

PRINCIPAL FINANCIAL GROUP INC

Form S-3

November 06, 2007

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**As filed with the Securities and Exchange Commission on November 6, 2007
Registration Nos. 333- and 333-**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

**Form S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

Principal Life Insurance Company
*(As depositor and sponsor of the trusts described herein
and
as issuer of the funding agreements described herein)
(Exact name of registrant as specified in its charter)*

Principal Financial Group, Inc.
*(As issuer of the guarantees described herein)
(Exact name of registrant as specified in its charter)*

Iowa
*(State or other jurisdiction of incorporation or
organization)*

Delaware
*(State or other jurisdiction of incorporation or
organization)*

42-0127290
(I.R.S. Employer Identification Number)

42-1520346
(I.R.S. Employer Identification Number)

**711 High Street
Des Moines, Iowa 50392-0001
(515) 247-5111**
*(Address, including zip code, and telephone number,
including area code, of registrant's principal executive
offices)*

**711 High Street
Des Moines, Iowa 50392-0001
(515) 247-5111**
*(Address, including zip code, and telephone number,
including area code, of registrant's principal executive
offices)*

Please address a copy of all communications to:

**Karen E. Shaff
Principal Life Insurance Company
711 High Street
Des Moines, Iowa 50392-0001
(515) 247-5111**
*(Name, address, including zip code, and telephone number, including area code, of agent for service of each
registrant)*

Copies to:

**Perry J. Shwachman
Anthony J. Ribaud
Sidley Austin LLP
One South Dearborn Street
Chicago, Illinois 60603
(312) 853-7000**

**Jeffrey J. Delaney
Pillsbury Winthrop Shaw Pittman LLP
1540 Broadway
New York, New York 10036
(212) 858-1000**

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Secured Medium-Term Notes Funding Agreements issued by Principal Life Insurance Company(4) Guarantees by Principal Financial Group, Inc. With respect to the Funding Agreements(5)	\$4,000,000,000	100%	\$4,000,000,000	\$122,800

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

- (2) If any securities are (a) denominated or payable in a foreign or composite currency or currencies, such principal amount as shall result in an aggregate initial offering price equivalent to \$4,000,000,000, (b) issued at an original issue discount, such principal amount as shall result in an aggregate initial offering price of \$4,000,000,000, or (c) issued with their principal amount payable at maturity to be determined with reference to a currency exchange rate or other index, such principal amount as shall result in an aggregate initial offering price of \$4,000,000,000.
- (3) The registration fee has been calculated on the basis of the maximum aggregate offering price of all securities listed in accordance with Rule 457(o) under the Securities Act of 1933.
- (4) Each Funding Agreement of Principal Life Insurance Company will be purchased by a separate and distinct issuing trust with the proceeds of the sale of a related series of the Secured Medium-Term Notes issued by such issuing trust. Pursuant to Rule 457(o) under the Securities Act of 1933, no separate fee is payable in respect of the Funding Agreements.
- (5) No separate consideration will be received for the Principal Financial Group, Inc. Guarantees. Pursuant to Rule 457(n) under the Securities Act of 1933, no separate fee is payable in respect of the Principal Financial Group, Inc. Guarantees.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

This Registration Statement contains:

three prospectus supplements relating to notes (one for an offering of secured medium-term notes which will be offered primarily to institutional investors, one for an offering of Principal[®] Life CoreNotes[®] which will be offered primarily to retail investors and one for an offering of secured medium-term notes which will be offered primarily to retail investors) that one or more newly established separate and distinct trusts may issue and sell to the public, from time to time, with payment of principal and interest on the applicable series of notes to be secured by a funding agreement sold to, and deposited into, the applicable trust, by Principal Life Insurance Company, the payment obligations under which will be fully and unconditionally guaranteed by a guarantee issued by Principal Financial Group, Inc.; and

a base prospectus relating to notes that one or more newly established separate and distinct trusts may issue and sell to the public, from time to time, with payment of principal and interest on the applicable series of notes to be secured by a funding agreement sold to, and deposited into, the applicable trust, by Principal Life Insurance Company, the payment obligations under which will be fully and unconditionally guaranteed by a guarantee issued by Principal Financial Group, Inc.

Each offering of notes made under this Registration Statement will be made pursuant to:

the base prospectus and one of the prospectus supplements included in this Registration Statement, with the specifications of the notes, funding agreements and guarantees offered thereby set forth in a pricing supplement; or

a newly filed prospectus supplement to the base prospectus, with the specifications of the notes, funding agreements and guarantees offered thereby set forth in such newly filed prospectus supplement or a pricing supplement.

Principal[®] is a registered service mark of Principal Financial Services, Inc. and is used under license.

CoreNotes[®] is a registered service mark of Merrill Lynch & Co., Inc.

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The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS SUPPLEMENT

(To prospectus dated _____, 2007)

\$4,000,000,000

PRINCIPAL FINANCIAL GROUP LOGO

**Secured Medium-Term Notes (That are also Asset-Backed Securities)
Due Between Nine Months and Thirty Years From the Date of Issue
Issued Through and Obligations of
Principal Life Income Fundings Trusts
Secured by Funding Agreements Issued by
Principal Life Insurance Company and
Guarantees Issued by Principal Financial Group, Inc.**

Principal Life: We are Principal Life Insurance Company, an Iowa insurance company, the sponsor of the program and the depositor and issuer of the funding agreements described below. This prospectus supplement relates to the offering, from time to time, through newly established separate and distinct issuing entities in the form of the trusts described below, of one or more series of secured medium-term notes (that are also asset-backed securities), which we refer to in this prospectus supplement as notes, in an aggregate principal amount of up to \$4,000,000,000 or the equivalent amount in one or more foreign or composite currencies, less any principal amount of notes previously issued under this program pursuant to this prospectus supplement, our Principal[®] Life CoreNotes[®] program issued primarily to retail investors pursuant to a separate prospectus supplement dated the date hereof, our secured medium-term notes retail program issued primarily to retail investors pursuant to a separate prospectus supplement dated the date hereof or otherwise under the accompanying prospectus.

Issuing Entities: The applicable trust will use the net proceeds from the offering of its series of notes to purchase a funding agreement sold to, and deposited into, the applicable trust, by us. Our payment obligations under the funding agreement relating to the applicable series of notes will be fully and unconditionally guaranteed by a guarantee issued by Principal Financial Group, Inc., a Delaware corporation and our indirect parent (PFG).

Each trust exists for the exclusive purpose of issuing and selling one series of notes to investors, using the net proceeds from the sale of that series of notes to acquire a funding agreement from us, collaterally assigning and granting a security interest in the applicable funding agreement, and collaterally assigning and granting a security interest in the applicable guarantee, in favor of the indenture trustee, and engaging in other activities necessary or incidental thereto.

The notes are obligations of the applicable issuing entity. The notes are secured medium-term notes that are also asset-backed securities.

You should read this prospectus supplement, the accompanying prospectus and the applicable pricing supplement carefully before you invest in the notes.

The notes: The specific terms and conditions of each series of notes will be as set forth in a separate pricing supplement. The notes of each series will:

- be issued by a separate and distinct trust and will be the obligations of that issuing entity;
- rank as secured indebtedness of the trust secured primarily by a funding agreement issued by us;
- unless otherwise specified in the applicable pricing supplement, not be listed on any securities exchange;
- be issued in only one class;
- unless otherwise specified in the applicable pricing supplement, have a minimum denomination of \$1,000 and integral multiples in excess thereof or other specified denominations for foreign currencies;
- be in book-entry or definitive form;
- have a stated maturity of between 9 months and 30 years from the date of issue;
- have redemption and/or repayment provisions, if applicable, whether mandatory or at the option of the trust or the holders of the notes;
- represent non-recourse obligations of the trust and be paid only from the assets of that trust;
- represent the trust's obligations only and will not represent obligations of, represent interests in, or be guaranteed by, us, PFG or any of our or its affiliates;
- provide for payment in U.S. dollars or one or more foreign currencies;
- bear interest at fixed or floating rates, or bear no interest at all;
- pay interest on each series of notes on a monthly, quarterly, semi-annual or annual basis (unless otherwise specified in the applicable pricing supplement); and
- be sold to United States and foreign institutional and other investors.

Holders of a series of notes may look only to the trust's rights and title in the funding agreement issued to, and deposited into, the applicable trust by us, the related guarantee issued by PFG and any proceeds of that funding agreement and guarantee held in the trust and not to any other assets or collateral held by any other trust, us or PFG.

Investing in the notes involves risks that are described in the Risk Factors section beginning on page 2 of the accompanying prospectus.

None of the Securities and Exchange Commission (the SEC), any state securities commission or any state insurance commission has approved or disapproved of these securities or determined if this prospectus supplement, the accompanying prospectus or any pricing supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The trusts may sell notes to one or more of the applicable agents referred to below (collectively, the Agents) as principals for resale at varying or fixed offering prices or through the applicable Agents using their reasonable efforts on behalf of the trust.

Merrill Lynch & Co.
Banc of America Securities LLC
Barclays Capital
Bear, Stearns & Co. Inc.
Citi
Credit Suisse
Deutsche Bank Securities
Goldman, Sachs & Co.
JPMorgan
Lehman Brothers
Morgan Stanley
UBS Investment Bank
Wachovia Securities

The date of this prospectus supplement is _____, 2007.

Principal® and Principal Financial Group and Design are registered service marks of Principal Financial Services, Inc. and are used under license.

CoreNotes® is a registered service mark of Merrill Lynch & Co., Inc.

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ABOUT THIS PROSPECTUS SUPPLEMENT AND THE PRICING SUPPLEMENTS

This document is a prospectus supplement and supplements a prospectus which is part of the registration statement that we and PFG have filed with the SEC. This prospectus supplement provides you with a general description of the notes being offered, through newly established separate and distinct trusts and the underlying funding agreements and guarantees, and supplements the description of the notes, the underlying funding agreements and guarantees contained in the accompanying prospectus. These notes may be offered from time to time, through trusts, in one or more series of notes with a total initial public offering price or purchase price of up to \$4,000,000,000 or the equivalent amount in one or more foreign or composite currencies, less any principal amount of notes previously issued under this program pursuant to this prospectus supplement, our Principal[®] Life CoreNotes[®] program issued primarily to retail investors pursuant to a separate prospectus supplement dated the date hereof, our secured medium-term notes retail program issued primarily to retail investors pursuant to a separate prospectus supplement dated the date hereof or otherwise under the accompanying prospectus.

The specific terms and conditions of notes being offered and the related funding agreement and guarantee will be contained in a pricing supplement. A copy of that pricing supplement will be provided to you along with a copy of this prospectus supplement and the accompanying prospectus. That pricing supplement also may add, update, supplement or clarify information in this prospectus supplement and the

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accompanying prospectus. You should carefully review such additional, updated, supplemental or clarifying information contained in the pricing supplement. You should read this prospectus supplement and the accompanying prospectus and the pricing supplement together with the additional information that is incorporated by reference in this prospectus supplement and the accompanying prospectus. That additional information is described under the heading "Incorporation of Certain Documents by Reference" beginning on page 12 of the accompanying prospectus.

You should rely only on the information incorporated by reference or provided in this prospectus supplement, the accompanying prospectus and the applicable pricing supplement. None of us, PFG, any trust or any Agent has authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. None of us, PFG, any trust or any Agent is making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and the applicable pricing supplement, as well as information PFG previously filed with the SEC and incorporated by reference, is accurate only as of its respective date. The business, financial condition, results of operations and prospects of us and PFG may have changed since that date.

In this prospectus supplement, references to "Principal Life," "we," "us" and "our" are to Principal Life Insurance Company, an Iowa life insurance company, references to "PFG" are to Principal Financial Group, Inc., a Delaware corporation and our indirect parent company, and references to "trust" are to the applicable newly established separate and distinct special purpose common law trust, formed in a jurisdiction located in the United States of America specified in the applicable pricing supplement, which actually issues the applicable series of notes. In this prospectus supplement, we refer to each series of Secured Medium-Term Notes as a "series of notes" and to Secured Medium-Term Notes in general as "notes."

In this prospectus supplement, references to "United States dollars," "U.S. dollars" or "\$" are to lawful currency of the United States of America, and references to "euros" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the treaty establishing the European Community, as amended.

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SUMMARY

This section summarizes the material legal and financial terms of the notes and the underlying funding agreements and guarantees that are described in more detail in Description of the Notes beginning on page S-13 of this prospectus supplement, Description of the Funding Agreements beginning on page S-38 of this prospectus supplement, and Description of the Guarantees beginning on page 36 of the accompanying prospectus. Final terms of any particular series of notes and the related funding agreement and guarantee are set at the time of sale and will be contained in a pricing supplement relating to that series of notes and the related funding agreement and guarantee. That pricing supplement may add to, update, supplement or clarify the terms contained in this summary. In addition, you should read the more detailed information appearing elsewhere in the accompanying prospectus, this prospectus supplement and the applicable pricing supplement.

The Trusts Each series of notes will be issued by a newly established and separately created common law trust. Each trust will be established by GSS Holdings II, Inc., as trust beneficial owner, and U.S. Bank Trust National Association, as trustee, pursuant to a trust agreement (each, a trust agreement). The assets and liabilities of each trust are separate and distinct from the assets and liabilities of every other trust, us and PFG.

The Sponsor and the Depositor We are the sponsor of the program and a registrant as the depositor and issuer of the funding agreements under the program.

The Guarantor PFG is a registrant as the issuer of the guarantees that will fully and unconditionally guarantee our payment obligations under the funding agreements.

Purpose of Trusts The sole purpose of each trust is to facilitate a program for the issuance of notes to the public. Each trust may only issue one series of notes and such notes will be issued only on the original issue date for such notes. Each series of notes will be secured by only one funding agreement purchased from us by the applicable trust, the principal amount of which may not be increased. Our payment obligations under each funding agreement will be fully and unconditionally guaranteed by PFG. The trust will use the net proceeds received from issuing a series of notes to acquire a funding agreement for, and to be held in, the trust. The trust will hold the collateral described below pertaining to the applicable series of notes to fund its obligations under that series of notes. Notes issued by the trust will be the direct obligations of the trust and will not be the obligations of any other trust, us or PFG. Holders of notes of a particular series may only look to the funding agreement issued by us, the related guarantee issued by PFG and any proceeds of such funding agreement and guarantee held in the related trust for payment on their notes and not to the assets held in any other trust or by us or PFG.

We and PFG are not affiliated with any trust. Neither we, PFG nor any of our officers, directors, subsidiaries or affiliates owns any beneficial interest in any trust nor has any of these persons or entities entered into any agreement with any trust other than in furtherance of the issuance of

notes from time to time as contemplated by this prospectus supplement and the accompanying prospectus.

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Neither we, PFG nor any of our officers, directors, subsidiaries or affiliates is affiliated with the trustee, the trust beneficial owner or the indenture trustee relating to the notes.

Below is a diagram showing the parties involved in the issuance of notes by each trust.

We Can Issue Medium-Term Notes and Funding Agreements Directly to Investors

We are able to issue our own medium-term notes directly to investors and do issue funding agreements directly to investors. However, by securing each trust's notes with a funding agreement, such trust's notes are secured by an asset that would have a higher priority in insolvency than our unsecured medium-term notes, if any, and may be entitled to receive a higher investment rating from one or more nationally recognized rating agencies than our unsecured medium-term notes. In addition, funding agreements are very difficult to transfer and have no active secondary market. By securing each trust's notes with a funding agreement, investors may be able to avail themselves of many of the benefits of our funding agreements while benefiting from the liquidity afforded by each trust's medium-term notes.

Agents

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banc of America Securities LLC, Barclays Capital Inc., Bear, Stearns & Co. Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Goldman, Sachs & Co., J.P. Morgan Securities Inc., Lehman Brothers Inc., Morgan Stanley & Co. Incorporated, UBS Securities LLC and Wachovia Capital Markets, LLC.

Secured Medium-Term Notes Program

This prospectus supplement relates to notes that one or more trusts may issue and sell to United States and foreign institutional and other investors under our secured medium-term notes program.

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Principal® Life CoreNotes® Program	<p>Included in the registration statement, of which this prospectus supplement is a part, is another prospectus supplement relating to notes that may be issued and sold to retail investors by newly established trusts under the related Principal® Life CoreNotes® program. The terms of the Principal® Life CoreNotes® are identical in all material respects to the terms of the notes to be sold under this program, as described in this prospectus supplement, except that the Principal® Life CoreNotes®:</p> <ul style="list-style-type: none">may not be issued as amortizing notes;will be denominated in U.S. dollars only;will not provide for the payment of additional amounts relating to any required withholding under any circumstances; andmay contain a survivor's option, permitting optional repayment of notes of a series of notes, subject to certain limitations, prior to maturity, if requested, following the death of the beneficial owner of notes of that series of notes.
Secured Medium-Term Notes Retail Program	<p>Included in the registration statement, of which this prospectus supplement is a part, is another prospectus supplement relating to notes that may be issued and sold to retail investors by newly established trusts under the related secured medium-term notes retail program. The terms of the secured medium-term notes retail program are identical in all material respects to the terms of the notes to be sold under this program, as described in this prospectus supplement, except that the secured medium-term retail notes:</p> <ul style="list-style-type: none">may not be issued as amortizing notes;will be denominated in U.S. dollars only;will not provide for the payment of additional amounts relating to any required withholding under any circumstances; andmay contain a survivor's option, permitting optional repayment of notes of a series of notes, subject to certain limitations, prior to maturity, if requested, following the death of the beneficial owner of notes of that series of notes.
Amount	<p>The trusts may collectively issue up to a maximum aggregate principal amount of \$4,000,000,000 of notes, or the equivalent in one or more foreign or composite currencies, in connection with this prospectus supplement, less any principal amount of notes previously issued under this program pursuant to this prospectus supplement, our Principal® Life CoreNotes® program pursuant to a separate prospectus supplement dated the date hereof, our secured medium-term notes retail program pursuant to</p>

a separate prospectus supplement dated the date hereof or otherwise under the accompanying prospectus.

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Flow of Funds

Other than during the occurrence and continuance of an event of default under the notes of a trust, amounts received by or on behalf of the trust will be paid:

first, to amounts due under the notes; and

second, with respect to any remaining funds, in accordance with the applicable trust agreement.

During the occurrence and continuance of an event of default under the notes of a trust, amounts received by or on behalf of the trust will be paid:

first, to the payment of the reasonable and customary expenses and counsel fees incurred by the indenture trustee and any other amounts due and unpaid to the indenture trustee, in an aggregate amount of no more than \$250,000 for all notes issued under the program, to the extent not paid pursuant to the applicable expense and indemnity agreement;

second, to amounts due under the notes; and

third, with respect to any remaining funds, in accordance with the applicable trust agreement.

See Description of the Notes Application of Money Collected Under the Indenture in the accompanying prospectus.

Since we and PFG are registrants, purchasers of notes may proceed directly against us and PFG to enforce their rights under the United States federal and state securities laws. The right of such purchasers to proceed against us, with respect to the applicable funding agreement, under the United States federal and state securities laws, is no different than if we had issued the funding agreement directly to such purchasers. The right of such purchasers to proceed against PFG, with respect to the applicable guarantee, under the United States federal and state securities laws is no different than if PFG had issued the guarantee directly to such purchasers.

Terms of the Notes:

Status

Each series of notes will be the unconditional, direct, non-recourse, secured and unsubordinated obligations of the applicable trust. Each series of notes will be secured by the collateral relating to that series of notes.

Each series of notes may be accelerated in the payment of principal and outstanding interest if an event of default under the notes occurs. Upon the occurrence of an event of default, the indenture trustee (described below), on behalf of the holders of such notes, may only proceed against the collateral held in the related trust.

The notes of each series are not, and will not be, obligations of, or guaranteed by, us or any other insurance company or any affiliate of ours, including

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PFG. The notes will not benefit from any insurance guarantee fund coverage or any similar protection.

Payment of Principal and Interest

Principal and interest payments, if any, on any series of notes will be made solely from the proceeds of a funding agreement purchased with respect to such series of notes for, and to be held in, the related trust and the full and unconditional guarantee issued by PFG of our payment obligations under the relevant funding agreement.

Each series of notes may be interest bearing or non-interest bearing as specified in the applicable pricing supplement. Each series of notes may bear interest at either a fixed rate or a floating rate, or a combination of fixed rates and floating rates, as specified in the applicable pricing supplement.

The principal amount of each note (other than amortizing notes) will be payable on its stated maturity date, repayment date or redemption date, as specified in the applicable pricing supplement, at the corporate trust office of the paying agent, acting in its capacity as servicer, or any other place the relevant trust designates.

Unless otherwise specified in the applicable pricing supplement, interest, if any, on each series of notes will be payable on a monthly, quarterly, semi-annual or annual basis.

A trust may issue amortizing notes that pay an amount in respect of both interest and principal amortized over the life of the note as specified in the applicable pricing supplement.

Interest Rate

Each fixed rate note will bear interest from its date of issue at the rate(s) stated in the applicable pricing supplement until the principal is paid. Each floating rate note will bear interest from the date of original issuance until the principal is paid at a rate determined by reference to an interest rate or interest rate formula, which may be adjusted by a spread and/or spread multiplier (each as more fully described under *Description of the Notes*). The applicable pricing supplement will designate one or more of the following interest rate bases along with the index maturity for that interest rate basis:

the CD Rate;

the CMT Rate;

the Commercial Paper Rate;

the Eleventh District Cost of Funds Rate;

EURIBOR;

the Federal Funds Open Rate;

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the Federal Funds Rate;

LIBOR;

the Prime Rate; or

the Treasury Rate.

Interest, if any, will be payable monthly, quarterly, semi-annually or annually on each interest payment date and on the maturity date or, if applicable, earlier redemption or repayment, and, with respect to fixed rate notes, will be computed on the basis of a 360-day year of twelve 30-day months, unless otherwise specified in the applicable pricing supplement.

Maturities

Unless otherwise specified in the applicable pricing supplement, each series of notes will mature between nine months and 30 years from its date of original issuance on the last scheduled interest payment date, as specified in the applicable pricing supplement.

Redemption and Repayment

A trust will redeem its series of notes if we redeem the funding agreement securing such series of notes. Except as otherwise specified in the accompanying prospectus, this prospectus supplement or the applicable pricing supplement, the funding agreement securing a series of notes will not be redeemable by us and no series of notes will be repayable at the option of the holder prior to their stated maturity date. Unless otherwise specified in the applicable pricing supplement, the notes will not be subject to any sinking fund.

Each trust may issue a series of notes which may be redeemed by the issuing trust when 20% or more of the original principal balance is outstanding. Notes that may be redeemed at a time when 20% or more of the original principal amount of such notes are outstanding will be designated in their title as *callable* in the applicable pricing supplement.

Withholding Tax

All amounts due in respect of the notes of any series, the related guarantee and the related funding agreement will be made without any applicable withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of any governmental authority, unless such withholding or deduction is required by law. Unless otherwise specified in the applicable pricing supplement, none of the notes, the related guarantee or the related funding agreement will provide for the payment of additional amounts relating to any required withholding or deduction imposed or levied on payments in respect of a series of notes, the related guarantee or the related funding agreement. As a result, unless otherwise specified in the applicable pricing supplement, the risk of any such withholding or deduction, whether or not as a result of a change in law or otherwise, will be borne by the holders of such series of notes.

Material United States Federal Income
Tax Considerations

We intend to take the position, for United States federal income tax purposes, that each trust will be disregarded and that the notes will be treated as representing our indebtedness (the Intended Tax

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Characterization). Each holder of a note (or any beneficial interest therein), by acceptance of the note (or beneficial interest therein), agrees to the Intended Tax Characterization. Accordingly, holders of the notes generally will have the same United States federal income tax consequences from the purchase of the notes as they would have had if they purchased a debt obligation issued directly by us. Prospective purchasers of the notes must carefully consider the tax consequences of the ownership and disposition of the notes set forth under Material United States Federal Income Tax Considerations.

Fees and Expenses

We will pay the costs and expenses incurred by a trust under the expense and indemnity agreements with each of the indenture trustee, the custodian, the trust beneficial owner and the trustee (on behalf of itself and each trust formed in connection with the issuance of a series of notes) and any additional service provider appointed from time to time.

Under each expense and indemnity agreement, we will pay certain costs and expenses relating to the offering, sale, issuance and administration of any series of notes and certain costs, expenses and taxes incurred by a trust and will indemnify the indenture trustee, the custodian, the trust beneficial owner, the trustee, each trust and additional service providers appointed from time to time with respect to certain matters. See Fees and Expenses in the accompanying prospectus.

We anticipate that the indenture trustee fees for the program will be approximately \$215 per year for each series of notes.

Denominations; Currency

Unless otherwise specified in the applicable pricing supplement, the notes will be denominated in U.S. dollars and sold in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof.

Listing

Unless otherwise specified in the applicable pricing supplement, your series of notes will not be listed on any securities exchange.

Form of Notes

Unless otherwise specified in the applicable pricing supplement, each series of notes will be issued in fully registered form and will be initially represented by one or more book-entry notes registered in the name of Cede & Co., the nominee of The Depository Trust Company, as depositary. Each book-entry note will be held by the indenture trustee as custodian for the depositary or its nominee.

Clearing Systems

The Depository Trust Company and/or, in relation to any series of notes, any other clearing system as may be specified in the applicable pricing supplement.

Collateral

The notes of any series will be secured by the right, title and interest of the applicable trust in and to (1) the relevant funding agreement held in that trust, (2) the related guarantee issued by PFG to the trust fully and unconditionally guaranteeing our payment obligations under the funding

agreement, (3) all proceeds of the funding agreement and the guarantee and all amounts and instruments on deposit from time to time in the related collection account, (4) all books and records pertaining to the relevant funding

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agreement and the related guarantee and (5) all rights of the trust pertaining to the foregoing.

Each series of notes will be secured by the collateral held in the applicable trust. The trust will collaterally assign and grant a security interest in the related funding agreement and the related guarantee in favor of the indenture trustee for the benefit of the holders of notes of the applicable series.

Under the custodial agreement (the custodial agreement) entered into among the indenture trustee, Bankers Trust Company, N.A. (the custodian) and the trustee (on behalf of each trust to be formed in connection with the issuance of a series of notes), upon the collateral assignment of and grant of security interest in the funding agreement and the guarantee related to a series of notes of a trust, the custodian will hold the funding agreement and the guarantee, on behalf of the indenture trustee in the State of Iowa.

Funding Agreements

A funding agreement is a type of insurance company product in which the purchaser, usually an institutional investor, pays the insurance company a deposit and, in turn, receives scheduled payments of principal and interest. The deposit we receive on the issuance of a funding agreement will be part of our general account and not allocated to any of our separate accounts. Our general account is the account which contains all of our assets and liabilities other than those held in our separate accounts. (Separate accounts are segregated accounts which are established for certain products that we sell. A separate account holds assets and liabilities specifically related to one or more products and segregates these assets and liabilities from the assets and liabilities of all other separate accounts and the assets and liabilities of our general account.) Since the deposit made under any funding agreement will be part of our general account, our obligations under each funding agreement will be the obligations of our general account, rather than the obligations of any separate account. As such, we will invest the proceeds from the sale of funding agreements in a portfolio of assets which along with our other general account assets will be used to meet our contractual obligations under the funding agreements and our other general account obligations. We will earn the spread differential between the cost of our obligations under the funding agreements and the yield on our invested assets. We may periodically, consistent with our past practice and subject to all applicable regulatory restrictions on our insurance operations, dividend a portion of the spread income to PFG.

Each trust will use the net proceeds received from the sale of its series of notes to purchase a funding agreement issued by us, the terms of which will be set forth in the applicable pricing supplement. The funding agreement will have a deposit amount equal to the sum of the principal amount (or issue price in the case of discount notes) of the related series of notes and the amount of the beneficial interest in the related trust. The rate

at which the funding agreement bears interest will be equal to the rate of interest, if any, on the related series of notes. The funding agreement will otherwise have substantially similar payment and other terms to the related series of notes.

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Each funding agreement is our unsecured obligation. See Ratings below.

In the event of our impairment or insolvency, the Iowa Insurance Commissioner will be authorized and directed to commence delinquency proceedings for the purpose of liquidating, rehabilitating, reorganizing or conserving us pursuant to Iowa Code Sections 507C.4, 507C.12, 507C.13, 507C.14 and 507C.16. In conducting delinquency proceedings, claims are prioritized and an order of distribution is specified pursuant to Iowa Code Section 507C.42. There are nine classes within the priority scheme, with each successive class being fully junior to the preceding class. Class 1 priority is given to the costs and expenses of administration of the insurer during the delinquency proceedings and Class 2 priority is given to the claims (1) of the insurer's policyholders, (2) of guaranty associations, (3) under funding agreements of the insurer, (4) for an insufficiency in the assets of a separate account and (5) for unearned premium. We believe that, in a properly prepared and presented case, a court applying Iowa law would conclude that loss claims of principal and interest in respect of each funding agreement would be accorded Class 2 priority under Iowa Code Section 507C.42 and paid equally in priority with our other policyholders. See Description of the Funding Agreements in the accompanying prospectus.

Iowa law would apply to our insolvency or receivership proceedings. Investors should note, however, that the statutory liquidation priority accorded to funding agreements under Iowa law does not clearly apply to any additional amounts required to be paid (if specified in the applicable pricing supplement and related funding agreement) as may be necessary in order that the net amounts receivable by a holder after any withholding or deduction shall equal the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction. Accordingly, in the event of our insolvency or receivership, claims under a funding agreement for such payments, if any, may not rank equally with either life insurance policy and annuity claims or funding agreement claims, and may rank equally with our unsecured debt obligations, which are given Class 5 priority under Iowa Code Section 507C.42. See Description of the Funding Agreements in the accompanying prospectus.

Guarantees

Our payment obligations under the funding agreement issued to each trust will be fully and unconditionally guaranteed by PFG under a guarantee issued by PFG to the trust as described in the accompanying prospectus. Each guarantee will be an unsecured, unsubordinated, contingent obligation of PFG. See Description of the Guarantees in the accompanying prospectus.

Ratings

Unless otherwise indicated in the applicable pricing supplement, the notes will have an issue credit rating of AA from Standard & Poor's Rating Service, a division of The McGraw-Hill Companies, Inc. (Standard & Poor's). Standard & Poor's has rated the program AA. If Standard & Poor's changes the program rating, the new program rating will be specified in

the applicable pricing supplement. We expect the program to be rated Aa2 by Moody's

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Investors Service, Inc. (Moody's). If Moody's changes the program rating, the new program rating will be specified in the applicable pricing supplement. Notes of a series will be issued under the program only in the event that, at the time of issuance of such series of notes, at least one nationally recognized rating agency would assign an investment grade rating to such series of notes and the funding agreement securing such series of notes.

Indenture, Indenture Trustee and Servicer Each trust will issue its series of notes to the public pursuant to an indenture between that trust and Citibank, N.A., in its capacity as indenture trustee. See Description of the Notes General Indenture. The indenture trustee will act as servicer with respect to the program. The indenture is subject to the Trust Indenture Act of 1939, as amended. The indenture trustee is not affiliated with any trust, with us or PFG.

Administration of the Trusts U.S. Bank Trust National Association, a national banking association, will be each trust's sole trustee (the trustee). The trustee will not be obligated in any way to make payments under or in respect of the notes. The trustee is not affiliated with us or PFG.

Trust Beneficial Owner GSS Holdings II, Inc., a Delaware corporation, will be the sole beneficial owner of each trust (the trust beneficial owner). The beneficial interest of each trust:

will be purchased by the trust beneficial owner for \$15 (or in the case of a trust that issues discount notes, such other amount as corresponds to the discount on such notes), unless otherwise specified in the applicable pricing supplement;

will be issued in book-entry form only;

will entitle the trust beneficial owner to receive payments in respect thereof on the same terms as the payments to be made to the holders of notes of the related series; and

will be subordinated to the related series of notes.

The trust beneficial owner will receive periodic distributions on its beneficial interest at the same rate and on the same day that holders of notes of the related series receive interest payments. On the mat