that are dollar denominated. The index limits the maximum exposure to any one issuer to 2%.

Barclays Capital US Treas TIPS Index consists of inflation-protected securities issued by the U.S. Treasury.

Blended Real Estate Index is composed of 75% NFI-ODCE Equal-Weight and 25% MSCI US REIT Index. The NFI-ODCE Equal-Weight is the NCREIF Fund Index- Open End Di versified Core Equity. It is a fund-level equal-weighted, time-weighted return index and includes property investments at ownership share, cashbalances and Lev erage. The return series is net of the average fee charged by accounts that make up the index. The MSCI US REIT Index is a capitalization-weightedbenchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

MSCI - EAFE Index NDTR D is listed for foreign stock funds (EAFE refers to Europe, Australia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes.

Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratio and higher forecasted growth values.

Russell 2000 Value Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.

Russell Midcap Growth Index is a market-weighted total return index that measures the performance of companies within the Russell Midcap Index having higher price-to-book ratios and higher forecasted growth values.

Russell Midcap Value Index is a market-weighted total return index that measures the performance of companies within the Russell Midcap index having lower price-to-book ratios and lower forecasted growth values.

Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

The MSCI World Ex US Growth Index measures global developed market equity performance of growth securities outside of the United States. It is comprised of half the securities in the MSCI World Ex US Index, with half of the market capitalization of each country index in the Growth Index (the other half is in the Value Index).

Simplified Index is composed of 60% Russell 3000 Index and 40% Barclays Capital Aggregate Bond Index.

Weighted Index is composed of:
07/01/2005 - 02/28/2007 47.9% Russell 3000 Index, 10% MSCI EAFE Index, 6% NFI-ODCE Equal-Weight, 2.1% MSCI US REIT Index, and 34% Barclays Capital Aggregate Bond Index.
03/01/2007 - 06/30/2010 44% Russell 3000 Index, 13.9% MSCI EAFE Index, 6% NFI-ODCE Equal-Weight, 2.1% MSCI US REIT Index, and 34% Barclays Capital Aggregate Bond Index.

LargeCap Value III Separate Account-R6 as of 06/30/2010

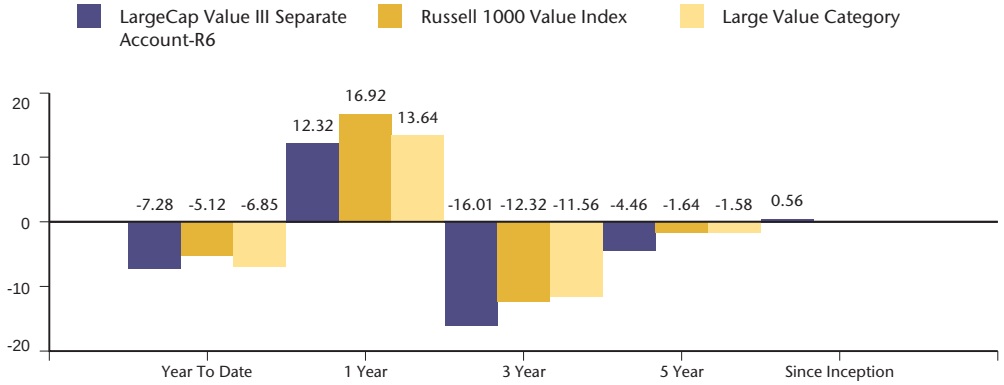
Investment Strategy

The investment seeks long-term growth of capital. The fund generally invests at least 80% of assets in companies with large market capitalizations (those with market capitalizations similar to companies in the Russell 1000 Value index) at the time of purchase. The fund may invest up to 25% of assets in securities of foreign companies.

Portfolio managers

John D. Phillips, Jr., CFA. Since 11/01/2002. M.B.A., Harvard University
Susan M. Byrne Since 07/15/2008. , University of California, Berkeley
Mark R. Freeman, CFA. Since 07/15/2008. M.S., Louisiana State University
Scott Lawson, CFA. Since 07/15/2008. M.B.A., St. Louis University
Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology

Long-term returns % as of 06/30/2010



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	-7.28	12.32	-16.01	-4.46	0.56
Russell 1000 Value Index %	-5.12	16.92	-12.32	-1.64	-
Large Value Category %	-6.85	13.64	-11.56	-1.58	-
Morningstar Percentile Rankings	-	61	94	93	-
# of Funds in Category	1308	1283	1135	952	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	18.88	-40.90	-3.91	21.72	5.18
Russell 1000 Value Index %	19.69	-36.85	-0.17	22.25	7.05
Large Value Category %	24.13	-37.09	1.42	18.15	5.95
Morningstar Percentile Rankings	74	80	85	10	55
# of Funds in Category	1272	1433	1432	1371	1296

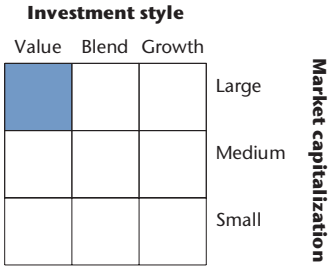
Morningstar percentile rankings are based on total returns.

Morningstar category

Large Value

Morningstar Style Box™

As of 05/31/2010



Risk and Return Statistics

as of 06/30/2010 Relative to Russell 1000 Value Index

	3Yr	5Yr
Alpha	-4.60	-2.96
Beta	0.98	0.99
R-Squared	99.02	98.86
Standard Deviation	21.87	17.96
Mean	-16.01	-4.46
Sharpe Ratio	-0.75	-0.31
Excess Return	-3.68	-2.82
Excess Risk	2.23	1.92
Information Ratio	-1.65	-1.47

Operations

Total Investment Expense Net	0.93%
Total Investment Expense Gross	0.94%
Contractual Cap Expiration Date	02/28/2011
Waiver Expiration Date	02/28/2011
Inception Date	12/29/2000
Total Net Assets (mil)	$1,729.68

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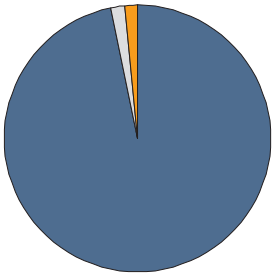
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Value III Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
U.S. Stocks	96.74
Cash	1.66
Non-U.S. Stocks	1.60

Top ten holdings	% of net assets
1. General Electric Company	3.15
2. Bank of America Corporation	3.06
3. ExxonMobil Corporation	2.94
4. J.P. Morgan Chase & Co.	2.90
5. Wells Fargo Company	2.77
6. AT&T, Inc.	2.64
7. Chevron Corporation	2.55
8. Pfizer Inc.	2.35
9. The Travelers Companies, Inc.	1.52
10. S&P FUTURE - JUNE 2010	1.51
% of net assets in top ten holdings*	25.39

Analysis	
# of Stock Hldgs	553
# of Bond Hldgs	0
# of Other Hldgs	6
GeoAvgCap (mil)	$34,505.05
Turnover Ratio	99%
P/C Ratio	3.52
P/E Ratio	12.18
P/B Ratio	1.54

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**19.31**	**Service**	**38.82**	**Manufacturing**	**41.87**
Software	1.59	Healthcare	8.32	Consumer Goods	8.15
Hardware	5.88	Consumer Services	6.85	Industrial Materials	13.81
Media	4.98	Business Services	2.22	Energy	15.42
Telecom	6.86	Financial Services	21.43	Utilities	4.49

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths.

The full name of this investment option is Principal LargeCap Value III Separate Account-R6.

Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

† Portfolio holdings are subject to change and companies referenced in this report may not currently be held. Information is current as of the creation of this piece. Keep in mind that portfolio holdings are subject to risk. For a complete list of the most recent publicly available holdings visit www.principal.com.

This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

From March 1, 2006, to December 31, 2007, Bank of New York served as a sub-advisor for managing the cash portion of this investment option.

Formerly known as Large-Cap Value Separate Account.

Effective July 15, 2008, Westwood Management Corp. was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.

* Values may exceed 100% if both long and short positions are included in the portfolio.

International Value I Separate Account-R6 as of 06/30/2010

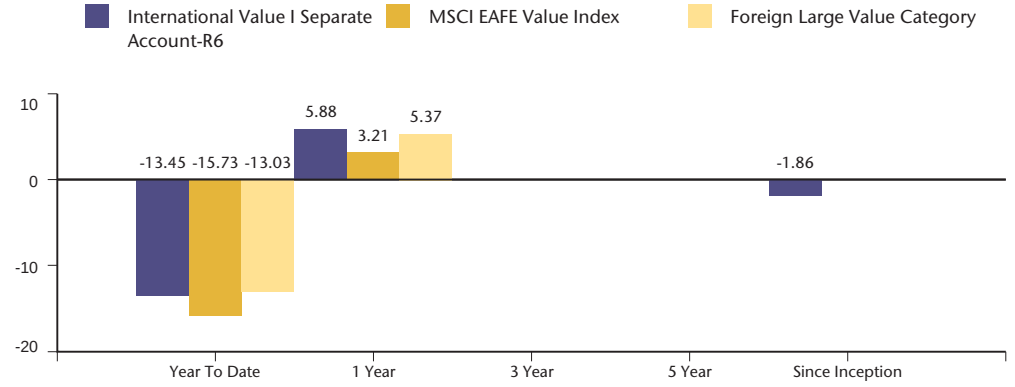
Investment Strategy

The investment seeks long-term growth of capital. The fund invests in the securities of foreign companies. Subadvisor Causeway may invest up to 30% of assets allocated to it in securities of companies located in any one country, except this limit is 35% in the U.K., and up to 10% in emerging markets. It also invests in forward foreign currency contracts or other derivatives for hedging and other purposes. AXA Rosenberg will typically invest assets allocated to it in approximately 21 different countries across three regions, and employs a bottom-up approach to investing. The fund may engage in active trading of its portfolio.

Portfolio managers

James Doyle Since 09/30/2008. M.B.A., University of Pennsylvania
Harry Hartford Since 09/30/2008. M.S., Oklahoma State University
Sarah H. Ketterer Since 09/30/2008. M.B.A., Dartmouth College
William E. Ricks Since 09/30/2008. Ph.D., University of California, Berkeley
Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology

Long-term returns % as of 06/30/2010



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	-13.45	5.88	-	-	-1.86
MSCI EAFE Value Index %	-15.73	3.21	-15.11	0.01	-
Foreign Large Value Category %	-13.03	5.37	-14.02	0.35	-
Morningstar Percentile Rankings	-	36	-	-	-
# of Funds in Category	379	373	293	216	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	26.68	-	-	-	-
MSCI EAFE Value Index %	34.23	-44.09	5.96	30.38	13.80
Foreign Large Value Category %	30.33	-42.41	9.01	25.98	13.19
Morningstar Percentile Rankings	67	-	-	-	-
# of Funds in Category	340	307	280	215	181

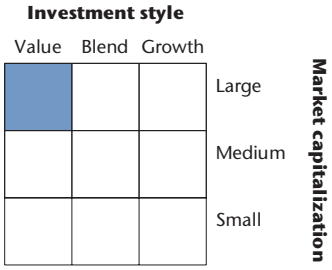
Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Value

Morningstar Style Box™

As of 05/31/2010



Risk and Return Statistics

as of 06/30/2010 Relative to MSCI EAFE Value Index

	3Yr	5Yr
Alpha	-	-
Beta	-	-
R-Squared	-	-
Standard Deviation	-	-
Mean	-	-
Sharpe Ratio	-	-
Excess Return	-	-
Excess Risk	-	-
Information Ratio	-	-

Operations

Total Investment Expense Net	1.26%
Total Investment Expense Gross	1.30%
Contractual Cap Expiration Date	02/28/2011
Waiver Expiration Date	02/28/2011
Inception Date	09/30/2008
Total Net Assets (mil)	$1,056.69

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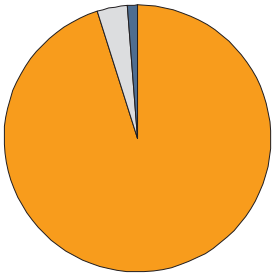
Risk and return statistical data is provided by Markov Processes International (MPI).

International Value I Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
Non-U.S. Stocks	95.06
Cash	3.67
U.S. Stocks	1.27

Top ten holdings	% of net assets
1. HSBC Holdings PLC	2.42
2. Sanofi-Aventis	2.40
3. Siemens AG	2.19
4. Vodafone Group PLC	2.11
5. EMINI MSCI EAFE JUNE10	2.09
6. Toyota Motor Corporation	1.87
7. Banco Santander SA	1.67
8. Reed Elsevier NV	1.50
9. Technip	1.44
10. Akzo Nobel NV	1.40
% of net assets in top ten holdings*	19.09

Analysis	
# of Stock Hldgs	613
# of Bond Hldgs	0
# of Other Hldgs	7
GeoAvgCap (mil)	$23,370.16
Turnover Ratio	78%
P/C Ratio	2.62
P/E Ratio	11.04
P/B Ratio	1.12

Top 5 Countries	% of net assets
Japan	21.42
United Kingdom	17.11
France	12.95
Germany	9.94
Switzerland	8.12

Regional exposure	% of net assets
Europe	67.00
Japan	21.42
Pacific Rim	10.24
United States	1.31
Other	0.02

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The full name of this investment option is Principal International Value I Separate Account-R6.

MSCI EAFE Value Index is a subset of the MSCI EAFE Index, which is an unmanaged index that measures the stock returns of companies in developed economies outside of North America. The MSCI EAFE Value Index consists of securities classified by MSCI as most representing the value style.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

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International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Inflation Protection Separate Account-R6 as of 06/30/2010

Investment Strategy

The investment seeks to provide current income and real (after-inflation) total returns. The fund normally invests primarily in inflation-indexed bonds of varying maturities issued by the U.S. and non-U.S. governments, their agencies or instrumentalities, and U.S. and non-U.S. corporations. It may invest up to 15% of assets in non-investment-grade bonds (high-yield or junk bonds) or securities of emerging-market issuers. The fund may also invest up to 25% of assets in non-dollar denominated securities of non-U.S. issuers, and may invest without limit in U.S. dollar denominated securities of non-U.S. issuers.

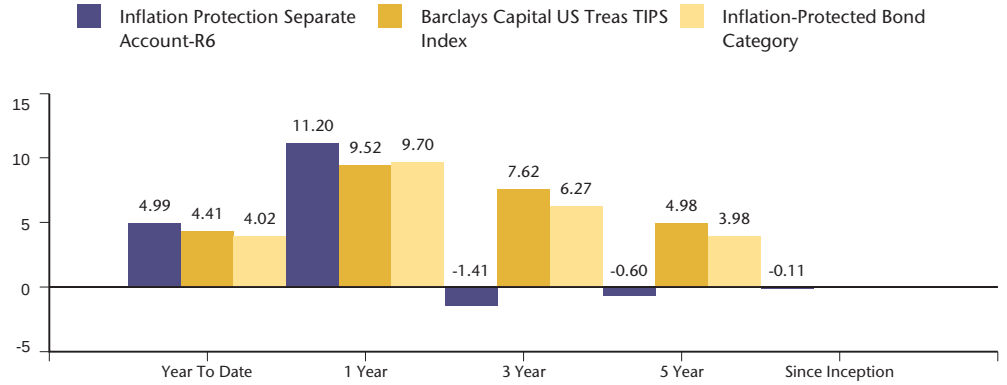
BLACKROCK

Portfolio managers

Stuart Spodek Since 12/31/2008. B.S., Princeton University

Brian Weinstein Since 12/31/2008. B.A., University of Pennsylvania

Long-term returns % as of 06/30/2010



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	4.99	11.20	-1.41	-0.60	-0.11
Barclays Capital US Treas TIPS Index %	4.41	9.52	7.62	4.98	-
Inflation-Protected Bond Category %	4.02	9.70	6.27	3.98	-
Morningstar Percentile Rankings	-	14	94	95	-
# of Funds in Category	164	159	148	112	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	6.42	-18.00	5.77	0.27	2.28
Barclays Capital US Treas TIPS Index %	11.41	-2.35	11.64	0.41	2.84
Inflation-Protected Bond Category %	10.88	-4.08	9.86	0.09	2.09
Morningstar Percentile Rankings	94	93	90	27	37
# of Funds in Category	158	160	156	140	109

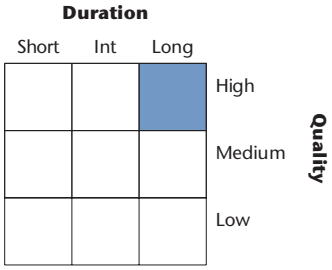
Morningstar percentile rankings are based on total returns.

Morningstar category

Inflation-Protected Bond

Morningstar Style Box™

As of 05/31/2010



Risk and Return Statistics

as of 06/30/2010 Relative to Barclays Capital US Treas TIPS Index

	3Yr	5Yr
Alpha	-9.05	-5.44
Beta	1.07	1.02
R-Squared	82.97	82.42
Standard Deviation	10.34	8.39
Mean	-1.41	-0.60
Sharpe Ratio	-0.24	-0.35
Excess Risk	4.32	3.53
Information Ratio	-2.09	-1.58

Operations

Total Investment Expense Net	0.57%
Total Investment Expense Gross	0.57%
Inception Date	12/31/2004
Total Net Assets (mil)	$488.62

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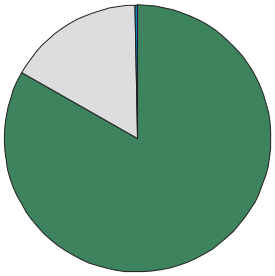
Risk and return statistical data is provided by Markov Processes International (MPI).

Inflation Protection Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
U.S. Bonds	83.23
Cash	16.43
Non-U.S. Bonds	0.34

Top ten holdings	% of net assets
1. United States Treas Bds	9.54
2. United States Treas Nts	7.98
3. United States Treas Bds	5.18
4. United States Treas Nts	5.15
5. United States Treas Nts	4.61
6. United States Treas Nts	4.56
7. United States Treas Nts	4.06
8. United States Treas Bds	4.03
9. United States Treas Bds	3.90
10. United States Treas Nts	3.39
% of net assets in top ten holdings*	52.39

Analysis	
# of Stock Hldgs	0
# of Bond Hldgs	115
# of Other Hldgs	10
Turnover Ratio	110%

Credit Analysis As of 05/31/2010	% Bonds
AAA	95.85
AA	0.29
A	0.51
BBB	0.73
BB	0.49
B	0.03
Below B	1.72
Not Rated	0.38

Statistics	
Avg Eff Duration (Yrs)	7.17
Avg Eff Maturity (Yrs)	8.80
Avg Weighted Price	115.82

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The full name of this investment option is Principal Inflation Protection Separate Account-R6.

Barclays Capital US Treas TIPS Index consists of inflation-protected securities issued by the U.S. Treasury.

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Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

Effective December 31, 2008, this portfolio is sub-advised by BlackRock Financial Management, Inc. Prior to December 31, 2008, the portfolio was sub-advised by Principal Global Investors.

* Values may exceed 100% if both long and short positions are included in the portfolio.

LargeCap Growth Separate Account-R6 as of 06/30/2010

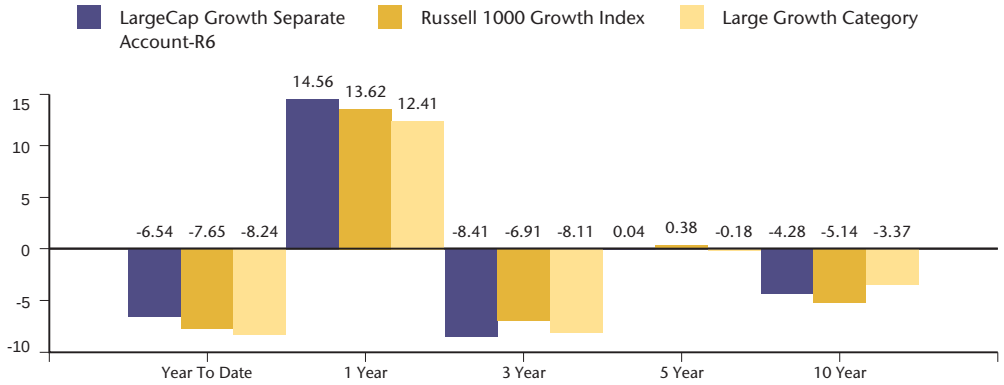
Investment Strategy

The investment option primarily invests in common stocks of large capitalization companies with strong earnings growth potential. It normally invests the majority of assets in companies with large market capitalizations at the time of purchase. Management places strong emphasis on companies it believes are guided by high quality management teams. It also attempts to identify those companies that are market leaders possessing the ability to control pricing and margins in their respective industries. It may invest up to 25% of assets in foreign securities.

Portfolio managers

Anthony Rizza, CFA. Since 01/01/2005. B.S., University of Connecticut
Thomas J. Bisighini, CFA. Since 03/02/2009. M.B.A., Fordham University

Long-term returns % as of 06/30/2010



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	-6.54	14.56	-8.41	0.04	-4.28
Russell 1000 Growth Index %	-7.65	13.62	-6.91	0.38	-5.14
Large Growth Category %	-8.24	12.41	-8.11	-0.18	-3.37
Morningstar Percentile Rankings	-	25	56	44	65
# of Funds in Category	1828	1770	1545	1298	739

Annual Returns	2009	2008	2007	2006	2005
Total Return %	26.95	-42.84	23.02	9.67	11.82
Russell 1000 Growth Index %	37.21	-38.44	11.81	9.07	5.26
Large Growth Category %	35.68	-40.67	13.35	7.05	6.71
Morningstar Percentile Rankings	83	71	9	25	14
# of Funds in Category	1796	1809	1748	1642	1495

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Growth

Morningstar Style Box™

As of 05/31/2010

Investment style

	Value	Blend	Growth	
Large			■	
Medium				
Small				

Market capitalization

Risk and Return Statistics

as of 06/30/2010 Relative to Russell 1000 Growth Index

	3Yr	5Yr
Alpha	-1.34	-0.18
Beta	1.01	1.01
R-Squared	93.85	92.45
Standard Deviation	21.81	17.90
Mean	-8.41	0.04
Sharpe Ratio	-0.36	-0.06
Excess Return	-1.50	-0.34
Excess Risk	5.43	4.92
Information Ratio	-0.28	-0.07

Operations

Total Investment Expense Net	0.71%
Total Investment Expense Gross	0.71%
Inception Date	06/01/1995
Total Net Assets (mil)	$1,418.73

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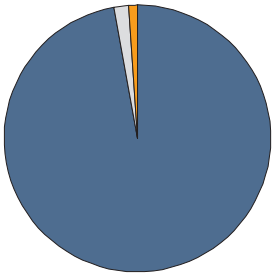
LargeCap Growth Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
U.S. Stocks	97.15
Cash	1.73
Non-U.S. Stocks	1.12

Top ten holdings	% of net assets
1. Apple, Inc.	5.50
2. Broadcom Corporation	3.51
3. Amazon.com, Inc.	3.35
4. Ford Motor Company	3.21
5. Cisco Systems, Inc.	2.88
6. Intuitive Surgical, Inc.	2.85
7. Thermo Fisher Scientific, Inc.	2.72
8. MasterCard Incorporated A	2.61
9. Visa, Inc.	2.60
10. Home Depot, Inc.	2.51
% of net assets in top ten holdings*	31.74

Analysis	
# of Stock Hldgs	49
# of Bond Hldgs	0
# of Other Hldgs	1
GeoAvgCap (mil)	$34,068.57
Turnover Ratio	88%
P/C Ratio	8.30
P/E Ratio	17.23
P/B Ratio	2.43

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**24.96**	**Service**	**53.52**	**Manufacturing**	**21.53**
Software	1.57	Healthcare	13.44	Consumer Goods	9.69
Hardware	18.72	Consumer Services	20.97	Industrial Materials	11.84
Media	0.00	Business Services	7.03	Energy	0.00
Telecom	4.67	Financial Services	12.08	Utilities	0.00

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Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

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Formerly known as Large Company Growth Separate Account.

* Values may exceed 100% if both long and short positions are included in the portfolio.

SmallCap Value II Separate Account-R6 as of 06/30/2010

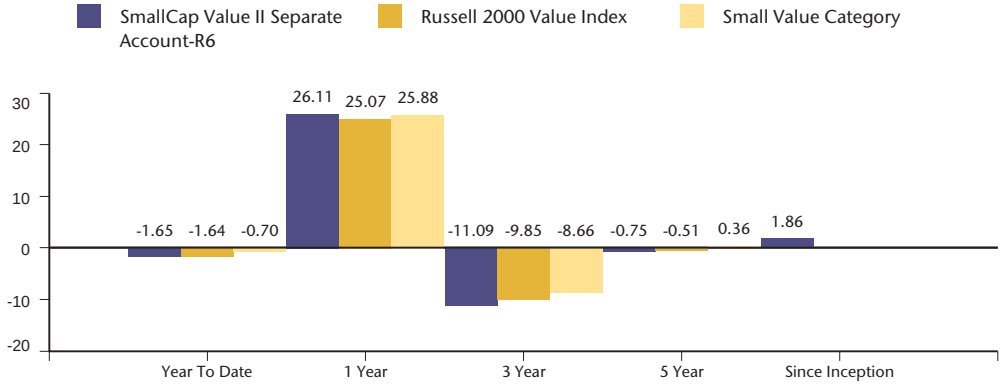
Investment Strategy

The investment seeks long-term growth of capital. The fund normally invests at least 80% of its net assets in equity securities of small market capitalization companies. It may invests up to 25% of assets in foreign securities.

Portfolio managers

Chris D. Wallis, CPA, CFA. Since 10/03/2005. M.B.A., Harvard University
David R. Borger, CFA. Since 05/01/2009. M.A., University of Michigan
Christine M. Kugler Since 05/01/2009. B.A., University of California
Stuart K. Matsuda Since 05/01/2009. M.B.A., California State University Northridge
Thomas D. Stevens, CFA. Since 05/01/2009. M.B.A., University of Wisconsin

Long-term returns % as of 06/30/2010



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	-1.65	26.11	-11.09	-0.75	1.86
Russell 2000 Value Index %	-1.64	25.07	-9.85	-0.51	-
Small Value Category %	-0.70	25.88	-8.66	0.36	-
Morningstar Percentile Rankings	-	45	73	65	-
# of Funds in Category	374	357	321	251	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	32.13	-37.14	-9.11	20.37	6.85
Russell 2000 Value Index %	20.58	-28.92	-9.78	23.48	4.71
Small Value Category %	31.32	-32.24	-6.08	16.27	6.40
Morningstar Percentile Rankings	36	81	71	15	50
# of Funds in Category	370	438	438	389	348

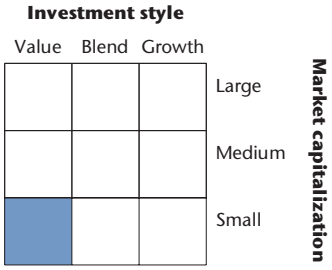
Morningstar percentile rankings are based on total returns.

Morningstar category

Small Value

Morningstar Style Box™

As of 05/31/2010



Risk and Return Statistics

as of 06/30/2010 Relative to Russell 2000 Value Index

	3Yr	5Yr
Alpha	-0.97	-0.06
Beta	1.02	1.02
R-Squared	98.25	97.91
Standard Deviation	28.55	23.28
Mean	-11.09	-0.75
Sharpe Ratio	-0.32	-0.03
Excess Return	-1.25	-0.24
Excess Risk	3.85	3.42
Information Ratio	-0.32	-0.07

Operations

Total Investment Expense Net	1.23%
Total Investment Expense Gross	1.25%
Contractual Cap Expiration Date	02/28/2011
Waiver Expiration Date	02/28/2011
Inception Date	06/01/2004
Total Net Assets (mil)	$686.05

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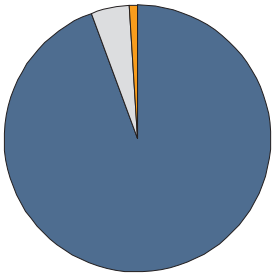
Risk and return statistical data is provided by Markov Processes International (MPI).

SmallCap Value II Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
U.S. Stocks	94.33
Cash	4.63
Non-U.S. Stocks	0.99
Other	0.05

Top ten holdings	% of net assets
1. Russell 2000 Mini June10	4.49
2. CNO Financial Group Inc	0.79
3. Wesco International, Inc.	0.71
4. Hanover Insurance Group, Inc.	0.68
5. Ares Capital Corporation	0.63
6. Waste Connections, Inc.	0.62
7. Silgan Holdings, Inc.	0.62
8. Apollo Investment Corporation	0.60
9. CACI International, Inc. A	0.59
10. Unit Corporation	0.57
% of net assets in top ten holdings*	10.32

Analysis	
# of Stock Hldgs	1671
# of Bond Hldgs	0
# of Other Hldgs	14
GeoAvgCap (mil)	$968.85
Turnover Ratio	79%
P/C Ratio	4.03
P/E Ratio	15.06
P/B Ratio	1.16

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**12.38**	**Service**	**53.12**	**Manufacturing**	**34.51**
Software	1.76	Healthcare	5.23	Consumer Goods	10.33
Hardware	6.18	Consumer Services	9.60	Industrial Materials	15.78
Media	1.92	Business Services	10.10	Energy	5.71
Telecom	2.52	Financial Services	28.19	Utilities	2.69

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths.

The full name of this investment option is Principal SmallCap Value II Separate Account-R6.

Russell 2000 Value Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

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Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

This investment option maintains a voluntary waiver which is reflected in the value displayed for Total Investment Expense - Net. This waiver may be discontinued at any time.

Effective May 1, 2009, LA Capital was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.

* Values may exceed 100% if both long and short positions are included in the portfolio.

SmallCap Growth II Separate Account-R6 as of 06/30/2010

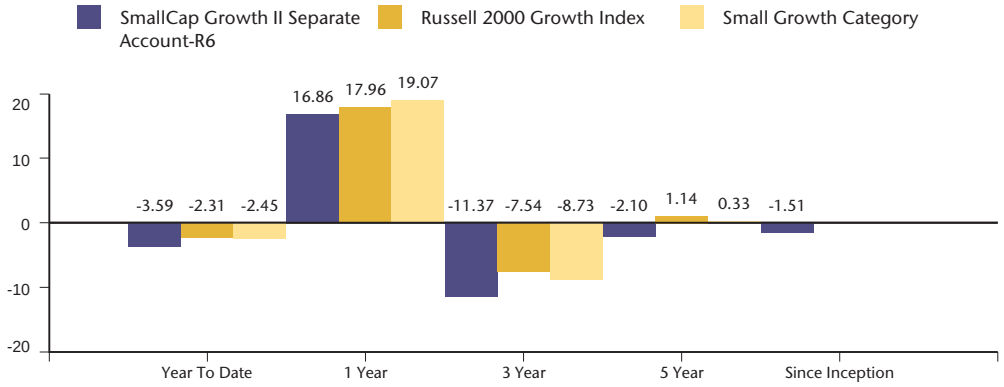
Investment Strategy

The investment seeks long-term growth of capital. The fund normally invests at least 80% of assets in common stocks of companies with small market capitalizations (those with market capitalizations equal to or smaller than the greater of $2.5 billion or the highest market capitalization of the companies in the Russell 2000 Growth index) at the time of purchase. It may invest up to 25% of assets in securities of foreign companies.

Portfolio managers

Kenneth G. Mertz II, CFA. Since 09/01/2004. B.A., Millersville University
Stacey Sears Since 09/01/2004. M.B.A., Villanova University
Joseph W. Garner Since 03/01/2006. M.B.A., University of Pittsburgh
Nancy B. Prial, CFA. Since 06/30/2006. M.B.A., Harvard University
Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology

Long-term returns % as of 06/30/2010



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	-3.59	16.86	-11.37	-2.10	-1.51
Russell 2000 Growth Index %	-2.31	17.96	-7.54	1.14	-
Small Growth Category %	-2.45	19.07	-8.73	0.33	-
Morningstar Percentile Rankings	-	70	76	83	-
# of Funds in Category	774	758	666	549	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	31.14	-42.31	5.64	8.79	6.88
Russell 2000 Growth Index %	34.47	-38.54	7.05	13.35	4.15
Small Growth Category %	35.46	-41.55	7.59	10.81	6.02
Morningstar Percentile Rankings	65	57	58	63	42
# of Funds in Category	778	834	829	763	723

Morningstar percentile rankings are based on total returns.

Morningstar category

Small Growth

Morningstar Style Box™

As of 05/31/2010

Investment style

	Value	Blend	Growth	Market capitalization
Large				
Medium				
Small			■	

Risk and Return Statistics

as of 06/30/2010 Relative to Russell 2000 Growth Index

	3Yr	5Yr
Alpha	-4.41	-3.31
Beta	0.97	0.96
R-Squared	97.82	97.59
Standard Deviation	25.93	21.53
Mean	-11.38	-2.11
Sharpe Ratio	-0.39	-0.11
Excess Return	-3.84	-3.24
Excess Risk	3.91	3.46
Information Ratio	-0.98	-0.94

Operations

Total Investment Expense Net	1.16%
Total Investment Expense Gross	1.18%
Contractual Cap Expiration Date	02/28/2011
Waiver Expiration Date	02/28/2011
Inception Date	12/29/2000
Total Net Assets (mil)	$362.92

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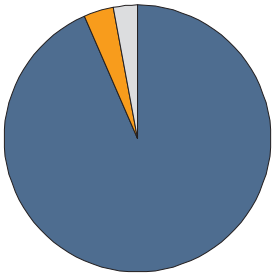
Risk and return statistical data is provided by Markov Processes International (MPI).

SmallCap Growth II Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
U.S. Stocks	93.48
Non-U.S. Stocks	3.55
Cash	2.97

Top ten holdings	% of net assets
1. Russell 2000 Mini June10	2.83
2. GSI Commerce, Inc.	1.50
3. Thoratec Laboratories Corporation	1.34
4. BioScrip, Inc.	1.05
5. Volcano Corporation	1.05
6. Aruba Networks, Inc.	1.03
7. Acme Packet, Inc.	1.01
8. Ulta Salon Cosmetics & Fragrances, Inc.	1.00
9. Bio-Reference Labs, Inc.	0.96
10. MWI Veterinary Supply, Inc.	0.91
% of net assets in top ten holdings*	12.67

Analysis	
# of Stock Hldgs	1011
# of Bond Hldgs	0
# of Other Hldgs	8
GeoAvgCap (mil)	$833.80
Turnover Ratio	132%
P/C Ratio	6.45
P/E Ratio	19.91
P/B Ratio	2.25

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**32.33**	**Service**	**43.30**	**Manufacturing**	**24.37**
Software	10.31	Healthcare	18.58	Consumer Goods	10.26
Hardware	14.90	Consumer Services	9.17	Industrial Materials	9.87
Media	0.96	Business Services	10.59	Energy	4.10
Telecom	6.16	Financial Services	4.96	Utilities	0.14

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The full name of this investment option is Principal SmallCap Growth II Separate Account-R6.

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Effective June 26, 2009, this portfolio is sub-advised by Emerald Advisors and Essex. Prior to June 26, 2009, the portfolio was sub-advised by UBS Global Asset Management, Emerald Advisors and Essex. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

* Values may exceed 100% if both long and short positions are included in the portfolio.

International I Separate Account-R6 as of 06/30/2010

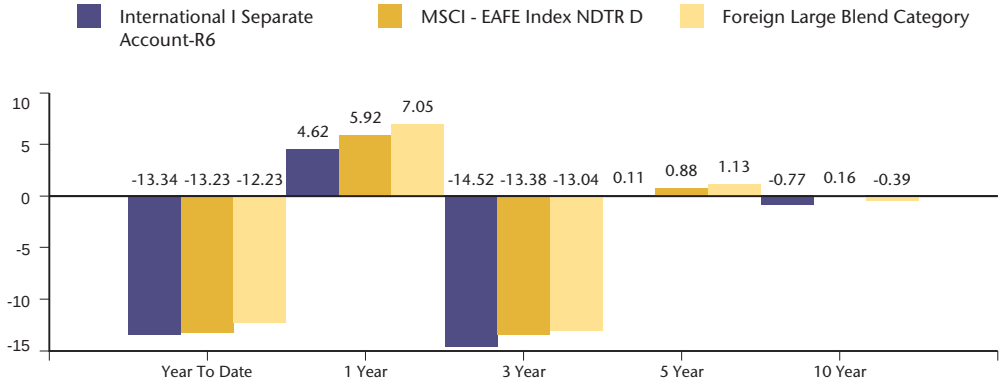
Investment Strategy

The investment seeks long-term growth of capital. The fund normally invests the fund's assets primarily in non-U.S. securities. The advisor normally invests the fund's assets primarily in common stocks of companies with large market capitalizations (those with market capitalizations similar to companies in the MSCI - EAFE index NDTR D) at the time of purchase. It normally diversifies the investments across different countries and regions.

Portfolio managers

Cesar Hernandez, CFA. Since 12/29/2003. M.B.A., Babson College
Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology
Virginie Maisonneuve, CFA. Since 01/11/2010. M.B.A., ESLSCA
Simon Webber, CFA. Since 01/11/2010. B.S., University of Manchester

Long-term returns % as of 06/30/2010



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	-13.34	4.62	-14.52	0.11	-0.77
MSCI - EAFE Index NDTR D %	-13.23	5.92	-13.38	0.88	0.16
Foreign Large Blend Category %	-12.23	7.05	-13.04	1.13	-0.39
Morningstar Percentile Rankings	-	70	67	62	54
# of Funds in Category	832	813	655	473	260

Annual Returns	2009	2008	2007	2006	2005
Total Return %	25.40	-44.35	15.06	26.36	13.40
MSCI - EAFE Index NDTR D %	31.78	-43.38	11.17	26.34	13.54
Foreign Large Blend Category %	31.24	-43.99	12.71	24.77	14.72
Morningstar Percentile Rankings	80	55	27	30	62
# of Funds in Category	823	778	743	657	608

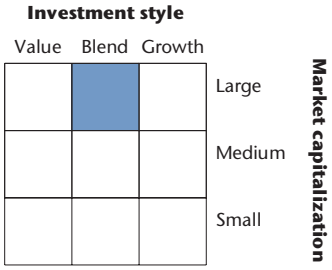
Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Blend

Morningstar Style Box™

As of 05/31/2010



Risk and Return Statistics

as of 06/30/2010 Relative to MSCI - EAFE Index NDTR D

	3Yr	5Yr
Alpha	-0.93	-0.62
Beta	1.01	1.02
R-Squared	98.04	98.03
Standard Deviation	25.52	21.13
Mean	-14.52	0.11
Sharpe Ratio	-0.54	-0.02
Excess Return	-1.14	-0.77
Excess Risk	3.60	2.99
Information Ratio	-0.32	-0.26

Operations

Total Investment Expense Net	1.26%
Total Investment Expense Gross	1.29%
Contractual Cap Expiration Date	02/28/2011
Waiver Expiration Date	02/28/2011
Inception Date	07/01/1999
Total Net Assets (mil)	$1,154.43

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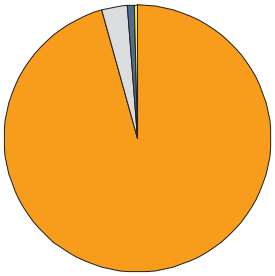
Risk and return statistical data is provided by Markov Processes International (MPI).

International I Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
Non-U.S. Stocks	95.67
Cash	3.08
U.S. Stocks	0.86
Other	0.39

Top ten holdings	% of net assets
1. HSBC Holdings PLC	1.87
2. Vodafone Group PLC	1.63
3. EMINI MSCI EAFE JUNE10	1.60
4. Roche Holding AG	1.43
5. Novartis AG	1.41
6. BG Group PLC	1.39
7. Tesco PLC	1.32
8. Siemens AG	1.26
9. Nestle SA	1.24
10. ANZ Banking Group Ltd	1.24
% of net assets in top ten holdings*	14.39

Analysis	
# of Stock Hldgs	802
# of Bond Hldgs	0
# of Other Hldgs	8
GeoAvgCap (mil)	$23,043.20
Turnover Ratio	102%
P/C Ratio	4.36
P/E Ratio	12.43
P/B Ratio	1.42

Top 5 Countries	% of net assets
United Kingdom	20.82
Japan	20.39
Switzerland	8.35
Germany	8.30
France	8.17

Regional exposure	% of net assets
Europe	60.23
Japan	20.39
Pacific Rim	14.79
Other	1.93
Latin America	1.79
United States	0.89

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The full name of this investment option is Principal International I Separate Account-R6.

MSCI - EAFE Index NDTR D is listed for foreign stock funds (EAFE refers to Europe, Australia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes.

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Effective March 31, 2007, references to Fidelity Management & Research as investment advisor were replaced with Fidelity (Pyramis Global Adv). This is a name change only and does not affect the management, objective, or strategy of this investment option.

Formerly known as International Separate Account.

This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.

Effective January 11, 2010, Schroders was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

* Values may exceed 100% if both long and short positions are included in the portfolio.

High Yield I Separate Account-R6 as of 06/30/2010

Investment Strategy

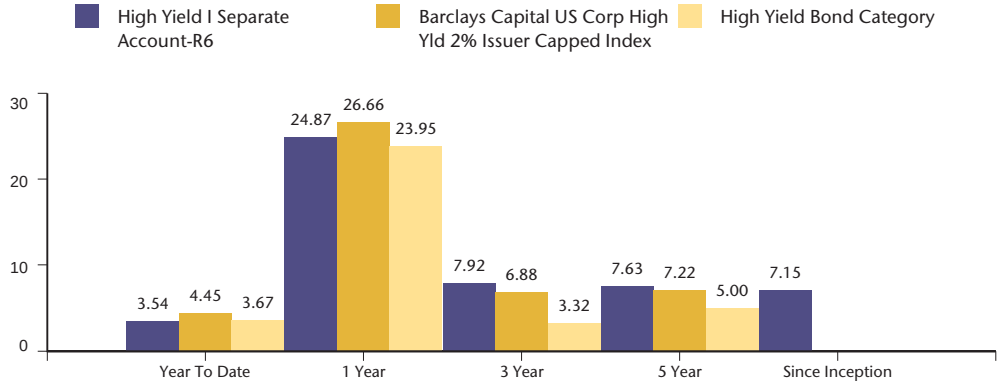
The investment seeks high current income. The fund invests at least 80% of its assets in high-yield, below investment-grade quality debt and other income-producing securities including corporate bonds, convertible securities, preferr ed securities, asset-backed securities and securities of companies in bankruptcy proceedings or otherwise in the process of debt restructuring. Loans of portfolio securities may not exceed 33 1/3% of the value of total assets. It primarily invests in securities rated Ba1 or lower by Moody's Investor Service, Inc. or BB+ or lower by Standard & Poor's Rating Service.

J.P.Morgan Asset Management | NEUBERGER BERMAN

Portfolio managers

Ann H. Benjamin Since 07/19/2007. M.B.A., Carnegie Mellon University
James E. Gibson Since 07/19/2007. M.S., University of Windsor
William J. Morgan Since 07/19/2007. M.B.A., Xavier University
Thomas P. O'Reilly, CFA. Since 07/19/2007. M.B.A., Loyola University New Orleans
James Shanahan Since 07/19/2007. J.D., University of Cincinnati

Long-term returns % as of 06/30/2010



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	3.54	24.87	7.92	7.63	7.15
Barclays Capital US Corp High Yld 2% Issuer Capped Index %	4.45	26.66	6.88	7.22	-
High Yield Bond Category %	3.67	23.95	3.32	5.00	-
Morningstar Percentile Rankings	-	39	2	3	-
# of Funds in Category	580	564	500	428	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	52.86	-20.12	2.37	8.71	3.91
Barclays Capital US Corp High Yld 2% Issuer Capped Index %	58.76	-25.88	2.27	10.76	2.76
High Yield Bond Category %	46.70	-26.41	1.47	10.14	2.59
Morningstar Percentile Rankings	24	14	34	81	15
# of Funds in Category	543	559	542	549	518

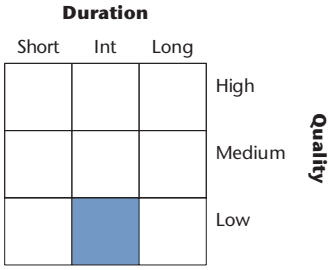
Morningstar percentile rankings are based on total returns.

Morningstar category

High Yield Bond

Morningstar Style Box™

As of 05/31/2010



Risk and Return Statistics

as of 06/30/2010 Relative to Barclays Capital US Corp High Yld 2% Issuer Capped Index

	3Yr	5Yr
Alpha	1.64	0.99
Beta	0.83	0.83
R-Squared	98.73	98.61
Standard Deviation	14.23	11.07
Mean	7.92	7.63
Sharpe Ratio	0.49	0.47
Excess Risk	3.36	2.65
Information Ratio	0.31	0.16

Operations

Total Investment Expense Net	0.81%
Total Investment Expense Gross	0.81%
Inception Date	12/31/2004
Total Net Assets (mil)	$1,163.26

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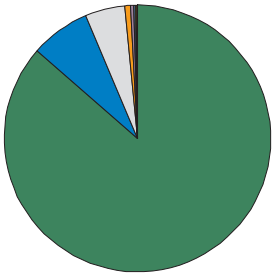
High Yield I Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
U.S. Bonds	86.42
Non-U.S. Bonds	7.19
Cash	4.81
Non-U.S. Stocks	0.68
Preferred	0.43
U.S. Stocks	0.20
Other	0.14
Convertibles	0.12

Top ten holdings	% of net assets
1. Hca 9.25%	1.52
2. Gmac 8%	1.46
3. Cit Grp 7%	1.31
4. Intelsat Bermuda 11.5%	0.88
5. Chesapeake Engy 6.875%	0.84
6. Ford Motor Credit Co 8.125%	0.84
7. Sprint Cap 6.875%	0.81
8. Citizens Comms 9%	0.79
9. Engy Future Hldgs 10.875%	0.73
10. Sabine Pass Lng L P 7.5%	0.69
% of net assets in top ten holdings*	9.88

Analysis	
# of Stock Hldgs	8
# of Bond Hldgs	633
# of Other Hldgs	26
Turnover Ratio	104%

Credit Analysis As of 04/30/2010	% Bonds
AAA	4.23
AA	0.00
A	0.28
BBB	1.11
BB	20.48
B	44.22
Below B	27.65
Not Rated	2.03

Statistics	
Avg Eff Duration (Yrs)	4.08
Avg Eff Maturity (Yrs)	7.18
Avg Weighted Price	96.62

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths.

The full name of this investment option is Principal High Yield I Separate Account-R6.

Barclays Capital US Corp High Yld 2% Issuer Capped Index is an unmanaged in ex comprised of fixed rate, non-investment grade debt securities that are dollar denominated. The index limits the maximum exposure to any one issuer to 2%.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

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High yield investment options are subject to greater credit risk associated with high yield bonds.

This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

Effective January 2, 2008, this portfolio is co-sub-advised by JP Morgan and Neuberger Berman Fixed Income LLC (formerly named Lehman Brothers Asset Management). Prior to January 2, 2008 Post Advisory Group was a third sub-advisor for this portfolio. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

Formerly known as High Yield Separate Account.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Core Plus Bond I Separate Account-R6 as of 06/30/2010

Investment Strategy

The investment seeks maximum total return, consistent with preservation of capital and prudent investment management. The fund normally invests at least 80% of net assets in a diversified portfolio of fixed-income instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. The average portfolio duration of the fund normally varies within two years (plus or minus) of the duration of the Barclays Capital Aggregate Bond index. The fund may also invest up to 20% of total assets in high-yield securities rated Ba or lower by Moody's, or BB or lower by S&P.

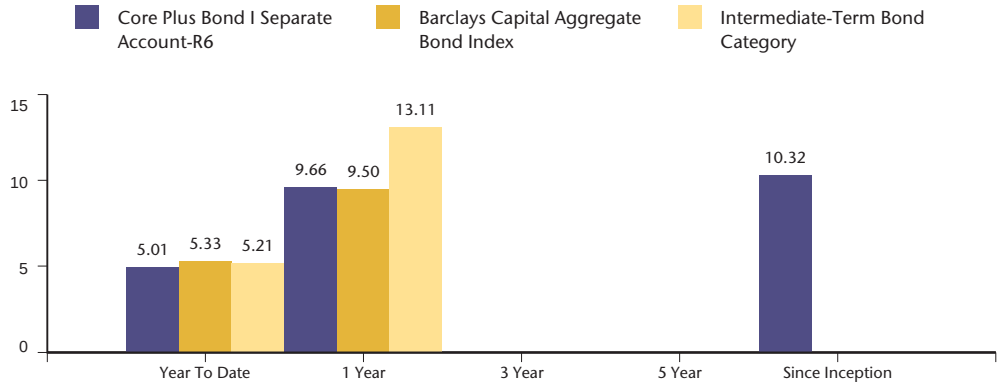
PIMCO

The Authority On Bonds™

Portfolio managers

William H. Gross, CFA. Since 09/30/2008. M.B.A., University of California, Los Angeles (Anderson)

Long-term returns % as of 06/30/2010



Performance disclosure

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In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	5.01	9.66	-	-	10.32
Barclays Capital Aggregate Bond Index %	5.33	9.50	7.55	5.54	-
Intermediate-Term Bond Category %	5.21	13.11	6.03	4.51	-
Morningstar Percentile Rankings	-	79	-	-	-
# of Funds in Category	1186	1149	1011	880	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	6.76	-	-	-	-
Barclays Capital Aggregate Bond Index %	5.93	5.24	6.97	4.33	2.43
Intermediate-Term Bond Category %	13.97	-4.70	4.70	4.15	1.80
Morningstar Percentile Rankings	85	-	-	-	-
# of Funds in Category	1123	1135	1097	1092	1043

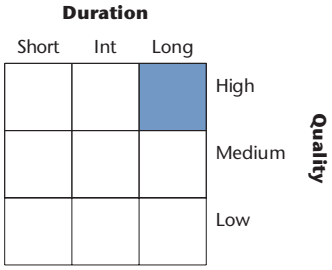
Morningstar percentile rankings are based on total returns.

Morningstar category

Intermediate-Term Bond

Morningstar Style Box™

As of 05/31/2010



Risk and Return Statistics

as of 06/30/2010 Relative to Barclays Capital Aggregate Bond Index

	3Yr	5Yr
Alpha	-	-
Beta	-	-
R-Squared	-	-
Standard Deviation	-	-
Mean	-	-
Sharpe Ratio	-	-
Excess Risk	-	-
Information Ratio	-	-

Operations

Total Investment Expense Net	0.76%
Total Investment Expense Gross	0.76%
Inception Date	09/30/2008
Total Net Assets (mil)	$2,631.74

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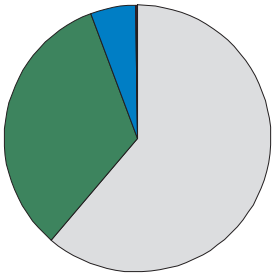
Risk and return statistical data is provided by Markov Processes International (MPI).

Core Plus Bond I Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
Cash	61.21
U.S. Bonds	33.09
Non-U.S. Bonds	5.44
Convertibles	0.18
Preferred	0.08

Top ten holdings	% of net assets
1. Interest Rate Swap Receive Fixed	11.88
2. Interest Rate Swap Receive Fixed	7.65
3. Interest Rate Swap Receive Fixed	6.26
4. 5.0% Irs Sell Swaption	4.07
5. Interest Rate Swap Receive Fixed	3.46
6. 4.5% Irs Swaption	3.43
7. FNMA	3.16
8. 4.0% Irs Swaption	2.80
9. 4.75% Irs Swaption	2.76
10. Interest Rate Swap Receive Fixed	2.44
% of net assets in top ten holdings*	47.91

Analysis	
# of Stock Hldgs	0
# of Bond Hldgs	461
# of Other Hldgs	50
Turnover Ratio	356%

Credit Analysis As of 05/31/2010	% Bonds
AAA	71.00
AA	5.19
A	11.13
BBB	4.02
BB	3.28
B	2.84
Below B	0.98
Not Rated	1.55

Statistics	
Avg Eff Duration (Yrs)	5.14
Avg Eff Maturity (Yrs)	7.88
Avg Weighted Price	103.15

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The full name of this investment option is Principal Core Plus Bond I Separate Account-R6.

Barclays Capital Aggregate Bond Index represents securities that are domestic, taxable, and dollar denominated. The index covers the U. S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

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Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Bond and Mortgage Separate Account-I2 as of 06/30/2010

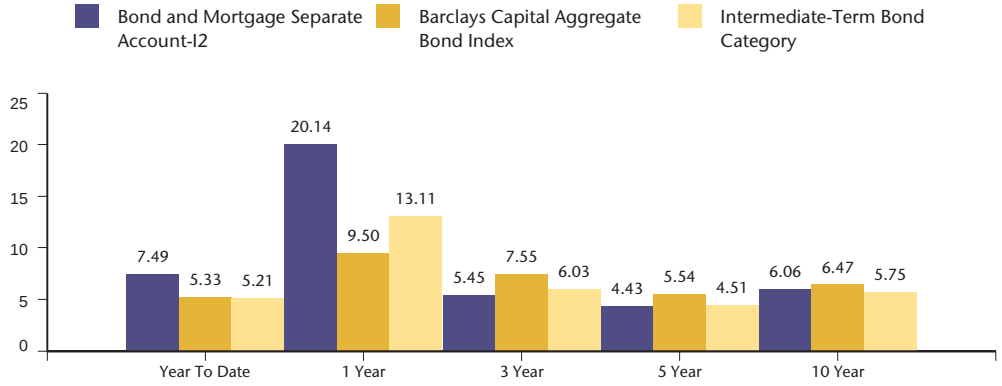
Investment Strategy

The investment option invests primarily in intermediate-term, fixed-income investments such as public and private corporate bonds, commercial and residential mortgages, asset-backed securities, and US government and agency-backed securities. Value is added primarily through sector allocation and security selection. The Separate Account may enter into reverse repurchase agreements to attempt to enhance portfolio return and income.

Portfolio managers

William C. Armstrong, CFA. Since 01/01/1997. M.B.A., University of Iowa
Timothy R. Warrick, CFA. Since 06/01/2002. M.B.A., Drake University
L. Phillip Jacoby IV Since 11/07/2005. B.S., Boston University
Mark A. Lieb Since 07/01/2009. M.B.A., University of Hartford

Long-term returns % as of 06/30/2010



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	7.49	20.14	5.45	4.43	6.06
Barclays Capital Aggregate Bond Index %	5.33	9.50	7.55	5.54	6.47
Intermediate-Term Bond Category %	5.21	13.11	6.03	4.51	5.75
Morningstar Percentile Rankings	-	5	71	62	38
# of Funds in Category	1186	1149	1011	880	515

Annual Returns	2009	2008	2007	2006	2005
Total Return %	21.81	-13.06	3.83	4.72	2.64
Barclays Capital Aggregate Bond Index %	5.93	5.24	6.97	4.33	2.43
Intermediate-Term Bond Category %	13.97	-4.70	4.70	4.15	1.80
Morningstar Percentile Rankings	11	89	78	19	9
# of Funds in Category	1123	1135	1097	1092	1043

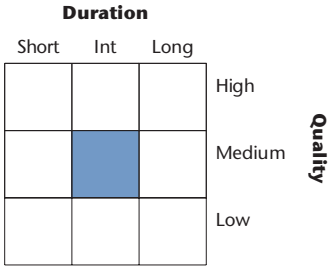
Morningstar percentile rankings are based on total returns.

Morningstar category

Intermediate-Term Bond

Morningstar Style Box™

As of 05/31/2010



Risk and Return Statistics

as of 06/30/2010 Relative to Barclays Capital Aggregate Bond Index

	3Yr	5Yr
Alpha	-2.25	-1.05
Beta	1.08	1.04
R-Squared	34.51	40.71
Standard Deviation	7.40	5.99
Mean	5.46	4.43
Sharpe Ratio	0.53	0.29
Excess Risk	6.12	4.73
Information Ratio	-0.34	-0.23

Operations

Total Investment Expense Net	0.55%
Total Investment Expense Gross	0.55%
Inception Date	02/01/1983
Total Net Assets (mil)	$4,311.94

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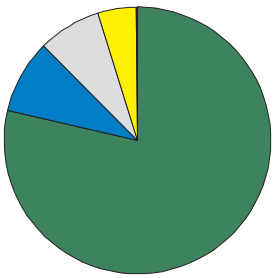
Risk and return statistical data is provided by Markov Processes International (MPI).

Bond and Mortgage Separate Account-I2 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
U.S. Bonds	78.64
Non-U.S. Bonds	8.92
Cash	7.62
Other	4.61
Convertibles	0.21
Preferred	0.01

Top ten holdings	% of net assets
1. FNMA	5.09
2. United States Treas Bds 6.25%	2.77
3. FHLMC	2.51
4. FNMA	2.27
5. United States Treas Nts	1.60
6. FNMA	1.56
7. United States Treas Nts 3.125%	1.54
8. United States Treas Nts 3.375%	1.48
9. FHLMC 5%	1.22
10. FHLMC	1.20
% of net assets in top ten holdings*	21.25

Analysis	
# of Stock Hldgs	0
# of Bond Hldgs	1142
# of Other Hldgs	141
Turnover Ratio	540%

Credit Analysis As of 05/31/2010	% Bonds
AAA	48.85
AA	7.53
A	10.92
BBB	18.40
BB	6.77
B	5.42
Below B	1.97
Not Rated	0.14

Statistics	
Avg Eff Duration (Yrs)	4.82
Avg Eff Maturity (Yrs)	7.51
Avg Weighted Price	100.77

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International Emerging Markets Separate Account-R6

as of 06/30/2010

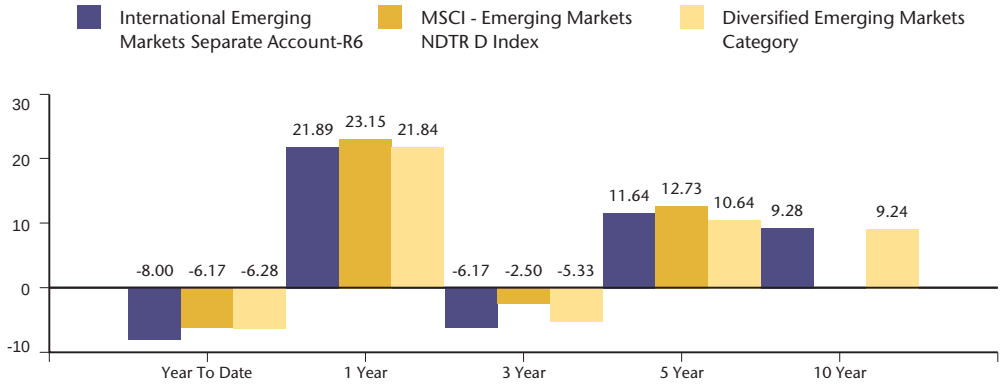
Investment Strategy

The investment option normally invests the majority of assets in equities of companies in emerging market countries. It invests in securities of companies with their principal place of business or principal office in emerging market countries; companies for which the principal securities trade in an emerging market; or companies, regardless of where their securities are traded, that derive 50% of their total revenue from either goods or services produced in emerging market countries. The fund may invest in securities of companies with small to medium market capitalizations.

Portfolio managers

Michael L. Reynal Since 02/01/2001. M.B.A., Dartmouth College
Michael Ade, CFA. Since 05/30/2007. B.S., University of Wisconsin
Mihail Dobrinov, CFA. Since 05/30/2007. M.B.A., University of Iowa

Long-term returns % as of 06/30/2010



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	-8.00	21.89	-6.17	11.64	9.28
MSCI - Emerging Markets NDTR D Index %	-6.17	23.15	-2.50	12.73	-
Diversified Emerging Markets Category %	-6.28	21.84	-5.33	10.64	9.24
Morningstar Percentile Rankings	-	47	64	27	46
# of Funds in Category	396	378	269	205	119

Annual Returns	2009	2008	2007	2006	2005
Total Return %	68.87	-54.93	41.60	36.36	35.09
MSCI - Emerging Markets NDTR D Index %	78.51	-53.33	39.39	32.17	34.00
Diversified Emerging Markets Category %	73.81	-54.44	36.68	32.06	31.54
Morningstar Percentile Rankings	64	55	20	17	29
# of Funds in Category	367	312	274	242	212

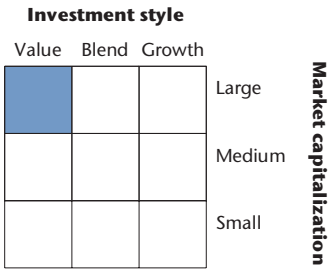
Morningstar percentile rankings are based on total returns.

Morningstar category

Diversified Emerging Markets

Morningstar Style Box™

As of 05/31/2010



Risk and Return Statistics

as of 06/30/2010 Relative to MSCI - Emerging Markets NDTR D Index

	3Yr	5Yr
Alpha	-3.77	-0.92
Beta	1.00	1.00
R-Squared	98.65	98.56
Standard Deviation	33.48	28.50
Mean	-6.17	11.63
Sharpe Ratio	-0.07	0.44
Excess Return	-3.67	-1.10
Excess Risk	3.91	3.43
Information Ratio	-0.94	-0.32

Operations

Total Investment Expense Net	1.51%
Total Investment Expense Gross	1.51%
Inception Date	01/01/1995
Total Net Assets (mil)	$1,196.32

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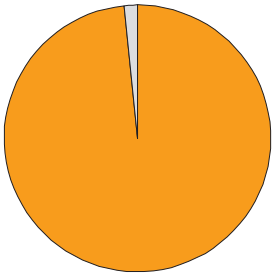
International Emerging Markets Separate Account-R6

as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
Non-U.S. Stocks	98.35
Cash	1.65

Top ten holdings	% of net assets
1. Vale SA	3.53
2. Samsung Electronics Co Ltd	2.84
3. Petroleo Brasileiro S.A. ADR	2.84
4. China Mobile Ltd.	2.80
5. America Movil S.A.B. de C.V. ADR L	2.04
6. China Construction Bank Corporation	1.65
7. Taiwan Semiconductor Manufacturing	1.62
8. Industrial And Commercial Bank Of China Limited	1.56
9. Infosys Technologies, Ltd. ADR	1.53
10. Hon Hai Precision Ind. Co., Ltd.	1.50
% of net assets in top ten holdings*	21.92

Analysis	
# of Stock Hldgs	164
# of Bond Hldgs	0
# of Other Hldgs	3
GeoAvgCap (mil)	$17,227.69
Turnover Ratio	123%
P/C Ratio	3.68
P/E Ratio	9.56
P/B Ratio	1.70

Top 5 Countries	% of net assets
China	16.15
Brazil	15.31
South Korea	15.10
Taiwan	11.34
South Africa	8.05

Regional exposure	% of net assets
Pacific Rim	56.91
Latin America	22.22
Other	20.02
Europe	0.86

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The full name of this investment option is Principal International Emerging Markets Separate Acct-R6.

MSCI - Emerging Markets NDTR D Index measures equity market performance in the global emerging markets. It consists of 26 emerging market countries in Europe, Latin America and the Pacific Basin.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

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* Values may exceed 100% if both long and short positions are included in the portfolio.

International Growth Separate Account-R6 as of 06/30/2010

Investment Strategy

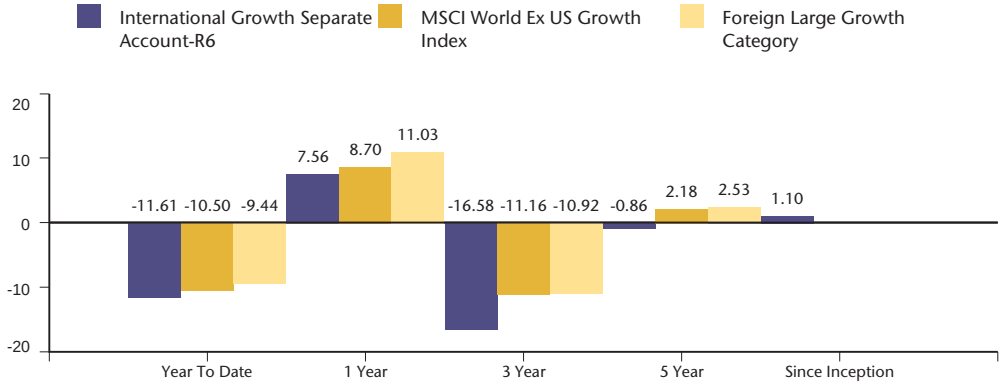
The investment seeks long-term growth of capital. The fund invests in common stocks and other securities of companies domiciled in any of the nations of the world. It invests in securities listed on foreign or domestic securities exchanges, securities traded in foreign or domestic over-the-counter markets and depositary receipts.

Portfolio managers

John Pihlblad, CFA. Since 03/01/2005. B.A., Westminster College

Mark R. Nebelung, CFA. Since 05/27/2010. B.A., University of Waterloo

Long-term returns % as of 06/30/2010



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	-11.61	7.56	-16.58	-0.86	1.10
MSCI World Ex US Growth Index %	-10.50	8.70	-11.16	2.18	-
Foreign Large Growth Category %	-9.44	11.03	-10.92	2.53	-
Morningstar Percentile Rankings	-	69	93	88	-
# of Funds in Category	283	270	215	158	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	23.40	-47.02	12.32	24.16	22.14
MSCI World Ex US Growth Index %	30.66	-42.88	18.03	22.12	14.41
Foreign Large Growth Category %	38.02	-46.56	16.26	23.95	15.23
Morningstar Percentile Rankings	90	50	80	39	8
# of Funds in Category	266	251	220	243	213

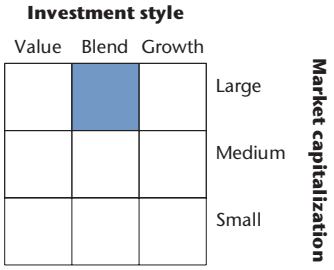
Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Growth

Morningstar Style Box™

As of 05/31/2010



Risk and Return Statistics

as of 06/30/2010 Relative to MSCI World Ex US Growth Index

	3Yr	5Yr
Alpha	-5.56	-2.81
Beta	1.03	1.05
R-Squared	98.31	98.09
Standard Deviation	25.38	21.40
Mean	-16.58	-0.86
Sharpe Ratio	-0.64	-0.06
Excess Return	-5.42	-3.04
Excess Risk	3.42	3.14
Information Ratio	-1.58	-0.97

Operations

Total Investment Expense Net	1.17%
Total Investment Expense Gross	1.17%
Inception Date	12/29/2000
Total Net Assets (mil)	$1,369.08

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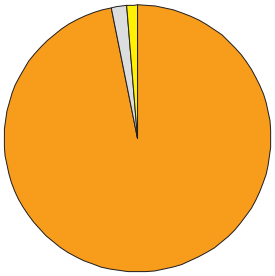
Risk and return statistical data is provided by Markov Processes International (MPI).

International Growth Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
Non-U.S. Stocks	96.85
Cash	1.85
Other	1.30

Top ten holdings	% of net assets
1. Nestle SA	2.86
2. BHP Billiton Limited	2.81
3. Novartis AG	2.38
4. Anglo American PLC	1.65
5. Standard Chartered PLC	1.55
6. Honda Motor Company	1.55
7. Roche Holding AG	1.52
8. Rio Tinto PLC	1.51
9. Novo Nordisk A/S	1.41
10. GlaxoSmithKline PLC	1.29
% of net assets in top ten holdings*	18.53

Analysis	
# of Stock Hldgs	175
# of Bond Hldgs	0
# of Other Hldgs	10
GeoAvgCap (mil)	$20,033.39
Turnover Ratio	138%
P/C Ratio	3.93
P/E Ratio	11.76
P/B Ratio	1.65

Top 5 Countries	% of net assets
Japan	22.63
United Kingdom	19.41
Switzerland	11.73
Australia	7.22
Germany	6.22

Regional exposure	% of net assets
Europe	59.42
Japan	22.63
Pacific Rim	11.32
Other	6.63

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The full name of this investment option is Principal International Growth Separate Account-R6.

The MSCI World Ex US Growth Index measures global developed market equity performance of growth securities outside of the United States. It is comprised of half the securities in the MSCI World Ex US Index, with half of the market capitalization of each country index in the Growth Index (the other half is in the Value Index).

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

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This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

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* Values may exceed 100% if both long and short positions are included in the portfolio.

LargeCap S&P 500 Index Separate Account-R6 as of 06/30/2010

Investment Strategy

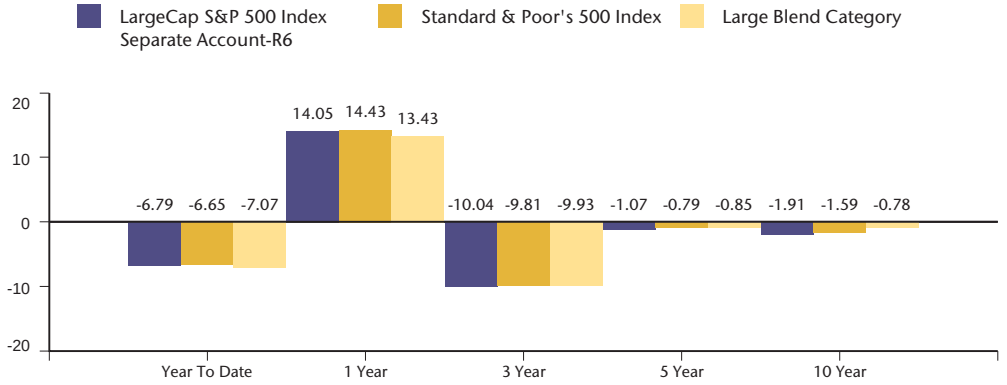
The investment option normally invests the majority of assets in common stocks of companies that compose the S&P 500 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P 500 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P 500 Index.

Portfolio managers

Dirk Laschanzky, CFA. Since 10/01/2003. M.B.A., University of Iowa

Scott Smith Since 12/31/2007. B.S., Iowa State University

Long-term returns % as of 06/30/2010



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	-6.79	14.05	-10.04	-1.07	-1.91
Standard & Poor's 500 Index %	-6.65	14.43	-9.81	-0.79	-1.59
Large Blend Category %	-7.07	13.43	-9.93	-0.85	-0.78
Morningstar Percentile Rankings	-	36	51	54	67
# of Funds in Category	2140	2062	1810	1486	772

Annual Returns	2009	2008	2007	2006	2005
Total Return %	26.09	-37.10	5.18	15.46	4.58
Standard & Poor's 500 Index %	26.46	-37.00	5.49	15.79	4.91
Large Blend Category %	28.17	-37.79	6.16	14.17	5.88
Morningstar Percentile Rankings	59	40	55	29	64
# of Funds in Category	2027	2086	2090	1980	1743

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Blend

Morningstar Style Box™

As of 05/31/2010

Investment style

	Value	Blend	Growth	Market capitalization
Large		■		
Medium				
Small				

Risk and Return Statistics

as of 06/30/2010 Relative to Standard & Poor's 500 Index

	3Yr	5Yr
Alpha	-0.29	-0.28
Beta	1.00	1.00
R-Squared	100.00	100.00
Standard Deviation	20.68	16.78
Mean	-10.04	-1.06
Sharpe Ratio	-0.48	-0.14
Excess Return	-0.23	-0.27
Excess Risk	0.07	0.06
Information Ratio	-3.04	-4.51

Operations

Total Investment Expense Net	0.31%
Total Investment Expense Gross	0.31%
Inception Date	01/01/1990
Total Net Assets (mil)	$5,866.45

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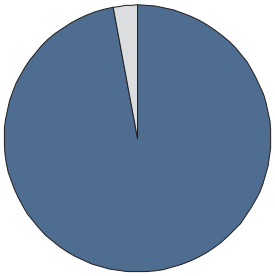
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap S&P 500 Index Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
U.S. Stocks	97.04
Cash	2.96

Top ten holdings	% of net assets
1. ExxonMobil Corporation	2.81
2. Apple, Inc.	2.30
3. Microsoft Corporation	1.94
4. Procter & Gamble Company	1.75
5. General Electric Company	1.72
6. International Business Machines Corp	1.60
7. Johnson & Johnson	1.58
8. Bank of America Corporation	1.56
9. J.P. Morgan Chase & Co.	1.55
10. Wells Fargo Company	1.47
% of net assets in top ten holdings*	18.29

Analysis	
# of Stock Hldgs	499
# of Bond Hldgs	0
# of Other Hldgs	1
GeoAvgCap (mil)	$42,312.35
Turnover Ratio	4%
P/C Ratio	5.15
P/E Ratio	13.59
P/B Ratio	1.94

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**23.65**	**Service**	**39.85**	**Manufacturing**	**36.51**
Software	4.32	Healthcare	10.91	Consumer Goods	11.13
Hardware	11.27	Consumer Services	9.21	Industrial Materials	11.07
Media	2.84	Business Services	3.52	Energy	10.83
Telecom	5.22	Financial Services	16.21	Utilities	3.48

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The full name of this investment option is Principal LargeCap S&P 500 Index Separate Account-R6.

Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

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Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.

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Formerly known as Large-Cap Stock Index Separate Account.

* Values may exceed 100% if both long and short positions are included in the portfolio.

MidCap Value III Separate Account-R6 as of 06/30/2010

Investment Strategy

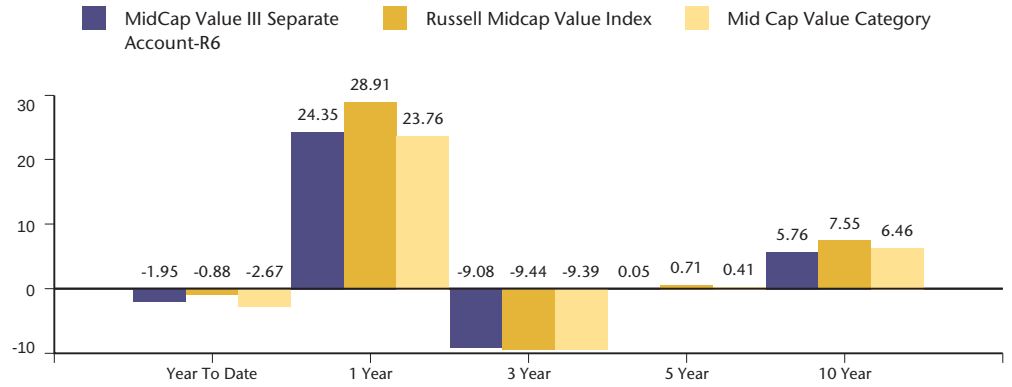
The investment seeks long-term growth of capital and normally invests the majority of assets in companies with market capitalizations similar to those of companies in the Russell MidCap Value Index. Management selects investments primarily on the basis of fundamental security analysis, focusing on the company's financial stability, sales, earnings, dividend trends, return on equity and industry trends. It may invest up to 25% of assets in foreign securities.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.

Portfolio managers

Jeffery A. Schwarte, CPA, CFA. Since 02/01/2005. B.A., University of Northern Iowa
Mark Giambrone, CPA. Since 07/01/2005. M.B.A., University of Chicago
James P. Barrow Since 07/12/2005. B.S., University of South Carolina

Long-term returns % as of 06/30/2010



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	-1.95	24.35	-9.08	0.05	5.76
Russell Midcap Value Index %	-0.88	28.91	-9.44	0.71	7.55
Mid Cap Value Category %	-2.67	23.76	-9.39	0.41	6.46
Morningstar Percentile Rankings	-	39	41	54	76
# of Funds in Category	427	410	345	259	87

Annual Returns	2009	2008	2007	2006	2005
Total Return %	30.11	-35.92	-0.59	16.00	13.15
Russell Midcap Value Index %	34.21	-38.44	-1.42	20.22	12.65
Mid Cap Value Category %	35.41	-36.77	0.83	15.87	8.82
Morningstar Percentile Rankings	68	41	65	46	9
# of Funds in Category	416	442	405	375	310

Morningstar percentile rankings are based on total returns.

Morningstar category

Mid Cap Value

Morningstar Style Box™

As of 05/31/2010

Investment style

	Value	Blend	Growth	Market capitalization
Large				
Medium	■			
Small				

Risk and Return Statistics

as of 06/30/2010 Relative to Russell Midcap Value Index

	3Yr	5Yr
Alpha	-1.64	-1.17
Beta	0.86	0.86
R-Squared	98.00	97.76
Standard Deviation	22.80	18.41
Mean	-9.07	0.06
Sharpe Ratio	-0.37	-0.05
Excess Return	0.37	-0.65
Excess Risk	5.02	4.03
Information Ratio	0.07	-0.16

Operations

Total Investment Expense Net	0.81%
Total Investment Expense Gross	0.81%
Inception Date	01/01/1991
Total Net Assets (mil)	$603.46

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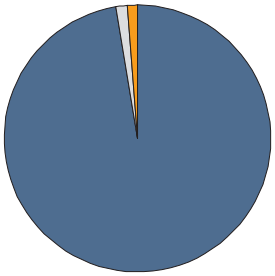
Risk and return statistical data is provided by Markov Processes International (MPI).

MidCap Value III Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
U.S. Stocks	97.34
Cash	1.39
Non-U.S. Stocks	1.27

Top ten holdings	% of net assets
1. Eaton Corporation	2.36
2. El Paso Corporation	2.13
3. Computer Sciences Corporation	1.80
4. New York Community Bancorp, Inc.	1.74
5. Ameriprise Financial, Inc.	1.57
6. Fifth Third Bancorp	1.50
7. Spectra Energy Corporation	1.46
8. Edison International	1.38
9. Lorillard, Inc.	1.33
10. Hanesbrands, Inc.	1.28
% of net assets in top ten holdings*	16.55

Analysis	
# of Stock Hldgs	123
# of Bond Hldgs	0
# of Other Hldgs	1
GeoAvgCap (mil)	$5,772.72
Turnover Ratio	93%
P/C Ratio	2.92
P/E Ratio	12.86
P/B Ratio	1.43

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**13.13**	**Service**	**45.90**	**Manufacturing**	**40.97**
Software	2.58	Healthcare	4.45	Consumer Goods	11.79
Hardware	4.99	Consumer Services	9.24	Industrial Materials	12.12
Media	3.20	Business Services	3.24	Energy	8.04
Telecom	2.36	Financial Services	28.97	Utilities	9.02

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The full name of this investment option is Principal MidCap Value III Separate Account-R6.

Russell Midcap Value Index is a market-weighted total return index that measures the performance of companies within the Russell Midcap index having lower price-to-book ratios and lower forecasted growth values.

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Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

Effective July 12, 2005, Barrow Hanley was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

Formerly known as Medium Company Value Separate Account.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Real Estate Securities Separate Account-R6 as of 06/30/2010

Investment Strategy

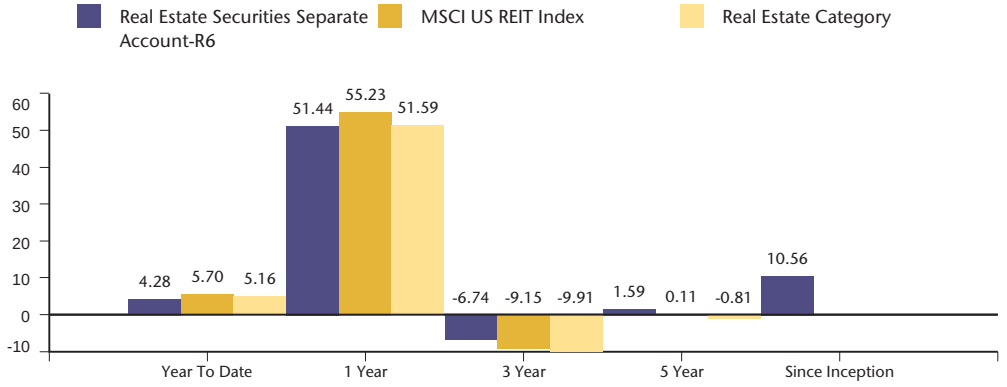
The investment seeks to generate a total return. The fund normally invests at least 80% of the net assets (plus any borrowings for investment purposes) in equity securities of companies principally engaged in the real estate industry, which include real estate investment trusts and companies with substantial real estate holdings such as paper, lumber, hotel and entertainment companies. It is nondiversified.

Principal Real Estate Investors

Portfolio managers

Kelly D. Rush, CFA. Since 12/06/2000. M.B.A., University of Iowa

Long-term returns % as of 06/30/2010



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	4.28	51.44	-6.74	1.59	10.56
MSCI US REIT Index %	5.70	55.23	-9.15	0.11	-
Real Estate Category %	5.16	51.59	-9.91	-0.81	-
Morningstar Percentile Rankings	-	58	12	10	-
# of Funds in Category	270	265	239	209	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	27.56	-32.82	-17.73	36.03	15.28
MSCI US REIT Index %	28.61	-37.97	-16.82	35.92	12.13
Real Estate Category %	31.26	-39.55	-14.66	33.58	11.51
Morningstar Percentile Rankings	66	5	70	30	16
# of Funds in Category	262	265	372	306	279

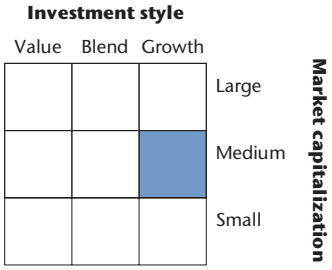
Morningstar percentile rankings are based on total returns.

Morningstar category

Real Estate

Morningstar Style Box™

As of 05/31/2010



Risk and Return Statistics

as of 06/30/2010 Relative to MSCI US REIT Index

	3Yr	5Yr
Alpha	0.30	0.64
Beta	0.88	0.89
R-Squared	99.31	98.96
Standard Deviation	36.01	29.61
Mean	-6.73	1.59
Sharpe Ratio	-0.05	0.11
Excess Return	2.43	1.49
Excess Risk	5.89	4.71
Information Ratio	0.41	0.32

Operations

Total Investment Expense Net	1.15%
Total Investment Expense Gross	1.15%
Inception Date	12/31/2002
Total Net Assets (mil)	$1,653.89

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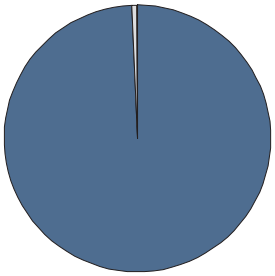
Risk and return statistical data is provided by Markov Processes International (MPI).

Real Estate Securities Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
U.S. Stocks	99.31
Cash	0.59
Non-U.S. Stocks	0.10

Top ten holdings	% of net assets
1. Simon Property Group, Inc.	11.74
2. Public Storage	5.99
3. Boston Properties, Inc.	5.68
4. Equity Residential	4.58
5. SL Green Realty Corporation	4.38
6. AvalonBay Communities, Inc.	4.28
7. Host Hotels & Resorts, Inc.	4.20
8. Vornado Realty LP Shs of Benef Int	4.06
9. Ventas, Inc.	3.45
10. Essex Property Trust	3.30
% of net assets in top ten holdings*	51.67

Analysis	
# of Stock Hldgs	50
# of Bond Hldgs	0
# of Other Hldgs	5
GeoAvgCap (mil)	$5,729.17
Turnover Ratio	57%
P/C Ratio	12.92
P/E Ratio	40.72
P/B Ratio	2.18

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**0.00**	**Service**	**100.00**	**Manufacturing**	**0.00**
Software	0.00	Healthcare	0.00	Consumer Goods	0.00
Hardware	0.00	Consumer Services	2.35	Industrial Materials	0.00
Media	0.00	Business Services	0.00	Energy	0.00
Telecom	0.00	Financial Services	97.65	Utilities	0.00

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The full name of this investment option is Principal Real Estate Securities Separate Account-R6.

MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

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Real estate investment options are subject to some risks inherent in real estate and Real Estate Investment Trusts, such as risks associated with general and local economic conditions.

* Values may exceed 100% if both long and short positions are included in the portfolio.

U.S. Property Separate Account-R6 as of 06/30/2010

Investment Strategy

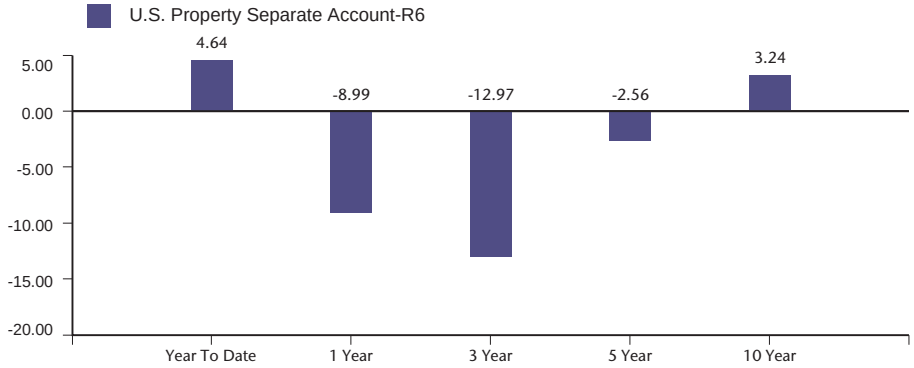
The investment invests the majority of assets on commercial real estate holdings. It focuses on properties that return both lease income and appreciation of the buildings' marketable value. The property holdings usually contain real estate from the multi-family, office, warehouse/manufacturing, and retail sectors.

Principal Real Estate Investors

Portfolio managers

John Berg Since 12/01/2003. M.B.A., University of Iowa

Long-term returns % as of 06/30/2010



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	4.64	-8.99	-12.97	-2.56	3.24

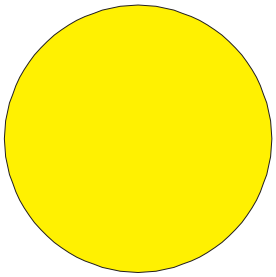
Annual Returns	2009	2008	2007	2006	2005
Total Return %	-31.59	-13.23	13.42	15.14	18.61

Operations

Total Investment Expense Net	1.15%
Total Investment Expense Gross	1.15%
Inception Date	01/01/1982
Total Net Assets (mil)	$3,242.23

Portfolio information

Composition as of 05/31/2010



% of Assets

Other	100.00

Analysis

Total Number of Hldgs	125

Portfolio composition

Top ten holdings	% of net assets
Office San Francisco, CA	7.73
Office New York, NY	4.86
Office Seattle, WA	3.97
Retail Los Angeles, CA	3.45
Hotel San Antonio, TX	2.71
Multi-family/Retail Cambridge, MA	2.53
Office Phoenix, AZ	2.49
Multi-family Seattle, WA	2.38
Office/Retail San Diego, CA	2.19
Multi-family Santa Ana, CA	2.08

% of net assets in top ten holdings* 34.39%

*Values may exceed 100% if both long and short positions are included in the portfolio.

Geographical diversity	% of properties
West	51.00
East	20.00
South	18.00
Midwest	11.00

Property type	% of account
Office	41.00
Retail	20.00
Apartments	20.00
Industrial Park	18.00
Other	1.00

U.S. Property Separate Account-R6 as of 06/30/2010

Returns shown for periods of less than one year are not annualized. All returns displayed here are after Total Investment Expense of the investment option. Annualized total returns measure net investment income and capital gain or loss from portfolio investments as an annualized average, assuming the reinvestment of dividends, and without adjusting for loads.

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Principal Funds, Inc. is distributed by Principal Funds Distributor, Inc. Securities are offered through Princor Financial Services Corporation, 800-547-7754, member SIPC, and/or independent broker/dealers. Securities sold by a Princor® Registered Representative are offered through Princor. Principal Funds Distributor, Princor and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths.

Due to the unique composition of the portfolio, Morningstar does not track an index or peer group that provides an appropriate comparison for this Separate Account.

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This investment option is subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. Payment of principal and earnings may be delayed.

LargeCap Growth I Separate Account-R6 as of 06/30/2010

Investment Strategy

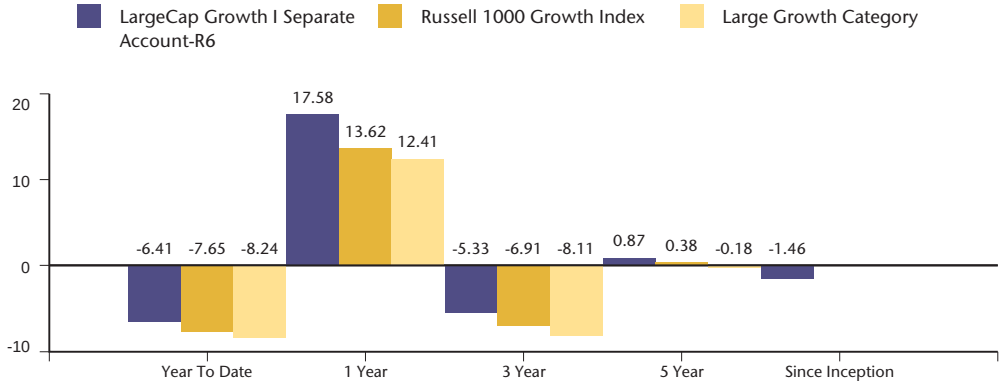
The investment seeks long-term growth of capital. The fund normally invests atleast 80% of assets in equity securities of companies with market capitalizations within the range of companies in the Russell 1000 Growth index at the time of purchase. It invests less than 25% of total assets in foreign companies. The fund may also purchase futures and options. It generally looks for companies with an above-average rate of earnings and cash flow growth and a lucrative niche in the economy that gives them the ability to sustain earnings momentum even during times of slow economic growth.

BROWN ADVISORY

Portfolio managers

Robert W. Sharps, CPA, CFA. Since 08/19/2004. M.B.A., University of Pennsylvania
Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology
Kenneth M. Stuzin, CFA. Since 07/14/2009. M.B.A., Columbia University

Long-term returns % as of 06/30/2010



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	-6.41	17.58	-5.33	0.87	-1.46
Russell 1000 Growth Index %	-7.65	13.62	-6.91	0.38	-
Large Growth Category %	-8.24	12.41	-8.11	-0.18	-
Morningstar Percentile Rankings	-	10	16	28	-
# of Funds in Category	1828	1770	1545	1298	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	51.92	-40.69	8.18	5.93	7.44
Russell 1000 Growth Index %	37.21	-38.44	11.81	9.07	5.26
Large Growth Category %	35.68	-40.67	13.35	7.05	6.71
Morningstar Percentile Rankings	6	51	75	63	40
# of Funds in Category	1796	1809	1748	1642	1495

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Growth

Morningstar Style Box™

As of 05/31/2010

Investment style

	Value	Blend	Growth
Large			■
Medium			
Small			

Market capitalization

Risk and Return Statistics

as of 06/30/2010 Relative to Russell 1000 Growth Index

	3Yr	5Yr
Alpha	2.81	0.88
Beta	1.09	1.08
R-Squared	96.26	95.56
Standard Deviation	23.24	18.72
Mean	-5.32	0.89
Sharpe Ratio	-0.18	0.00
Excess Return	1.59	0.51
Excess Risk	4.94	4.18
Information Ratio	0.32	0.12

Operations

Total Investment Expense Net	0.79%
Total Investment Expense Gross	0.90%
Contractual Cap Expiration Date	02/28/2011
Waiver Expiration Date	02/28/2011
Inception Date	12/29/2000
Total Net Assets (mil)	$2,324.92

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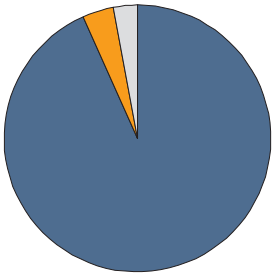
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Growth I Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
U.S. Stocks	93.30
Non-U.S. Stocks	3.74
Cash	2.96

Top ten holdings	% of net assets
1. Apple, Inc.	4.98
2. Google, Inc.	4.11
3. S&P FUTURE - JUNE 2010	2.82
4. Qualcomm, Inc.	2.52
5. Danaher Corporation	2.37
6. Accenture PLC	2.20
7. MasterCard Incorporated A	2.11
8. Schlumberger, Ltd.	2.09
9. Allergan, Inc.	1.98
10. Cisco Systems, Inc.	1.71
% of net assets in top ten holdings*	26.89

Analysis	
# of Stock Hldgs	478
# of Bond Hldgs	0
# of Other Hldgs	6
GeoAvgCap (mil)	$25,589.33
Turnover Ratio	99%
P/C Ratio	7.24
P/E Ratio	18.03
P/B Ratio	2.82

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**31.73**	**Service**	**42.65**	**Manufacturing**	**25.62**
Software	4.77	Healthcare	11.84	Consumer Goods	6.88
Hardware	18.73	Consumer Services	13.48	Industrial Materials	11.19
Media	1.28	Business Services	9.53	Energy	7.25
Telecom	6.95	Financial Services	7.80	Utilities	0.30

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The full name of this investment option is Principal LargeCap Growth I Separate Account-R6.

Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

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This investment option maintains a voluntary waiver which is reflected in the value displayed for Total Investment Expense - Net. This waiver may be discontinued at any time.

This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.

Effective July 14, 2009, Brown Advisory was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

* Values may exceed 100% if both long and short positions are included in the portfolio.

MidCap Growth III Separate Account-R6 as of 06/30/2010

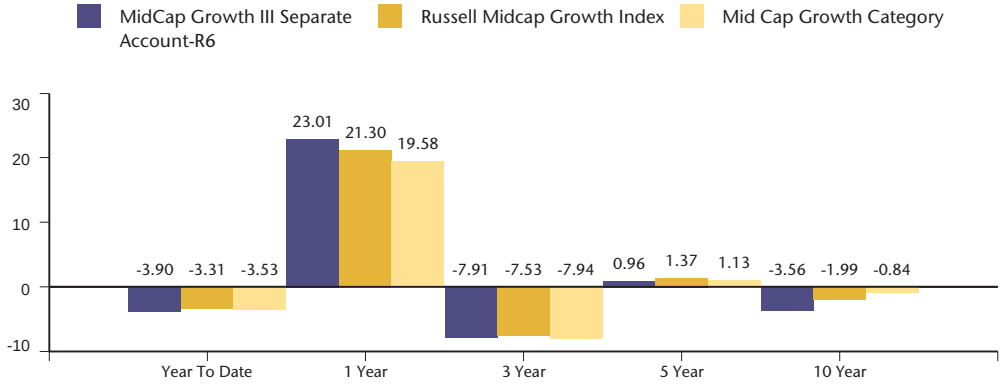
Investment Strategy

The investment seeks long-term growth of capital. The fund invests primarily in common stocks and other equity securities of U.S. companies with strong earnings growth potential. It normally invests at least 80% of assets in companies with market capitalizations similar to those of companies in the Russell Midcap Growth index.

Portfolio managers

Christopher K. McHugh Since 12/06/2000. M.B.A., St. Joseph's University
Adam T. Logan, CFA. Since 11/21/2008. M.B.A., University of Pittsburgh
Bruce I. Jacobs Since 05/01/2009. Ph.D., University of Pennsylvania
Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology
Ronald P. Gala, CFA. Since 06/24/2009. M.B.A., University of Pittsburgh

Long-term returns % as of 06/30/2010



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	-3.90	23.01	-7.91	0.96	-3.56
Russell Midcap Growth Index %	-3.31	21.30	-7.53	1.37	-1.99
Mid Cap Growth Category %	-3.53	19.58	-7.94	1.13	-0.84
Morningstar Percentile Rankings	-	25	49	54	75
# of Funds in Category	809	782	694	612	354

Annual Returns	2009	2008	2007	2006	2005
Total Return %	44.81	-48.56	24.40	6.26	11.59
Russell Midcap Growth Index %	46.29	-44.32	11.43	10.66	12.10
Mid Cap Growth Category %	39.11	-43.77	15.09	9.00	9.84
Morningstar Percentile Rankings	31	80	12	69	37
# of Funds in Category	812	934	967	994	936

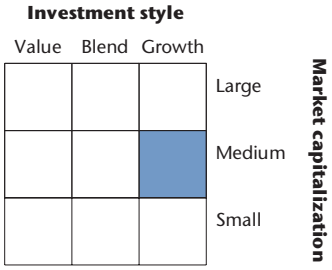
Morningstar percentile rankings are based on total returns.

Morningstar category

Mid Cap Growth

Morningstar Style Box™

As of 05/31/2010



Risk and Return Statistics

as of 06/30/2010 Relative to Russell Midcap Growth Index

	3Yr	5Yr
Alpha	-0.03	-0.19
Beta	1.02	1.04
R-Squared	97.32	96.22
Standard Deviation	26.17	21.92
Mean	-7.90	0.96
Sharpe Ratio	-0.24	0.03
Excess Return	-0.37	-0.41
Excess Risk	4.34	4.35
Information Ratio	-0.09	-0.09

Operations

Total Investment Expense Net	1.13%
Total Investment Expense Gross	1.15%
Contractual Cap Expiration Date	02/28/2011
Waiver Expiration Date	02/28/2011
Inception Date	10/28/1999
Total Net Assets (mil)	$1,200.85

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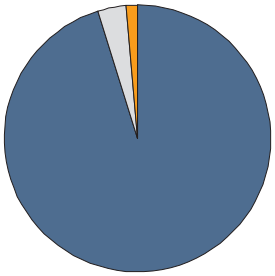
MidCap Growth III Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
U.S. Stocks	95.19
Cash	3.41
Non-U.S. Stocks	1.40
Other	0.01

Top ten holdings	% of net assets
1. S&P MID 400 EMINI JUNE10	3.53
2. F5 Networks, Inc.	1.71
3. NetApp, Inc.	1.36
4. T Rowe Price Group	1.26
5. Urban Outfitters Inc.	1.21
6. Salesforce.com, Inc.	1.20
7. Coach, Inc.	1.20
8. Goodrich Corporation	1.14
9. Whole Foods Market, Inc.	1.14
10. Starwood Hotels & Resorts Worldwide, Inc.	1.13
% of net assets in top ten holdings*	14.88

Analysis	
# of Stock Hldgs	496
# of Bond Hldgs	0
# of Other Hldgs	6
GeoAvgCap (mil)	$5,520.26
Turnover Ratio	126%
P/C Ratio	8.34
P/E Ratio	17.43
P/B Ratio	2.57

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**24.66**	**Service**	**44.09**	**Manufacturing**	**31.26**
Software	6.49	Healthcare	12.98	Consumer Goods	11.02
Hardware	14.30	Consumer Services	15.74	Industrial Materials	12.83
Media	1.00	Business Services	5.43	Energy	5.82
Telecom	2.87	Financial Services	9.94	Utilities	1.59

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Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holder investing in the Separate Account. For further information on the underlying mutual fund see the prospectus of the fund.

Formerly known as Mid-Cap Growth Separate Account.

This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.

* Values may exceed 100% if both long and short positions are included in the portfolio.

LargeCap Value I Separate Account-R6 as of 06/30/2010

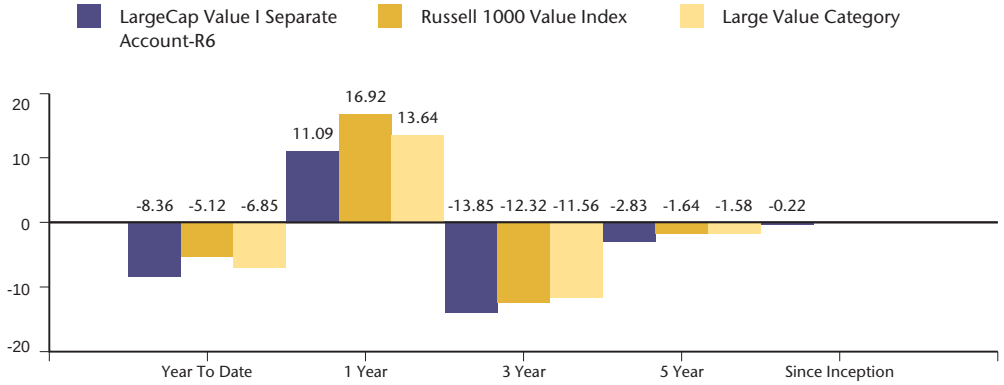
Investment Strategy

The investment seeks long-term growth of capital. The fund invests primarily in common stocks and other equity securities of large-capitalization companies. It normally invests at least 80% of net assets in securities of companies with large market capitalizations (those with market capitalizations similar to companies in the Russell 1000 Value index) at the time of purchase. The fund may invest up to 25% of assets in securities of foreign companies.

Portfolio managers

Thomas M. Cole, CFA. Since 06/01/2004. M.B.A., University of Wisconsin
Thomas Digenan, CPA, CFA. Since 06/01/2004. M.S., DePaul University
John C. Leonard, CFA. Since 06/01/2004. M.B.A., University of Chicago
Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology
Elizabeth Cabell Jennings, CFA. Since 03/01/2010. B.A., College of William and Mary

Long-term returns % as of 06/30/2010



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	-8.36	11.09	-13.85	-2.83	-0.22
Russell 1000 Value Index %	-5.12	16.92	-12.32	-1.64	-
Large Value Category %	-6.85	13.64	-11.56	-1.58	-
Morningstar Percentile Rankings	-	75	82	76	-
# of Funds in Category	1308	1283	1135	952	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	22.35	-39.34	0.31	18.01	9.75
Russell 1000 Value Index %	19.69	-36.85	-0.17	22.25	7.05
Large Value Category %	24.13	-37.09	1.42	18.15	5.95
Morningstar Percentile Rankings	55	70	61	53	16
# of Funds in Category	1272	1433	1432	1371	1296

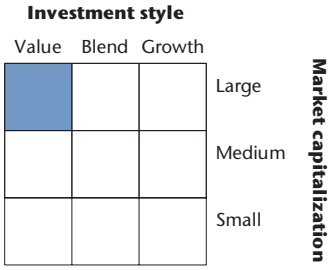
Morningstar percentile rankings are based on total returns.

Morningstar category

Large Value

Morningstar Style Box™

As of 05/31/2010



Risk and Return Statistics

as of 06/30/2010 Relative to Russell 1000 Value Index

	3Yr	5Yr
Alpha	-1.31	-1.07
Beta	1.02	1.01
R-Squared	96.62	96.11
Standard Deviation	23.10	18.63
Mean	-13.84	-2.82
Sharpe Ratio	-0.59	-0.21
Excess Return	-1.51	-1.18
Excess Risk	4.28	3.68
Information Ratio	-0.35	-0.32

Operations

Total Investment Expense Net	0.94%
Total Investment Expense Gross	0.95%
Contractual Cap Expiration Date	02/28/2011
Waiver Expiration Date	02/28/2011
Inception Date	06/01/2004
Total Net Assets (mil)	$2,105.96

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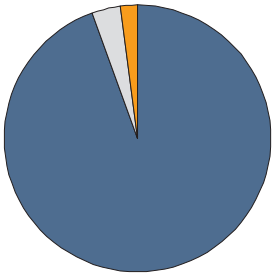
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Value I Separate Account-R6 as of 06/30/2010

Portfolio information†

Composition as of 05/31/2010



% of Assets	
U.S. Stocks	94.48
Cash	3.42
Non-U.S. Stocks	2.10

Top ten holdings	% of net assets
1. J.P. Morgan Chase & Co.	3.88
2. ExxonMobil Corporation	3.82
3. S&P FUTURE - JUNE 2010	3.14
4. Wells Fargo Company	2.88
5. AT&T, Inc.	2.80
6. Chevron Corporation	2.75
7. General Electric Company	2.51
8. Merck & Co Inc	2.27
9. Pfizer Inc.	2.09
10. Bank of America Corporation	2.02
% of net assets in top ten holdings*	28.16

Analysis	
# of Stock Hldgs	544
# of Bond Hldgs	0
# of Other Hldgs	6
GeoAvgCap (mil)	$35,233.66
Turnover Ratio	115%
P/C Ratio	3.20
P/E Ratio	12.39
P/B Ratio	1.50

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**16.32**	**Service**	**40.70**	**Manufacturing**	**43.00**
Software	1.02	Healthcare	10.20	Consumer Goods	8.15
Hardware	4.77	Consumer Services	6.31	Industrial Materials	12.53
Media	5.75	Business Services	2.40	Energy	16.52
Telecom	4.78	Financial Services	21.79	Utilities	5.80

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths.

The full name of this investment option is Principal LargeCap Value I Separate Account-R6.

Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

† Portfolio holdings are subject to change and companies referenced in this report may not currently be held. Information is current as of the creation of this piece. Keep in mind that portfolio holdings are subject to risk. For a complete list of the most recent publicly available holdings visit www.principal.com.

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Effective October 1, 2009, TS&W was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

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