

APPENDIX "A"

LIMITATIONS AND EXCLUSIONS UNDER THE ARKANSAS LIFE AND DISABILITY INSURANCE GUARANTY ASSOCIATION ACT

Residents of this state who purchase life insurance, annuities or disability insurance should know that the insurance companies licensed in this state to write these types of insurance are members of the Arkansas Life and Disability Insurance Guaranty Association. The purpose of this Association is to assure that policy-holders will be protected, within limits, in the unlikely event that a member insurer becomes financially unable to meet its obligations. If this should happen, the Guaranty Association will assess its other member insurance companies for the money to pay the claims of insured persons who live in this state and, in some cases, to keep coverage in force. The valuable extra protection provided by these insurers through the Guaranty Association is not unlimited, however. And, as noted in the box below, this protection is not a substitute for consumers' care in selecting companies that are well-managed and financially stable.

DISCLAIMER

The Arkansas Life and Disability Insurance Guaranty Association may not provide coverage for this policy. If coverage is provided, it may be subject to substantial limitations or exclusions, and require continued residency in the state. You should not rely on coverage by the Arkansas Life and Disability Insurance Guaranty Association in selecting an insurance company or in selecting an insurance policy.

Coverage is NOT provided for your policy or any portion of it that is not guaranteed by the insurer or for which you have assumed the risk, such as non-guaranteed amounts held in a separate account under a variable life or variable annuity contract.

Insurance companies or their agents are required by law to give or send you this notice. However, insurance companies and their agents are prohibited by law from using the existence of the guaranty association to induce you to purchase any kind of insurance policy.

The Arkansas Life and Disability Insurance Guaranty Association
1123 S. University Avenue
Suite 300 University
Little Rock, Arkansas 72204

Arkansas Insurance Department
1200 West Third
Little Rock, Arkansas 72201-1904

The state law that provides for this safety-net is called the Arkansas Life and Disability Insurance Guaranty Association Act. Below is a brief summary of this law's coverages, exclusions and limits. This summary does not cover all provisions of the law; nor does it in any way change anyone's rights or obligations under the Act or the rights or obligations of the Guaranty Association.

(continued on next page)

COVERAGE

Generally, individuals will be protected by the Life and Disability Insurance Guaranty Association if they live in this state and hold a life or disability insurance contract, or an annuity, or if they are insured under a group insurance contract, issued by a member insurer. The beneficiaries, payees or assignees of insured persons are protected as well, even if they live in another state.

EXCLUSIONS FROM COVERAGE

However, persons holding such policies are NOT protected by this Association if:

- they are eligible for protection under the laws of another state (this may occur when the insolvent insurer was incorporated in another state whose guaranty association protects insureds who live outside that state);
- the insurer was not authorized to do business in this state;
- their policy was issued by a nonprofit hospital or medical service organization, an HMO, a fraternal benefit society, a mandatory state pooling plan, a mutual assessment company or similar plan in which the policy-holder is subject to future assessments, or by an insurance exchange.

The Association also does NOT provide coverage for:

- any policy or portion of a policy which is not guaranteed by the insurer or for which the individual has assumed the risk, such as non-guaranteed amounts held in a separate account under a variable life or variable annuity contract;
- any policy of reinsurance (unless an assumption certificate was issued);
- interest rate yields that exceed an average rate;
- dividends
- credits given in connection with the administration of a policy by a group contract holder;
- employers' plans to the extent they are self-funded (that is, not insured by an insurance company, even if an insurance company administers them);
- unallocated annuity contracts (which give rights to group contractholders, not individuals).

LIMITS ON AMOUNT OF COVERAGE

The Act also limits the amount the Association is obligated to pay out: The Association cannot pay more than what the insurance company would owe under a policy or contract. Also, for any one insured life, the Association will pay a maximum of \$300,000 - no matter how many policies and contracts there were with the same company, even if they provided different types of coverages. Within this overall \$300,000 limit, the Association will not pay more than \$100,000 in health insurance benefits, \$100,000 in present value of annuity benefits, or \$100,000 in life insurance death benefits or cash surrender values - again, no matter how many policies and contracts there were with the same company, and no matter how many different types of coverages. There is a \$1,000,000 limit with respect to any contract holder for unallocated annuity benefits, irrespective of the number of contracts held by the contract holder.

GROUP ANNUITY CONTRACT

Principal Life Insurance Company
711 High Street
Des Moines, Iowa 50392-0001
(515) 247-5111

in consideration of the application for this contract made by

CITY OF JONESBORO, ARKANSAS

(the Contractholder)

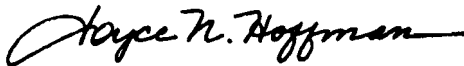
and payment of all Contributions provided for in this contract, agrees to make payments to the person or persons entitled to them subject to the provisions of this contract.

This contract is delivered in Arkansas.

Contributions directed into a Separate Account are not guaranteed as to fixed dollar amount but will increase or decrease in dollar amount, depending on the investment performance of such Separate Account, as set out in this contract.

This contract is issued and accepted subject to all the terms set forth in it.

This contract is executed by Principal Life Insurance Company at its Corporate Center to take effect as of the 1st day of August, 2002, which is the Contract Date.



Senior Vice President
and Corporate Secretary



Chairman, President and
Chief Executive Officer

Registrar

Date _____

GROUP ANNUITY CONTRACT NO. GA 4-49993

**Flexible Pension Investments Group Contract
Guaranteed Benefit Policy
With Pooled Separate Accounts**

GP A 5955-1

Principal[®]
*Financial
Group*

**FLEXIBLE PENSION INVESTMENT
GUARANTEED INTEREST FUNDS
SCHEDULE OF GUARANTEES**

CONTRACTHOLDER NAME: CITY OF JONESBORO, ARKANSAS

GROUP CONTRACT NO.: GA 4-49993

| Fund | Contribution Date | Amount of Contribution | Interest Payment Method | Interest Payment Date | Effective Annual Guaranteed Interest Rate | End of Guarantee Period |
|------|-------------------|------------------------|-------------------------|-----------------------|---|-------------------------|
| | None | None | | | | |

SPECIAL FEATURES APPLICABLE TO THE GUARANTEED INTEREST FUND(S) SHOWN ABOVE ARE LISTED BELOW BY FUND MEMBER:

All Contributions received and accepted by us for Guaranteed Interest Funds on or before August 1, 2002 are shown on this Schedule.

This Schedule replaces all previous Schedules of Guarantees which have been attached to the contract.

SEPARATE INVESTMENT RIDER

This rider is added to the Group Annuity Contract issued by us of which it is a part. All terms defined in the contract have the same meaning where used in this rider. The effective date of this rider is the latest of (i) the Contract Date, (ii) the date this rider has been approved for use in the state of issue, or (iii) the date stated in the amendment adding this rider to the contract.

The purpose of this rider is to allow the contract to participate in our Separate Accounts. We reserve the right to limit the number of Separate Accounts available under the contract. The following Separate Accounts may be available under this contract:

- Principal Bond and Mortgage Separate Account
- Principal Bond Emphasis Balanced Separate Account
- Principal Government Securities Separate Account
- Principal High Quality Intermediate-Term Bond Separate Account
- Principal High Quality Long-Term Bond Separate Account
- Principal High Quality Short-Term Bond Separate Account
- Principal International Emerging Markets Separate Account
- Principal International Small Company Separate Account
- Principal International Stock Separate Account
- Principal International Stock II Separate Account
- Principal Large Cap Stock Index Separate Account (aka Stock Index 500)
- Principal Large Company Growth Separate Account
- Principal Large Company Value Separate Account
- Principal Medium Company Blend Separate Account
- Principal Medium Company Growth Separate Account
- Principal Medium Company Value Separate Account
- Principal Mid Cap Stock Index Separate Account
- Principal Money Market Separate Account
- Principal Partners Large-Cap Blend Separate Account
- Principal Partners Large-Cap Blend I Separate Account
- Principal Partners Large-Cap Growth Separate Account
- Principal Partners Large-Cap Growth I Separate Account
- Principal Partners Large-Cap Growth II Separate Account
- Principal Partners Large-Cap Value Separate Account
- Principal Partners Mid-Cap Blend Separate Account
- Principal Partners Mid-Cap Growth Separate Account
- Principal Partners Mid-Cap Value Separate Account
- Principal Partners Small-Cap Growth I Separate Account
- Principal Partners Small-Cap Growth II Separate Account
- Principal Partners Small-Cap Value Separate Account
- Principal Real Estate Separate Account
- Principal Small Cap Stock Index Separate Account
- Principal Small Company Blend Separate Account
- Principal Small Company Growth Separate Account
- Principal Small Company Value Separate Account
- Principal Stock Emphasis Balanced Separate Account
- Principal Total Market Stock Index Separate Account

Although all Separate Accounts listed above may be available under this contract, you may send us Written Notification indicating you want the contract administered so that assets held under this contract will not participate in one or more of these Separate Accounts. You may revoke your Written Notification by sending us a new Written Notification.

1. **DESCRIPTIONS OF THE SEPARATE ACCOUNTS.** Each Separate Account is a pooled Separate Account for use by our retirement plan customers. The funds held in each Separate Account will be invested and reinvested by us in accordance with applicable law, without regard to any investment requirements of our general account assets or of any of our other Separate Accounts.

A Separate Account consists of funds we receive under group annuity contracts or policies which permit deposit in such Separate Account and under which amounts are directed to such Separate Account. All income gains and losses (whether or not realized), and expenses from the assets allocated to a Separate Account will be credited to or charged against that Separate Account without regard to any other income, gains or losses, or expenses we might have for our general account or any other Separate Account. The assets of a Separate Account will not be charged with any liabilities arising out of the investment experience of our general account or any other Separate Accounts outside that Separate Account. We may occasionally invest the assets of any Separate Account in short term money market instruments, cash or cash equivalents.

PRINCIPAL BOND AND MORTGAGE SEPARATE ACCOUNT. Principal Bond and Mortgage Separate Account is invested primarily in bond and mortgage-type investments similar to our general account, including bonds and mortgages from both United States and non- United States corporations.

PRINCIPAL BOND EMPHASIS BALANCED SEPARATE ACCOUNT. Principal Bond Emphasis Balanced Separate Account is invested in other Separate Accounts established and maintained by us. The majority of the assets will be invested in other Separate Accounts which are invested primarily in bonds, mortgages, commercial paper and other fixed income type investments. The remainder of the assets of this Separate Account will be invested in one or more of our Separate Accounts invested primarily in common stocks and other equity investments.

PRINCIPAL GOVERNMENT SECURITIES SEPARATE ACCOUNT. Principal Government Securities Separate Account is invested primarily in obligations issued or guaranteed by United States governmental agencies and instrumentalities, including, but not limited to, the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Association and the Student Loan Marketing Association. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL HIGH QUALITY INTERMEDIATE-TERM BOND SEPARATE ACCOUNT. Principal High Quality Intermediate-Term Bond Separate Account is a pooled investment account invested primarily in high quality, publicly traded bonds (mainly corporates), Treasury notes and bonds, and government agency bonds. The investments may also include such other foreign bond investments as are generally considered appropriate for a high quality bond account. Such holdings shall be predominantly denominated in U.S. dollars. In addition, some funds may be invested in derivative instruments such as options and futures. The fixed income investments in the account typically have maturities of five to ten years. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL HIGH QUALITY LONG-TERM BOND SEPARATE ACCOUNT. Principal High Quality Long-Term Bond Separate Account is a pooled investment account invested primarily in high quality, publicly traded bonds (mainly corporates), Treasury notes and bonds, and government agency bonds. The investments may also include such other foreign bond investments as are generally considered appropriate for a high quality bond account. Such holdings shall be predominantly denominated in U.S. dollars. In addition, some funds may be invested in derivative instruments such as options and futures. The fixed income investments in the account typically have maturities of ten years or longer. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL HIGH QUALITY SHORT-TERM BOND SEPARATE ACCOUNT. Principal High Quality Short-Term Bond Separate Account is a pooled investment account invested primarily in high quality, publicly traded bonds (mainly corporates), Treasury notes and bonds, and government agency bonds. The investments may also include such other foreign bond investments as are generally considered appropriate for a high quality bond account. Such holdings shall be predominantly denominated in U.S. dollars. In addition, some funds may be invested in derivative instruments such as options and futures. The fixed income investments in the account typically have maturities of less than five years. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL INTERNATIONAL EMERGING MARKETS SEPARATE ACCOUNT. Principal International Emerging Markets Separate Account is invested primarily in common stocks of corporations located in countries outside the United States where structural changes are causing rapid economic growth and improved standards of living. These investments may be made in either United States or foreign currency or equivalencies. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL INTERNATIONAL SMALL COMPANY SEPARATE ACCOUNT. Principal International Small Company Separate Account is invested primarily in stocks or other securities of small corporations located outside the United States. These investments may be made in either United States or foreign currency or equivalencies. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL INTERNATIONAL STOCK SEPARATE ACCOUNT. Principal International Stock Separate Account is invested primarily in a broad base of stocks or other securities of corporations located outside the United States, but especially in Europe, North America, and the Pacific Rim. These investments will be made in foreign currency or equivalencies but investments in U.S. dollars are also allowed. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL INTERNATIONAL STOCK II SEPARATE ACCOUNT. Principal International Stock II Separate Account invests primarily in a broad base of stocks or other securities of corporations located outside the United States, whose shares primary trading market is outside the United States, or who derive most of their revenues outside the United States. These investments will be made in foreign currency or equivalencies but investments in U.S. dollars are also allowed. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL LARGE CAP STOCK INDEX SEPARATE ACCOUNT (AKA STOCK INDEX 500). Principal Large Cap Stock Index Separate Account is invested primarily in stocks and securities of companies similar to those stocks which are used to calculate the Standard and Poor's 500 Stock Index (or a similar stock index if the Standard and Poor's 500 Stock Index is no longer calculated). The investments may also include a reasonable amount of stock index futures, commercial paper, derivative securities and other types of investments. In addition, some funds may be invested in stock index accounts operated by other investment managers, including funds operated by affiliates of ours. Principal Large Cap Stock Index Separate Account attempts to earn a return similar to that of the Standard & Poor's 500 Stock Index. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL LARGE COMPANY GROWTH SEPARATE ACCOUNT. Principal Large Company Growth Separate Account is invested primarily in common stocks from large, established companies whose earnings are expected to grow at above-average rates. The investments may also include derivative instruments such as options and futures, other equity securities, or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL LARGE COMPANY VALUE SEPARATE ACCOUNT. Principal Large Company Value Separate Account is invested primarily in common stocks from large, established companies with below-average price/earnings ratios and above-average dividend yields which we view as undervalued by the market. The investments may also include derivative instruments such as options and futures, other equity securities or other convertible securities that may be converted to common stocks. If the market as a whole is overvalued, we may hold assets of this account in fixed income securities instead of stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL MEDIUM COMPANY BLEND SEPARATE ACCOUNT. Principal Medium Company Blend Separate Account is invested primarily in common stocks from medium-sized, established companies whose stock exhibits a combination of substantial value and good earnings growth potential. The investments may also include derivative instruments such as options and futures, other equity securities, or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL MEDIUM COMPANY GROWTH SEPARATE ACCOUNT. Principal Medium Company Growth Separate Account is invested primarily in common stocks from medium-sized, developing companies whose earnings are expected to grow at above-average rates. The investments may also include derivative instruments such as options and futures, other equity securities, or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL MEDIUM COMPANY VALUE SEPARATE ACCOUNT. Principal Medium Company Value Separate Account is invested primarily in common stocks from medium-sized, financially stable companies with below-average price/earnings ratios and above-average dividend yields which we view as undervalued by the market. The investments may also include derivative instruments such as options and futures, other equity securities or other convertible securities that may be converted to common stocks. If the market as a whole is overvalued, we may hold assets of this account in fixed income securities instead of stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL MID CAP STOCK INDEX SEPARATE ACCOUNT. Principal Mid Cap Stock Index Separate Account is invested primarily in stocks and securities of companies similar to those stocks which are used to calculate the Standard and Poor's 400 MidCap Stock Index (or a similar stock index if the Standard and Poor's 400 MidCap Stock Index is no longer calculated). The investments may also include a reasonable amount of stock index futures, commercial paper, derivative securities and other types of investments. In addition, some funds may be invested in stock index accounts operated by other investment managers, including funds operated by affiliates of ours. Principal Mid Cap Stock Index Separate Account attempts to earn a return similar to that of the Standard & Poor's 400 MidCap Stock Index. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL MONEY MARKET SEPARATE ACCOUNT. Principal Money Market Separate Account is invested primarily in money market instruments such as the obligations of the United States government and its agencies, commercial paper, bank certificates of deposit and similar instruments. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL PARTNERS LARGE-CAP BLEND SEPARATE ACCOUNT. Principal Partners Large-Cap Blend Separate Account invests primarily in equity securities of companies that offer superior growth prospects or of companies whose stock is undervalued and, to a limited extent, foreign companies. The investments may also include derivative instruments such as options and futures, other equity securities or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL PARTNERS LARGE-CAP BLEND I SEPARATE ACCOUNT. Principal Partners Large-Cap Blend I Separate Account is invested primarily in common stocks from large, established companies whose stock exhibits a combination of substantial value and good earnings growth potential. The investments may also include derivative instruments such as options and futures, other equity securities, or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL PARTNERS LARGE-CAP GROWTH SEPARATE ACCOUNT. Principal Partners Large-Cap Growth Separate Account uses an active and aggressive style of management to invest primarily in common stocks of larger, established companies. The investments may also include derivative instruments such as options and futures, other equity securities, or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL PARTNERS LARGE-CAP GROWTH I SEPARATE ACCOUNT. Principal Partners Large-Cap Growth I Separate Account seeks to maximize long-term capital appreciation by investing primarily in equity securities of U.S. and, to a limited extent, foreign companies that exhibit strong or accelerating earnings growth. This Separate Account uses an active and aggressive style of management to invest primarily in common stocks of larger, established companies. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL PARTNERS LARGE-CAP GROWTH II SEPARATE ACCOUNT. Principal Partners Large-Cap Growth II Separate Account invests primarily in common stocks of large capitalization companies that are expected to experience accelerating growth. The investments may also include derivative instruments such as options and futures, other equity securities, or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL PARTNERS LARGE-CAP VALUE SEPARATE ACCOUNT. Principal Partners Large-Cap Value Separate Account invests primarily in undervalued equity securities of companies among the 750 largest by market capitalization believed to offer above-average potential for growth in future earnings. The investments may also include derivative instruments such as options and futures, other equity securities or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL PARTNERS MID-CAP BLEND SEPARATE ACCOUNT. Principal Partners Mid-Cap Blend Separate Account invests primarily in common stocks of medium capitalization companies having to some extent characteristics of both value and growth investments. The investments may also include derivative instruments such as options and futures, other equity securities, or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL PARTNERS MID-CAP GROWTH SEPARATE ACCOUNT. Principal Partners Mid-Cap Growth Separate Account uses an active and aggressive style of management to invest primarily in common stocks of medium sized companies. The investments may also include derivative instruments such as options and futures, other equity securities, or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL PARTNERS MID-CAP VALUE SEPARATE ACCOUNT. Principal Partners Mid-Cap Value Separate Account invests primarily in common stocks of medium sized companies using a value-oriented investment approach. The investments may also include derivative instruments such as options and futures, other equity securities, or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL PARTNERS SMALL-CAP GROWTH I SEPARATE ACCOUNT. Principal Partners Small-Cap Growth I Separate Account invests mainly in common stocks of smaller companies believed to be poised for growth because of new products, markets, or management. The investments may also include derivative instruments such as options and futures, other equity securities, or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL PARTNERS SMALL-CAP GROWTH II SEPARATE ACCOUNT. Principal Partners Small-Cap Growth II Separate Account invests primarily in equity securities of smaller companies offering superior prospects for earnings growth. These companies are generally characterized as "growth" companies. The investments may also include derivative instruments such as options and futures, other equity securities, or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL PARTNERS SMALL-CAP VALUE SEPARATE ACCOUNT. Principal Partners Small-Cap Value Separate Account is invested primarily in common stocks of small capitalization companies that are considered to be under-valued by the market. Such stocks are commonly described as "value stocks". The investments may also include derivative instruments such as options and futures, other equity securities, or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL REAL ESTATE SEPARATE ACCOUNT. Principal Real Estate Separate Account is invested primarily in real estate such as office buildings, industrial buildings, shopping centers, retail stores and similar property.

PRINCIPAL SMALL CAP STOCK INDEX SEPARATE ACCOUNT. Principal Small Cap Stock Index Separate Account is invested primarily in stocks and securities of companies similar to those stocks which are used to calculate Standard and Poor's 600 SmallCap Stock Index (or a similar stock index if the Standard and Poor's 600 SmallCap Index is no longer calculated). The investments may also include a reasonable amount of stock index futures, commercial paper, derivative securities and other types of investments. In addition, some funds may be invested in stock index accounts operated by other investment managers, including funds operated by affiliates of ours. Principal Small Cap Stock Index Separate Account attempts to earn a return similar to that of the Standard & Poor's 600 SmallCap Stock Index. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL SMALL COMPANY BLEND SEPARATE ACCOUNT. Principal Small Company Blend Separate Account is invested primarily in common stocks from smaller, established companies whose stock exhibits a combination of substantial value and good earnings growth potential. The investments may also include derivative instruments such as options and futures, other equity securities, or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL SMALL COMPANY GROWTH SEPARATE ACCOUNT. Principal Small Company Growth Separate Account is invested primarily in common stocks from smaller, developing companies whose earnings are expected to grow at above-average rates. The investments may also include derivative instruments such as options and futures, other equity securities, or other convertible securities that may be converted to common stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL SMALL COMPANY VALUE SEPARATE ACCOUNT. Principal Small Company Value Separate Account is invested primarily in common stocks from smaller, financially stable companies with below-average price/earnings ratios and above-average dividend yields which we view as undervalued by the market. The investments may also include derivative instruments such as options and futures, other equity securities or other convertible securities that may be converted to common stocks. If the market as a whole is overvalued, we may hold assets of this account in fixed income securities instead of stocks. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

PRINCIPAL STOCK EMPHASIS BALANCED SEPARATE ACCOUNT. Principal Stock Emphasis Balanced Separate Account is invested in other Separate Accounts established and maintained by us. The majority of the assets will be invested in other Separate Accounts which are invested primarily in common stocks and other equity investments. The remainder of the assets of this Separate Account will be invested in one or more of our Separate Accounts invested primarily in bonds, mortgages, commercial paper and other fixed income type investments.

PRINCIPAL TOTAL MARKET STOCK INDEX SEPARATE ACCOUNT. Principal Total Market Stock Index Separate Account is invested in a manner calculated to give a result similar to the Standard and Poor's 1500 Supercomposite Stock Index (or a similar stock index if the Standard and Poor's 1500 Supercomposite Stock Index is no longer calculated). Initially, this Account will be invested in the other Stock Index Separate Accounts that we offer. If we choose, the Account may also be invested in stocks or securities, stock index futures, commercial paper, mutual funds or other funds managed by other investment managers, and other types of investments as permitted under applicable state law. This Separate Account may invest in the investments outlined in this Separate Account description or in an underlying mutual fund or other type of investment that maintains the investment described.

2. **DETERMINING SEPARATE ACCOUNT VALUES; OPERATING EXPENSES.** The value of a Separate Account is its market value (appraised market value for Principal Real Estate Separate Account) less Operating Expenses accrued but not deducted, if any. If a Separate Account invests in an underlying Mutual Fund the value of such Separate Account is the number of the shares invested in the Mutual Fund multiplied by the Mutual Fund's NAV for that Valuation Date. If there is no readily available market, its value is the fair market value of the assets held in such Separate Account as determined by us using generally accepted accounting practices and applicable law. The value of all Separate Accounts will always be expressed in U.S. dollars. We will determine the value of a Separate Account on each Valuation Date.

Net Asset Value (NAV) means the price per share represented as a dollar amount.

Operating Expenses are those charges which must be paid in order to operate a Separate Account or obtain investments for a Separate Account. Operating Expenses include, but are not limited to, custodial fees, transfer taxes, brokerage fees, processing fees, and other taxes and fees associated with the operation of a Separate Account. Operating Expenses will be deducted from the Separate Account associated with a particular charge on the next Valuation Date after the Operating Expenses have been paid or are immediately payable. In accordance with our then-current procedures, various Separate Accounts may share in the payment of certain Operating Expenses and, in some cases, we may use certain fees paid to us by third parties to offset Operating Expenses incurred by a Separate Account which would otherwise be payable from that Separate Account.

Valuation Date means the date we determine the value of a Separate Account. Valuation Dates will occur on dates we determine, but at least on the last Business Day of a calendar month. Valuation will occur at the end of each such day, according to our then-current procedures. For purposes of the Principal International Stock Separate Account, Principal International Stock II Separate Account, Principal International Small Company Separate Account, and Principal International Emerging Markets Separate Account only those days on which both the value of the underlying investments is determined and we are open for business will be Valuation Dates.

Business Day means a day on which both we and the New York Stock Exchange are open for business, or any other day which we agree will be a Business Day. If you request a list of our Business Days for any calendar year, we will provide you with the list.

3. **MANAGEMENT CHARGES.** The Management Charge under each Separate Account will be a percentage of the value of assets in such Separate Account, subject to the equivalent of a maximum annual percentage listed in the Table of Separate Account Features. We reserve the right to change the Management Charge to any charge up to the maximum limit at any time by giving you written notice at least 30 days before the date the change is to take effect.

Management Charge means the charge consisting of the investment management charge and the contract expense charge applicable to this class of contracts for each Separate Account.

The assets of Principal Bond Emphasis Balanced Separate Account, Principal Stock Emphasis Balanced Separate Account, and Principal Total Market Stock Index Separate Account will pay Management Charges under our other Separate Accounts in which they are invested. An additional Management Charge will be charged under these Separate Accounts only for management services actually performed exclusively for assets held in these Separate Accounts.

A pro-rata charge will be deducted from each Separate Account on each Valuation Date for the number of calendar days within the Valuation Period ending on such Valuation Date.

Valuation Period means the period from the end of a Valuation Date to the end of the next following Valuation Date.

4. **SEPARATE INVESTMENT FUND.** A Separate Investment Fund is established for this contract for participation in each Separate Account.
5. **RETURNS CREDITED TO SEPARATE INVESTMENT FUNDS.** Each Separate Investment Fund established under this contract will be credited with its portion of the return associated with the appropriate Separate Account. The return for a Separate Account will be based on the change in value of that Separate Account less any Management Charge.

In order to track the returns for the Separate Investment Funds established under this contract, we will use a unit value system of recordkeeping, unless we determine that another recordkeeping system would be more appropriate.

6. **UNIT VALUE SYSTEM OF RECORDKEEPING.** Under a unit value system of recordkeeping, we will calculate the value of a Separate Investment Fund for each Valuation Date by multiplying the number of Separate Account units held in the Separate Investment Fund by the applicable Unit Value. A Unit Value is the dollar value for one unit.

Contributions or transfers to a Separate Investment Fund increase the number of Separate Account units credited to it. Transfers and payments from a Separate Investment Fund reduce the number of Separate Account units. The increase or decrease in the number of Separate Account units is calculated by dividing the dollar amount of the contribution, transfer, or payment by the applicable Unit Value.

We will calculate the Unit Value applicable to each Separate Investment Fund on each Valuation Date. The Unit Value will be based upon the total value of the Separate Account and the number of existing Separate Account units.

When crediting Contributions and transfers added to a Separate Investment Fund we will use the Unit Value applicable to the Separate Investment Fund for the Valuation Date on which we accept the Contribution or transfer. If we accept the Contribution or transfer on a date other than a Valuation Date, we will use the Unit Value for the next following Valuation Date.

We reserve the right to change our unit value recordkeeping system upon 30 days notice to you.

7. **DEPOSITS TO SEPARATE ACCOUNTS; RESTRICTIONS AND ORDER OF ENTRY.** We reserve the right to defer or stop your ability to direct Contributions and transfers to a Separate Account, and we may require you to transfer existing account balances out of a Separate Account. We may exercise these rights if we

- a) need to comply with regulation, statute, or decisional law to which we are subject,
- b) believe it would be imprudent not to do so in fulfilling our fiduciary role as an investment advisor under the Employee Retirement Income Security Act of 1974, as amended (ERISA),
- c) believe the investment approach of the Separate Account no longer makes sense, is excessively expensive, or does not currently have any favorable investment opportunities available, or
- d) decide to discontinue operation of such Separate Account.

Contributions or transfers directed to a Separate Account that we have closed on a temporary or permanent basis will be directed to Principal Money Market Separate Account, if available, or to the Guaranteed Interest Fund with the shortest Guarantee Period available. If the Separate Account has been closed on a temporary basis, we will treat a Contribution or transfer request as a Written Notification that money should be transferred to the closed Separate Account as soon as permitted under the terms of the contract.

Provisions for a temporarily closed Separate Account. We have established the following order of entry into a Separate Account that was temporarily closed, then reopened:

- a) All amounts held in Principal Money Market Separate Account waiting for transfer to the Separate Account.
- b) Any amounts held in any other Separate Account or in our general account which are to be transferred to the Separate Account.

Within each of the above 2 categories, funds will be transferred one customer at a time, in order from the oldest waiting Written Notification to the newest Written Notification.

Normally, if the amount of the intended transfer is greater than the amount open for acceptance by a previously closed Separate Account, the entire amount of the transfer will continue to be held in the account it was at the time of the request until the Valuation Date when complete transfer may be made. However, we and you may mutually agree to transfer only a portion of the intended amount to the Separate Account.

We will notify you in writing when amounts have been transferred to a reopened Separate Account.

You may revoke a request for transfer of funds to a Separate Account by giving us Written Notification before the date transfer is made. The Written Notification must also include new investment directions for the intended transfer.

Provisions for a permanently closed Separate Account. We will notify you in writing of our intent to permanently close a Separate Account. You will have 60 days to request transfer as described in 8. below. If after 60 days we have not received Written Notification of where to transfer a closed Separate Account balance, we will treat the account as a Contribution for which we do not have investment direction.

8. TRANSFERS AND PAYMENTS FROM A SEPARATE INVESTMENT FUND. Upon Written Notification, subject to our right to defer a transfer or payment as described in Section 9, of this rider, and provided such transfer would not cause the Benefit Index to equal or exceed the value of the Funds under this contract determined in accordance with Article VI, Section 2 (Option 2), Section 3 (Subsection 3), and Section 4 of the contract, we will

- a) transfer to a Guaranteed Interest Fund or another Separate Investment Fund all or any portion of the Separate Investment Fund specified, or
- b) transfer to another Funding Agent all or any portion of the Separate Investment Fund, or
- c) make any Choice 3 payments under Article IVC directly from the Separate Investment Fund, or
- d) make any payments under Article V, Section 1, directly from the Separate Investment Fund.

The amount to be paid or transferred will be determined and paid or transferred within seven business days after (i) the Valuation Date on which we receive the Written Notification, or (ii) a later Valuation Date specified in the Written Notification. Payments and transfers will be made in accordance with our then-current procedures. We will notify you in writing of these procedures. The amount transferred or paid will be deducted from the Separate Investment Fund from which such transfer or payment was requested on the date of such transfer or payment. Each transfer to another Separate Investment Fund may occur only on a Valuation Date of that Separate Fund.

We are not responsible for the application of amounts transferred to another Funding Agent.

9. **LIMITATIONS ON TRANSFERS AND PAYMENTS FROM A SEPARATE INVESTMENT FUND.** In general, transfers and payments from a Separate Investment Fund will be made within seven business days after the first Valuation Date following the request specified in Section 8 of this rider. We reserve the right, however, to defer such transfers or payments up to the maximum number of days shown in the Table of Separate Account Features for each Separate Account. If we defer any transfer or payment under this Section, we will determine the amount to be transferred or paid on the date transfer or payment occurs. We will notify you in the event of any deferment of more than 30 days under the provisions of this Section.

These limitations will not apply to the beneficiary of a Member due to the Member's death.

Special Real Estate Limitations. Because of the illiquid nature of the assets in which Principal Real Estate Separate Account is invested, we reserve the right to defer transfers or payments from a Principal Real Estate Separate Investment Fund if a transfer or payment would exceed the amount of cash and other liquid assets held in Principal Real Estate Separate Account, reduced by amounts committed to purchase properties or needed for Operating Expenses. We will not defer requested transfers or payments for longer than three years under this paragraph. For any Plan that allows Members to direct some or all of their investments to the Principal Real Estate Separate Account and for which we keep records, we will notify all Members in the event of any deferment of more than 45 days of a type described under this paragraph which arises under any of our contracts having access to the Principal Real Estate Separate Account. Our notice to those Members will be in writing and will explain the investment and transfer options available to the Members.

Principal Real Estate Separate Account may be illiquid for indefinite periods of time. We will not manage Principal Real Estate Separate Account to provide a liquidity pool for requests for transfer or payment. If requests for transfer or payment from Principal Real Estate Separate Account are deferred, then the deferred transfers or payments, when made, will be made in the following order:

- a) Any death benefits payable under a defined contribution plan.
- b) All or a portion of each of the other requests for payment, determined as follows:
 - i) the amount of the request, divided by
 - ii) the amount of all waiting requests, multiplied by
 - iii) the amount we determine to be available to pay requests; provided, however, that no more than the amount of the request shall be paid out.

Deferred transfers or payments, when paid, will be made as of a Valuation Date and will be based on the Principal Real Estate Separate Account Unit Value as of the date paid. In determining the amount available to pay requests, we will subtract amounts payable under any other group annuity contract which requires that we make payments from the Principal Real Estate Separate Account using a method other than the one described in this Section.

We reserve the right to make payments in a different manner than described in this Section if we (i) are required to do so under applicable statutes, regulations, or decisional law to which we are subject, (ii) must do so to comply with our fiduciary responsibilities as an ERISA investment manager as described in Article VII, Section 16, or (iii) deem it necessary to make a change to maintain an equitable distribution of assets under all of our group annuity contracts. We will not implement a change under item (iii) before the notice to all affected contractholders is provided and the appropriate time period after the notice has elapsed.

Special Limitation for Certain Separate Accounts. We reserve the right to make the portion of a requested transfer in excess of the specified dollar limit in substantially equal monthly installments over a period not to exceed the specified period, if, in the specified period which ends on the requested date of transfer, all transfers and payments from the Separate Investment Fund invested in a particular Separate Account which is subject to the dollar limit total the specified dollar limit or more. For purposes of this limitation, transfers and payments from any other Separate Investment Funds or funds included in the Separate Account from any other contracts or policies issued in connection with the Plan or with any other retirement plan of the Employer will be included as a transfer or payment from a Separate Investment Fund. If this limitation is imposed by us, the first installment will be made one month after the date of request, or on such later date that you specify. The specified dollar limit and period are:

- a) \$1,000,000 and 12 months, respectively, for Principal International Small Company Separate Account and Principal International Emerging Markets Separate Account.
- b) \$20,000,000 and 36 months, respectively, for Principal Bond Emphasis Balanced Separate Account, Principal Government Securities Separate Account, Principal High Quality Intermediate-Term Bond Separate Account, Principal High Quality Long-Term Bond Separate Account, Principal High Quality Short-Term Bond Separate Account, Principal International Stock Separate Account, Principal International Stock II Separate Account, Principal Large Cap Stock Index Separate Account, Principal Large Company Growth Separate Account, Principal Large Company Value Separate Account, Principal Medium Company Blend Separate Account, Principal Medium Company Growth Separate Account, Principal Medium Company Value Separate Account, Principal Mid Cap Stock Index Separate Account, Principal Partners Large-Cap Blend Separate Account, Principal Partners Large-Cap Blend I Separate Account, Principal Partners Large-Cap Growth Separate Account, Principal Partners Large-Cap Growth I Separate Account, Principal Partners Large-Cap Growth II Separate Account, Principal Partners Large-Cap Value Separate Account, Principal Partners Mid-Cap Blend Separate Account, Principal Partners Mid-Cap Growth Separate Account, Principal Partners Mid-Cap Value Separate Account, Principal Partners Small-Cap Growth I Separate Account, Principal Partners Small-Cap Growth II Separate Account, Principal Partners Small-Cap Value Separate Account, Principal Small Cap Stock Index Separate Account, Principal Small Company Blend Separate Account, Principal Small Company Growth Separate Account, Principal Small Company Value Separate Account, Principal Stock Emphasis Balanced Separate Account, and Principal Total Market Stock Index Separate Account.

Mutual Fund Limitations. Without regard to any other feature of the contract or this rider, if any limitation or delay is imposed by an underlying Mutual Fund, we will be unable to transfer, make payments, or apply amounts held under these Separate Accounts.

10. **PLANS WHICH MAY INVEST IN THE SEPARATE ACCOUNTS.** The Separate Accounts are not registered with the Federal Securities and Exchange Commission and therefore only Plans which meet certain requirements under the Internal Revenue code may invest in the Separate Accounts. If the Internal Revenue Service or a court makes a final determination that the Plan no longer qualifies as a qualified plan, we will require that you transfer any assets invested in the Separate Investment Funds. If we decide that you must transfer assets from the Separate Investment Funds, we will send you a notice describing your options. Your Written Notification must clearly specify the General Investment Fund or the Funding Agent where you want the Separate Account transferred. If we do not receive an acceptable Written Notification from you within five business days, we will transfer the assets to the General Investment Fund.

11. **FUNDS.** We are the sole owner of all assets held in the Separate Accounts.

PRINCIPAL LIFE INSURANCE COMPANY

A handwritten signature in black ink, appearing to read "Gary Shinnell". The signature is written in a cursive, flowing style.

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

TABLE OF SEPARATE ACCOUNT FEATURES

| | Current Annual Management Charge Percentage | Maximum Annual Management Charge Percentage | Maximum Number of Days allowed to Defer Transfers or Payments |
|---|---|---|---|
| Principal Bond Emphasis Balanced Separate Account | None | 2.00* | 270 |
| Principal Bond and Mortgage Separate Account | 0.55 | 2.00 | 270 |
| Principal Government Securities Separate Account | 0.45 | 2.00 | 90 |
| Principal High Quality Intermediate-Term Bond Separate Account | 0.45 | 2.00 | 270 |
| Principal High Quality Long-Term Bond Separate Account | 0.45 | 2.00 | 270 |
| Principal High Quality Short-Term Bond Separate Account | 0.45 | 2.00 | 270 |
| Principal International Emerging Markets Separate Account | 0.69 | 2.00 | 270 |
| Principal International Small Company Separate Account | 0.69 | 2.00 | 270 |
| Principal International Stock Separate Account | 0.69 | 2.00 | 270 |
| Principal International Stock II Separate Account | 0.00*** | 2.00 | 270 |
| Principal Large Cap Stock Index Separate Account | 0.35 | 2.00 | 270 |

| | | | |
|---|---------|------|-----|
| Principal Large Company Growth Separate Account | 0.45 | 2.00 | 270 |
| Principal Large Company Value Separate Account | 0.45 | 2.00 | 270 |
| Principal Medium Company Blend Separate Account | 0.65 | 2.00 | 270 |
| Principal Medium Company Growth Separate Account | 0.65 | 2.00 | 270 |
| Principal Medium Company Value Separate Account | 0.45 | 2.00 | 270 |
| Principal Mid Cap Stock Index Separate Account | 0.35 | 2.00 | 270 |
| Principal Money Market Separate Account | 0.45 | 2.00 | 90 |
| Principal Partners Large-Cap Blend Separate Account | 0.00*** | 2.00 | 270 |
| Principal Partners Large-Cap Blend I Separate Account | 0.60 | 2.00 | 270 |
| Principal Partners Large-Cap Growth Separate Account | 1.00 | 2.00 | 270 |
| Principal Partners Large-Cap Growth I Separate Account | 0.00*** | 2.00 | 270 |
| Principal Partners Large-Cap Growth II Separate Account | 0.00*** | 2.00 | 270 |
| Principal Partners Large-Cap Value Separate Account | 0.00*** | 2.00 | 270 |

| | | | |
|---|---------|-------|---------|
| Principal Partners Mid-Cap Blend Separate Account | 0.00*** | 2.00 | 270 |
| Principal Partners Mid-Cap Growth Separate Account | 1.00 | 2.00 | 270 |
| Principal Partners Mid-Cap Value Separate Account | 0.00*** | 2.00 | 270 |
| Principal Partners Small-Cap Growth I Separate Account | 0.00*** | 2.00 | 270 |
| Principal Partners Small-Cap Growth II Separate Account | 0.00*** | 2.00 | 270 |
| Principal Partners Small-Cap Value Separate Account | 0.00*** | 2.00 | 270 |
| Principal Real Estate Separate Account | 1.15 | None | 3 years |
| Principal Small Cap Stock Index Separate Account | 0.35 | 2.00 | 270 |
| Principal Small Company Blend Separate Account | 0.45 | 2.00 | 270 |
| Principal Small Company Growth Separate Account | 0.45 | 2.00 | 270 |
| Principal Small Company Value Separate Account | 0.45 | 2.00 | 270 |
| Principal Stock Emphasis Balanced Separate Account | None | 2.00* | 270 |
| Principal Total Market Stock Index Separate Account | 0.35** | 2.00 | 270 |

*The maximum annual Management Charge percentage includes Management Charges paid under this Separate Account (currently none) and the Separate Accounts in which this Separate Account is invested.

****There will be no Management Charge under this Separate Account unless no Management Charge is being charged by the underlying assets. Then the Management Charge is as shown.**

*****This charge does not include management charges of any underlying Mutual Funds. Please see the appropriate prospectuses for such charges.**

IMPORTANT NOTICE

In the event you need to contact someone about this contract for any reason, please contact your agent. If you have additional questions, you may contact Principal Life Insurance Company, 711 High Street, Des Moines, Iowa 50392-0001, (515) 247-5111. The toll-free number is 1-800-543-4015, then indicate the last five digits of your home office administrator's phone number.

If you have been unable to contact or obtain satisfaction from Principal Life Insurance Company or the agent, you may contact the Arkansas Insurance Department, Consumer Services Division, 1200 West Third, Little Rock, Arkansas 72201-1804, (501) 371-2640 or 1-800-852-5494.

Written correspondence is preferable so that a record of your inquiry is maintained. When contacting your agent, Principal Life Insurance Company or the Insurance Department, have your contract number available.

PRINCIPAL LIFE INSURANCE COMPANY



CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

SCHEDULE OF GUARANTEES

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ARTICLE 1--DEFINITIONS

SECTION 1--PARTIES TO THIS CONTRACT.

This contract is between the Contractholder and Principal Life Insurance Company.

Contractholder means the holder of this contract named on the face page and will be referred to in this contract as you or your. You may designate, by Notification, an entity, person, or persons to act in your behalf for the taking of any action permitted to you or required of you under this contract. If you do so, we will rely on the actions or directions of the designee as if performed by you. You may change your designee by Notification.

Principal Life Insurance Company will be referred to in this contract as we, us, or our.

SECTION 2--OTHER DEFINED TERMS.

Adjusted Fund Value Factor means, the factor determined by dividing (a) by (b):

- a) The sum of the value of the Funds under this contract, not including any Guaranteed Interest Funds.
- b) The sum of the amounts determined by applying the percentage shown below to the value described for each Fund:

| | |
|--|-------------------------------|
| Principal Money Market Separate Investment Fund | 95% of the value of the Fund. |
| Principal Government Securities Separate Investment Fund | 95% of the value of the Fund. |
| Principal High Quality Short-Term Bond Separate Investment Fund | 95% of the value of the Fund. |
| Principal High Quality Intermediate-Term Bond Separate Investment Fund | 95% of the value of the Fund. |
| Principal High Quality Long-Term Bond Separate Investment Fund | 95% of the value of the Fund. |
| Principal Bond and Mortgage Separate Investment Fund | 95% of the value of the Fund. |
| Principal Bond Emphasis Balanced Separate Investment Fund | 90% of the value of the Fund. |
| Principal Stock Emphasis Balanced Separate Investment Fund | 80% of the value of the Fund. |
| Principal Preferred Securities Separate Investment Fund | 75% of the value of the Fund. |

| | |
|--|-------------------------------|
| Principal Large Cap Stock Index Separate Investment Fund | 75% of the value of the Fund. |
| Principal Large Company Value Separate Investment Fund | 75% of the value of the Fund. |
| Principal Partners Large-Cap Value Separate Investment Fund | 75% of the value of the Fund. |
| Principal Partners Large-Cap Blend I Separate Investment Fund | 75% of the value of the Fund. |
| Principal Partners Large-Cap Blend Separate Investment Fund | 75% of the value of the Fund. |
| Principal Large Company Growth Separate Investment Fund | 75% of the value of the Fund. |
| Principal Partners Large-Cap Growth I Separate Investment Fund | 75% of the value of the Fund. |
| Principal Partners Large-Cap Growth II Separate Investment Fund | 75% of the value of the Fund. |
| Principal Mid Cap Stock Index Separate Investment Fund | 75% of the value of the Fund. |
| Principal Medium Company Value Separate Investment Fund | 75% of the value of the Fund. |
| Principal Partners Mid-Cap Value Separate Investment Fund | 75% of the value of the Fund. |
| Principal Medium Company Blend Separate Investment Fund | 75% of the value of the Fund. |
| Principal Partners Mid-Cap Blend Separate Investment Fund | 75% of the value of the Fund. |
| Principal International Bond Separate Investment Fund | 75% of the value of the Fund. |
| Principal Medium Company Growth Separate Investment Fund | 75% of the value of the Fund. |
| Principal Total Market Stock Index Separate Investment Fund | 75% of the value of the Fund. |
| Principal Partners Large-Cap Growth Separate Investment Fund | 65% of the value of the Fund. |

| | |
|---|-------------------------------|
| Principal Partners Mid-Cap Growth Separate Investment Fund | 65% of the value of the Fund. |
| Principal Small Cap Stock Index Separate Investment Fund | 65% of the value of the Fund. |
| Principal Small Company Value Separate Investment Fund | 65% of the value of the Fund. |
| Principal Partners Small-Cap Value Separate Investment Fund | 65% of the value of the Fund. |
| Principal Small Company Blend Separate Investment Fund | 65% of the value of the Fund. |
| Principal Small Company Growth Separate Investment Fund | 65% of the value of the Fund. |
| Principal Partners Small-Cap Growth I Separate Investment Fund | 65% of the value of the Fund. |
| Principal Partners Small-Cap Growth II Separate Investment Fund | 65% of the value of the Fund. |
| Principal International Stock Separate Investment Fund | 60% of the value of the Fund. |
| Principal International Stock II Separate Investment Fund | 60% of the value of the Fund. |
| Principal International Small Company Separate Investment Fund | 50% of the value of the Fund. |
| Principal International Emerging Markets Separate Investment Fund | 50% of the value of the Fund. |
| Principal Real Estate Separate Investment Fund | 50% of the value of the Fund. |

The percentage for other Funds which may become available under this contract will be as announced in advance by us to you in writing.

Annuity Commencement Date means the beginning date for monthly annuity payments to a Member, as reported to us in Notification.

Applicable U.S. Treasury Rate means the yield associated with the average of accepted bids for the U.S. bonds, notes, or bills which will mature on the date, shown in the Schedule, the Guaranteed Interest Fund would have matured. This yield will be those provided by the Wall Street Journal or a similar publication or by an information agency that provides similar information.

Rate for terms of less than twelve months will not be used. The twelve month Treasury rate will be used for any such transaction.

If the publication or agency does not provide a rate for the date of payment or application, this rate will be determined using linear interpolation between the rates for the maturities closest to the date the Fund would have matured.

Automatic Form of Income means the form of annuity provided for a Member under the Plan if the Member has not elected another form of annuity or method of distribution.

Benefit Index means the value to or below which the aggregate of the Separate Investment Funds shown in the Adjusted Fund Value Factor, cannot fall without resulting in purchase of annuities under Choice 1 of Article IVA of this contract. The Benefit Index is determined by multiplying the Benefit Value by the Adjusted Fund Value Factor.

The Benefit Index will be determined or redetermined when there are additional benefits to be guaranteed under Choice 1, when the current purchase rates for contracts of this class change, or when the value of a Separate Investment Fund changes.

Funds held in Guaranteed Interest Funds will not be a part of the Benefit Index.

Benefit Value means, for Choice 1 benefits, the value of such benefits based on the current purchase rates multiplied by 110%.

Business Day means a day on which both we and the New York Stock Exchange are open for business, or any other day which we both agree will be a Business Day. If you request a list of our Business Days for any calendar year, we will provide you with the list.

Contract Date means the date this contract is effective, as shown on the face page.

Contract Year means the period beginning on a Yearly Date and ending on the day before the next Yearly Date.

Contributions means the amounts you pay us which we have accepted under this contract pursuant to Article II, Section 1.

Corporate Center means our offices at 711 High Street, Des Moines, Iowa, 50392, or any other office or address to which we direct you to send Contributions.

Deposit Date means the date we accept a Contribution under a Guaranteed Interest Fund, as described in Article II, Section 3.

Employer means the corporation or firm named as employer in the Plan and any successor by change of name, merger, purchase of stock, purchase of assets, or otherwise.

ERISA means the Employee Retirement Income Security Act of 1974, as amended, and the regulations issued by the U.S. Department of Labor.

Fund means the Guaranteed Interest Funds, any Separate Investment Fund established under this contract, or any number of such Funds, unless the term is clearly used to mean one of these only.

Funding Agent means an insurance company or trustee named in Notification who is authorized by you to receive any amount or amounts payable under this contract and to apply such amount or amounts for the exclusive benefit of Members, without obligation on our part as to such application. Funding Agent shall also mean

Principal Life Insurance Company when you direct us to transfer amounts from this contract to another group annuity contract issued by us to you.

Guarantee Period means, for each Guaranteed Interest Fund, the period or periods which we make available under contracts of this class issued under the same or similar circumstances. We reserve the right, in our sole discretion, to change at any time the Guarantee Periods available for new Guaranteed Interest Funds; provided, however, we will always offer at least one Guarantee Period of at least two years. You must provide us with Notification selecting the Guarantee Period for each Guaranteed Interest Fund established under this contract.

Once established, the Guarantee Period for a Guaranteed Interest Fund will not be changed by us. If a certain Guarantee Period becomes unavailable for new Contributions, we will notify you at least 60 days before the date the use of such Guarantee Period will no longer be available.

Guaranteed Interest Fund means a Fund described in Article II, Section 3.

Guaranteed Interest Rate means the annual rates of interest determined and made available by us in advance for Guaranteed Interest Funds under contracts of this class from time to time, which, when credited and compounded daily, produce the effective annual interest rates. Each Guaranteed Interest Fund will be credited with the effective annual Guaranteed Interest Rate in effect for it, as specified in the Schedule.

Member means a person entitled to benefits under the Plan for whom benefits are to be provided under this contract, as reported to us by Notification.

Notification means actual delivery to us at our Corporate Center of a form of Notification approved by us, including written forms, electronic transmissions, facsimiles, or photocopies. We will accept Notification from the person or persons specified by you.

Order of Application means the order in which the Separate Investment Funds will be applied to purchase annuities or make payments, as described in Article IV, Section 2.

Plan means the Employer's retirement plan in effect on the date this contract is executed and as amended from time to time. The name of the Plan is RETIREMENT PLAN FOR EMPLOYEES OF CITY OF JONESBORO, ARKANSAS.

Schedule means the Schedule of Guarantees attached to and made part of this contract for each Guaranteed Interest Fund established under this contract, which contains the following information for each Guaranteed Interest Fund: the amount of each Contribution and the Deposit Date; the effective annual Guaranteed Interest Rate; the Guarantee Period; and special provisions, if any.

Separate Account means a Separate Account established and maintained by us in accordance with the laws of Iowa. Each Separate Account in which this contract may participate is described in the Separate Investment Fund rider or riders added to this contract. The Money Market Separate Account will always be available under this contract.

A Separate Account consists of amounts we receive under group contracts or policies which permit deposit in such Separate Account that are directed to that particular Separate Account. All income gains and losses (whether or not realized), and expenses attributable to the assets allocated to a Separate Account will be credited to or charged against that Separate Account without regard to any other income gains or losses, or expenses we might have for our general account assets or any other Separate Account. The assets of a Separate Account will not be charged with any liabilities arising out of the investment experience of our general account or any other Separate Account outside that Separate Account.

Separate Investment Fund means the Fund established for each Separate Account in which this contract participates. Any such Separate Investment Fund is described in the Separate Account rider or riders attached to this contract.

Sex Neutral Rates means the weighted average of the male and female present values and purchase rates, whichever is applicable. This ratio may be any that is in accordance with the Plan that you report to us by Notification. If you do not report a different ratio to us, the ratio shall be that such values or rates are weighted .65 male and .35 female for single life annuities. For joint or survivorship annuities, Sex Neutral Rates are the weighted average of the male participant/female contingent annuitant and female participant/male contingent annuitant values or rates where such values or rates are weighted .65 male participant and .35 female participant.

Termination of Employment means a Member's termination of employment with the Employer.

Termination of Plan means the termination of the Plan by the Employer which is evidenced by acceptance by the Pension Benefit Guaranty Corporation (PBGC) of the written notice filed by the Employer that the Plan is to be terminated as of the date proposed (if applicable) or termination by the PBGC.

Valuation Date means the date as of which we determine the value of a Separate Account. Valuation Dates will occur at intervals we determine, but not less frequently than the last day of a calendar month. A Valuation Date will occur on those days when the net asset value of the investments of the Separate Account is determined. The valuation will occur as of the end of each such day.

Valuation Period means the period from the end of one Valuation Date to the end of the next following Valuation Date.

Yearly Date means the Contract Date, January 1, 2003 and January 1 of each year thereafter.

ARTICLE II--CONTRIBUTIONS AND FUNDS

SECTION 1--CONTRIBUTIONS.

Contributions will be accepted by us under this contract on any date on or after the Contract Date, subject to the limitations of Article VII, Section 9, and this Section. Contributions in excess of the amount made in support of the Plan for the current Plan year cannot be made without our express prior consent.

Any Contribution to a Guaranteed Interest Fund will be an amount mutually agreed to by you and us. We may refuse further Contributions to establish Guaranteed Interest Funds at any time.

All Contributions are payable directly to us at our Corporate Center. Contributions will be accepted by us each Business Day. Contributions received on days other than Business Days will be accepted by us on the next following Business Day.

SECTION 2--INVESTMENT DIRECTION.

You may direct Contributions to establish one or more Guaranteed Interest Funds, any Separate Investment Fund, or any combination of such Funds. Contributions directed to the Separate Investment Fund or Funds will be added to such Fund or Funds in the amounts or portions specified in your written direction. By mutual agreement, a Guaranteed Interest Fund will be established for any Contribution directed to that Fund.

Any Contribution for which there is no written direction will be a Contribution to Money Market Separate Investment Fund.

SECTION 3--GUARANTEED INTEREST FUND.

A Guaranteed Interest Fund will be established for each Contribution that we have accepted for such purpose. Establishment of each such Guaranteed Interest Fund creates a guaranteed benefit policy as defined in ERISA. We will not be considered a Plan fiduciary nor an investment manager for amounts held in the Guaranteed Interest Funds so established.

The value of a Guaranteed Interest Fund at any time will be equal to the Contribution made plus interest, and reduced by any applications from that Fund.

Interest is credited and compounded daily to produce the effective annual Guaranteed Interest Rate. Interest will be paid to you, if you are a trustee of the Plan, or to another Funding Agent as of the last day of each deposit year if so noted on the Schedule for a Guaranteed Interest Fund.

No application for payments, transfers, or applications will be permitted from a Guaranteed Interest Fund prior to the last day of its Guarantee Period except as provided upon Termination of the Plan or under the terms of Article V, Section 2. Any such application will be subject to the provisions of Article VI, Section 1.

Before any such payment, transfer, or application will be made, we will first apply the amount to pay any accrued but unpaid expenses.

We will notify you in writing that a Guaranteed Interest Fund is about to mature at least 30 days before the end of its Guarantee Period. We must receive Notification before the end of the Guarantee Period of how you want such Fund paid or applied. If we do not have such Notification, the provisions of Article V, Section 2, will apply.

SECTION 4--SEPARATE INVESTMENT FUNDS.

A Separate Investment Fund will be established for each Separate Account in which this contract participates. The applicable Separate Investment Fund rider added to this contract describes such Separate Investment Fund and its investments, accounting, valuation and transfer provisions.

SECTION 5--FUNDS.

We are the sole owner of all amounts received under this contract. Except for Separate Investment Funds, all Contributions we receive under this contract become a part of our general account and do not require segregation or separate investment on our part. Each Separate Investment Fund will be invested as provided in the applicable Separate Investment Fund rider added to this contract. The amounts held in each Separate Investment Fund under this contract will be pooled with all other amounts included in that Separate Account.

ARTICLE III--EXPENSES

SECTION 1--EXPENSES.

We will determine and bill expense charges periodically, but at least once each Plan quarter, in accordance with the written service agreement we have with you. The amount of these charges will be made up of the following:

- a) Compensation paid or payable by us to the soliciting agent named by you on Contributions received by us since the last date such expenses were determined.
- b) The premium taxes, if any, attributable to this contract paid or payable by us during the quarter.
- c) A contract administration expense charge, as shown in the service agreement, which is calculated for the Plan quarter based on the Fund balances on the last day of the quarter.
- d) A recordkeeping expense charge for any of the following:
 - i) Keeping individual records for covered employees (except records we keep for employees whose annuities are purchased under Choice 2).
 - ii) Making direct payments to Members under Choice 1 or Choice 3.
 - iii) Providing actuarial valuations.
- e) Other charges for services you ask us to do that are not covered under (a) through (d) above. We will inform you of the charges for such services before we perform them.

We will apply these charges in accordance with Section 3 of this Article.

We may mutually agree to take into account any Associated Contracts for the purpose of determining the expenses charged under such contracts. The charges under an Associated Contract will not be greater than if it were not an Associated Contract.

Associated Contract(s) means this contract and any other group annuity contract(s) issued by us which we have mutually agreed in writing to treat as Associated Contracts.

These expenses will be paid to us directly at our Corporate Center. We will send you a statement of these charges periodically in accordance with our written service agreement with you. Such charges must be paid within 31 days from the date of the statement.

If expenses have been billed and have not been paid within 31 days from the statement date, we will deduct any accrued but unpaid expenses from Separate Investment Funds in accordance with the Order of Application. If the amounts held in the Separate Investment Funds are not sufficient to pay such expenses, we will notify you. If one or more Guaranteed Interest Funds have been established hereunder, then on the maturity date of each Guaranteed Interest Fund we will deduct any accrued but unpaid expenses from such Guaranteed Interest Fund before paying such amount.

If payment of the Separate Investment Funds to an alternate Funding Agent is requested, we will deduct any accrued but unpaid expenses (without regard to whether we have billed or not) from such Funds in accordance with the Order of Application before the date of payment to another Funding Agent.

SECTION 2--DEDUCTION OF EXPENSES.

If we have Notification from you that expenses are to be deducted, the amounts determined above will be deducted from the Separate Investment Fund or Funds you tell us to use. If you do not tell us which Fund is to be used, we will deduct the expenses from the Money Market Separate Investment Fund. If Money Market Separate Investment Fund is not sufficient, we will deduct the remaining expenses in accordance with the Order of Application. We will deduct these expenses on the last day of the quarter except that we will deduct the amount determined under Section 1 (a) of this Article as of the date actually paid to the soliciting agent, if earlier. If the Separate Investment Funds are not sufficient to pay the expenses, we will bill you for such remaining amount. If the expenses are not paid within 31 days of the date we bill you, such amounts will be deducted from the Guaranteed Interest Funds pursuant to Section 3 of this Article.

SECTION 3--GUARANTEED INTEREST FUND EXPENSE GUARANTEE.

Expenses will be determined based on the total of all Funds held under this contract. Expenses will be billed or deducted.

The charges described in Section 1 of this Article are guaranteed for each Guaranteed Interest Fund established hereunder. We guarantee that the schedules used to determine these charges will not be changed for a Guaranteed Interest Fund during its Guarantee Period.

If a charge is increased by us, we will determine the total charge to be made as follows:

- a) We will determine the charge for the contract as a whole using the scale in effect when the Guaranteed Interest Fund was established.
- b) We will determine the charge for the contract as a whole using the new scale.
- c) We will determine the ratio of the Guaranteed Interest Funds to the total of all Plan Funds and multiply that by the charge determined on the scale in (a), above.
- d) We will determine the ratio of the Separate Investment Funds to the total of all of the Plan Funds and multiply that by the charge determined on the new scale.
- e) We will add (c) and (d) together to determine the new charge for this contract.

ARTICLE IV--BENEFITS

SECTION 1--BENEFITS.

Benefits will be payable to a Member or a beneficiary under this contract as an annuity as described in Article IVA or IVB or in the form of an annuity or in a single sum as described in Article IVC. Benefits will be those benefits to which the Member or beneficiary is entitled under the Plan which are to be paid under this contract, to the extent Funds are available which exceed the Benefit Index to provide such benefits.

SECTION 2--ORDER OF APPLICATION.

The amount needed to provide the benefits payable under Section 1 of this Article will be applied from the Funds held under this contract, unless otherwise requested by you, in accordance with the following:

- a) Separate Investment Funds will be taken in the order shown under the Adjusted Fund Value factor, including any new Separate Accounts added by rider.
- b) Guaranteed Interest Funds are not available to support the Benefit Index.
- c) Amounts are not available for withdrawal from Guaranteed Interest Funds except on account of Termination of Plan or for the purchase of annuity under Article IVA, Section 3. Each Guaranteed Interest Fund will be applied, subject to any adjustment under Article VI, in the order you tell us. If we receive no direction from you, the Guaranteed Interest Funds will be applied on a last-in, first-out basis.

Only those Separate Investment Funds which have been established under this contract shall be taken into account for the purposes of this Order of Application.

SECTION 3--AMOUNT AND FORM OF ANNUITY BENEFITS.

An annuity will be provided, payable under any option of this Section, as long as the annuity provided conforms to Plan provisions and complies with the following:

- a) The annuity to be provided may be all or a portion of the annuity to which the Member or beneficiary is entitled under the Plan, as reported to us by Notification.
- b) The form of annuity will be the form reported to us by Notification and may be any of the following:

Option 1--Life Annuity with Certain Period. This form provides monthly annuity payments to the Member, starting on his Annuity Commencement Date and continuing for his life. If the Member dies on or after his Annuity Commencement Date, but before he has received payments for the certain period elected by the Member, the remaining payments for that certain period will be payable to the Member's beneficiary.

If this option is chosen, we must have Notification of the following:

- i) The length of the certain period (0, 5, 10, or 15 years).
- ii) Whether any remaining payments are to be paid as due to the beneficiary or converted to and paid in a single sum. The single sum payment would be less than the total of the remaining payments because of the earlier payout.
- iii) The name of the Member's beneficiary.

Option 2--Survivorship Annuity. This form provides monthly annuity payments to the Member, starting on his Annuity Commencement Date and continuing for his life; and upon his death, a fraction of such monthly annuity will be continued to the contingent annuitant named by the Member if and so long as such contingent annuitant lives.

If this option is chosen, we must have Notification of the following:

- i) The fraction to be continued (1/2, 2/3, or 1).
- ii) The name and date of birth of the contingent annuitant, if applicable.

Option 3--Modified Cash Refund Annuity. This form provides monthly annuity payments to the Member, starting on his Annuity Commencement Date and continuing for his life. Upon his death, a single sum payment will be made to his beneficiary equal to the amount, if any, by which his initial death benefit as of his Annuity Commencement Date is greater than the total monthly annuity payments made to the Member.

If this option is chosen, we must have Notification of the following:

- i) The Member's initial death benefit.
- ii) The name of the Member's beneficiary.

This option is available only if the initial death benefit equals the sum of (i) the value of his accumulated required Member contributions, if any, under the Plan plus (ii) his allocated portion of Plan assets, if any, as determined under the plan and reported to us in Notification before his Annuity Commencement Date.

By written agreement with you, we will provide other options permitted by the Plan which we offer and make available under the contracts of this class.

SECTION 4--PAYMENT OF BENEFITS.

Annuities payable under Section 3 of this Article may be paid under the method described in Article IVA (Choice 1), Article IVB (Choice 2), or Article IVC (Choice 3). You may elect the method of payment in the written service agreement we have with you. If you do not make an election, Choice 1 will be effective.

You may change your election by filing a revised service agreement with us, subject to the following:

- a) Any change to Choice 1 may include Members already receiving payments under Choice 3, but will not affect the method of payment to Members already receiving payments under Choice 2.
- b) Any change to Choice 2 may include Members already receiving payments under Choice 1 or Choice 3.
- c) Any change to Choice 3 will apply only to those Members who begin to receive benefits after the date of change and will not affect the method of payment to Members already receiving payments under any other Choice.

Any change from one method of payment of annuity to another method under (a) or (b) above will apply to all Members who begin receiving payments after the date of change. Single sum benefits and those periodic payments which are not provided under Choices 1 or 2 will be paid under Choice 3.

SECTION 5--CHANGE IN AMOUNT OR SUSPENSION OF ANNUITY.

If, after a Member's Annuity Commencement Date, we receive Notification that the amount of his annuity has changed (as determined under the Plan), we will adjust his annuity on the later of (i) the first payment date at least seven (7) Business Days after we are notified, or (ii) the payment date requested, if later. Thereafter, we will continue making annuity payments to the Member in the changed amount. If the change reduces a Member's annuity, the Notification must certify that the reduction complies with Plan provisions in effect on the Member's Annuity Commencement Date.

After a Member's Annuity Commencement Date, if we receive Notification that all or part of his annuity payable under the Plan is to be suspended, we will suspend the portion requested for the period specified. The Notification must certify that the suspension complies with Plan provisions in effect on the Member's Annuity Commencement Date.

SECTION 6--ANNUITY PURCHASE RATES.

The rates used for such purchase of an annuity under Article IVB (Choice 2) or to determine the Benefit Value under Article IVA (Choice 1) will be the rates applicable for purchases under contracts of this class on such date. Rates used will not be less favorable to you than the rates as defined in Article IVB, Section 1, Subsection 2.

SECTION 7--BENEFITS PAYABLE UNDER CHOICE 3.

The following benefit payments, if provided for by the Plan, will be paid in accordance with Article IVC (Choice 3):

- a) The payment of any single sum benefits.
- b) The payment of any periodic benefits which are temporary. Such benefits may include, but are not limited to, disability benefits, cost of living benefits, spouse's benefits, and the like.
- c) The payment of any other benefit provided for under the Plan for which the use of Choice 1 or Choice 2 is not desired.

ARTICLE IVA--BENEFIT INDEX ALTERNATIVE--CHOICE 1

SECTION 1--PAYMENT OF ANNUITY.

We will make monthly payments under this Article to each Member for whom Choice 1 is effective. Payments will be in the amount and form requested pursuant to Article IV, Section 3. We will make payments under Choice 1 until the earlier of (i) the date annuity benefits are no longer payable to the Member (or beneficiary or contingent annuitant, if applicable) or (ii) the date an annuity is purchased for the Member under Section 3 of this Article.

Each payment under this Article will be made from the Fund designated under Article IV, Section 2. The Fund or Funds from which such payments are made will be as directed by you, or, if we receive no Notification, will be in accordance with the Order of Application as described in Article IV, Section 2. An annuity will not be provided under this Choice 1 if it would cause the Benefit Index to exceed the value of the aggregate of the Separate Investment Funds under this contract, determined in accordance with Article VI.

SECTION 2--DETERMINATION OF THE VALUE OF A CHOICE 1 BENEFIT.

The value of any annuity to be provided under Choice 1 is, as of any date, the amount which would be required, based on the then current purchase rates applicable under contracts of this class as described in Article IV, Section 6, to purchase such annuity for the Member (or beneficiary or contingent annuitant, if applicable).

The value will be calculated initially when the benefit is to start and from time to time thereafter, using the following:

- a) The amount and form of monthly annuity being provided under this contract.
- b) The age of the Member and, if applicable, the Member's sex.
- c) If there is a contingent annuitant, the age of the contingent annuitant and, if applicable, the contingent annuitant's sex.
- d) The Member's initial death benefit, if any, and, if applicable, the date of death of the Member.

The value of a Member's Choice 1 benefit may be redetermined by us at any time we choose and will be redetermined at any time the total amount of Choice 1 benefits change or the amounts held in any Separate Investment Funds under this contract changes.

The value of a Member's Choice 1 benefit will become zero upon the earlier of (i) the date annuity benefits are no longer payable to such Member, his beneficiary or contingent annuitant, if any, or (ii) the date an annuity is purchased for the Member pursuant to Section 3 of this Article.

SECTION 3--PURCHASE OF ANNUITY UNDER CHOICE 1.

Purchase of all Choice 1 annuities will occur if the value of the aggregate of the Separate Investment Funds under the contract, determined in accordance with Article VI, are equal to or less than the Benefit Index. Such purchase will be made under Choice 2. See Article IVB. The cost to purchase such annuities under Choice 2 will not exceed the Benefit Value for such annuities.

You may request purchase of annuity for Choice 1 annuities under Choice 2. The Benefit Index for annuities so purchased will be canceled; the cost to purchase under Choice 2 will be determined using our then current purchase rates. Such cost may exceed the Benefit Value for such annuities.

SECTION 4--CHANGE IN AMOUNT OR SUSPENSION OF ANNUITY.

If the amount of annuity to which the Member is entitled changes, in accordance with Article IV, Section 5, the Benefit Index will be redetermined in accordance with Article I, Section 2. The Benefit Index will be based on the present value of such Choice 1 annuity benefits and on the rates in effect on the date of change, as described in Section 2 of this Article. No increase will be permitted in the Benefit Index if such increase would cause the Benefit Index to exceed the aggregate value of the Separate Investment Funds under this contract, determined in accordance with Article VI, Section 4.

Each suspended payment under Article IV, Section 5 payable under Choice 1 will (unless otherwise agreed to by you and us) be treated as if the payment had been made and, accordingly, will reduce the Benefit Index on the date it otherwise would have been paid.

ARTICLE IVB--PURCHASE ALTERNATIVE--CHOICE 2

SECTION 1--PURCHASE OF ANNUITY.

Subsection 1--Purchase of Annuity. We will make monthly payments under this Article to each Member for whom Choice 2 is effective. A Member's monthly annuity, in the amount and form requested pursuant to Article IV, Section 3, will be purchased as of the date he becomes entitled to an annuity under this Article.

The amount required for the purchase of an annuity under this Article will be transferred from the Separate Investment Fund or Funds designated under Article IV, Section 2, to our general account, from which purchase will be made. The Fund or Funds from which such transfers are made will be as directed by you, or, if we receive no Notification, we will apply in accordance with the Order of Application as described in Article IV, Section 2.

Subsection 2--Annuity Purchase Rates. Fixed Dollar Annuities will be purchased using our then current purchase rates for contracts of this class and for the Plan it is funding. Such rates will not be less favorable to the annuitant than purchase rates based on an interest rate of 2 1/2%, a load of 5%, and mortality according to the 1983 Male and Female Tables for Individual Annuity Valuation, full generation mortality projected by Scale G to 1999 as of year of entry.

An example of the maximum purchase rates for \$1.00 of annuity income for an immediate, straight life annuity is shown in the following table:

TABLE 1

| AGE (NEAREST BIRTHDAY) | PURCHASE RATE PER \$1.00 OF MONTHLY INCOME | |
|---------------------------|---|----------|
| | MALE | FEMALE |
| 45 | \$319.22 | \$346.12 |
| 50 | 293.66 | 322.41 |
| 55 | 266.25 | 296.11 |
| 60 | 236.80 | 267.24 |
| 65 | 205.29 | 235.90 |
| 70 | 173.13 | 202.59 |
| 75 | 142.29 | 167.85 |

Maximum rates for purchases made within the five-year period beginning January 1, 2000 will be 103.093% of the rates shown above. Maximum purchase rates for purchases made within any subsequent five-year period will be 103.093% of the rates for the preceding five-year period.

The maximum annuity purchase rates available at other ages and for other forms of income will be determined by us on the same basis as the above. We will make these available to you on request.

An annuity will not be purchased under this Section 1 if such purchase would cause the Benefit Index to exceed the value of the aggregate of the Separate Investment Funds under this contract, determined in accordance with Article VI, on the date of purchase.

SECTION 2--PURCHASE OF CHOICE 1 ANNUITY.

A Member's annuity purchased pursuant to Article IVA, Section 3 will be payable in the same amount and form as the annuity previously being paid under Choice 1.

The amount required for the purchase of annuity as to each such Member is equal to the value of the Member's Choice 1 benefit as determined under Article IVA, Section 2, on such date. This amount will be deducted from the appropriate Fund or Funds, in accordance with your Notification to us, or, if no such Notification has been received, as outlined in the Order of Application on the date of purchase.

SECTION 3--CHANGE IN AMOUNT OR SUSPENSION OF ANNUITY.

If, pursuant to Article IV, Section 4, the amount of annuity payable as to a Member under Choice 2 has changed,

- a) the reserve of any canceled annuity will, (unless otherwise directed by you), be treated as a Contribution to the Money Market Separate Investment Fund on the date of change, or
- b) any increased annuity will be purchased in accordance with the provisions of Section 1 of this Article. The increased annuity will be for the balance of the form in effect for him, or for any other optional form of benefit the Plan allows for the Member. However, no annuity may be purchased under this Section 3 if it would cause the Benefit Index to exceed the value of the aggregate of the Separate Investment Funds under this contract, such value being determined in accordance with Section 1 of this Article.

Each suspended payment under Article IV, Section 5 payable under Choice 2 will (unless otherwise agreed to by you and us) be treated as a Contribution to the Money Market Separate Investment Fund on the date it otherwise would have been paid.

ARTICLE IVC--DIRECT PAYMENTS ALTERNATIVE--CHOICE 3

SECTION 1--DIRECT PAYMENTS.

We will make monthly payments under this Article either directly to the Member or to the Trustee, as specified in your written service agreement with us.

We will make Choice 3 payments from the appropriate Separate Investment Fund or Funds, as you Notify us or in accordance with the Order of Application as described in Article IV, Section 2. Any such payments are subject to the limitations on payments or transfers in Article VI. Payments under Choice 3 will not be made if such payment would cause the Benefit Index to exceed the value of the aggregate of the Separate Investment Funds under the contract, determined in accordance with Article VI.

Each payment under this Article will be an application from the appropriate Fund on the date paid. We are not responsible for the subsequent application of any amount paid by us to the Trustee.

We will not be responsible for any payment for which an appropriate amount is not held in a Separate Investment Fund. Guaranteed Interest Funds cannot be used to make Choice 3 payments during the Guarantee Periods for such Guaranteed Interest Funds.

SECTION 2--BENEFITS OTHER THAN ANNUITY.

We will pay any single sum or periodic benefit (other than a lifetime annuity) under this Section. The amount of any such single sum or periodic payment benefit will be the amount specified in the Plan, as reported to us in Notification.

ARTICLE V--PAYMENTS, APPLICATIONS, AND TRANSFER OF FUNDS; CESSATION

SECTION 1--PAYMENTS FROM FUNDS.

Subject to the limitations and deferral provisions contained in this contract, upon receipt of Notification, we will pay, at contractholder direction:

- a) Premiums to the Pension Benefit Guaranty Corporation.
- b) Premiums or payments due under either a group life insurance policy issued by us or another group annuity contract issued by us which provides benefits under the Plan.
- c) Premiums or fees for benefits or services not provided by us which are chargeable to the Plan. Payments will be made under this item (c) at your direction only if you are a trustee of the Plan.

We will make the payment under (a) or (c) above on the date requested. We will make payment under (b) on the date due. Each such payment will be an application from the appropriate Separate Investment Fund or Funds, as you Notify us or, if no such Notification is received by us, as determined in the Order of Application, on the date paid. However, payment will not be made in an amount which would cause the Benefit Index to exceed the value of the aggregate of the Separate Investment Funds.

No such payment will be made from a Guaranteed Interest Fund during its Guarantee Period.

SECTION 2--PAYMENTS, APPLICATIONS, AND TRANSFERS FROM GUARANTEED INTEREST FUNDS.

No payments, applications, or transfers will be permitted from a Guaranteed Interest Fund during its Guarantee Period, except as follows:

- a) Such payment, transfer, or application is account of Termination of Plan and is subject to the charges described in Article VI, Section 1, Subsection 2. provided,
- b) Such application is for the purchase of annuity however, amounts held in Guaranteed Interest Funds will not be available for annuity purchase if there are any other plan funds available. The Guaranteed Interest Funds will be applied on a last-in, first-out basis. Any such annuity purchase will not be subject to the charges described in Article VI, Section 1, Subsection 2.

At least 30 days prior to the end of its Guarantee Period, we will notify you in writing that a Guaranteed Interest Fund is about to mature. We must receive Notification before the end of its Guarantee Period as to which of the following methods the Guaranteed Interest Fund is to be applied under on the day after its Guarantee Period ends:

- a) All or a part of the amount payable may be used, at your direction, as a Contribution to create a new Guaranteed Interest Fund of the same type under this contract. The day after the Guarantee Period ends shall be the Deposit Date of a new Guaranteed Interest Fund.
- b) All or a part of the amount payable may be used, at your direction, to create a new Guaranteed Interest Fund, transferred to a Separate Investment Fund, or any combination of such Funds. Such amount will be treated as a Contribution to any such Fund on the day after the Guarantee Period ends.

- c) All or a part of the amount payable may be used, at your direction, to purchase annuities for Members and beneficiaries of Members under Article IVB. The annuity purchase date for each such annuity will be the day after the Guarantee Period ends for such Fund.
- d) All or a part of the amount payable may be transferred, at your direction, to another Funding Agent.

If we do not have Notification for the disposition of a Guaranteed Interest Fund prior to the end of its Guarantee Period, the value of such Fund will be treated as a Contribution to the Money Market Separate Investment Fund.

SECTION 3--TRANSFER FROM A SEPARATE INVESTMENT FUND.

We will, upon receipt of Notification, make payments or transfers from a Separate Investment Fund to another Separate Investment Fund, another Funding Agent, or treat such transfer as a Contribution to establish a Guaranteed Interest Fund. The amount to be paid or transferred, and any limitations on such payments and transfers, will be determined in accordance with the Separate Investment Fund rider or riders added to this contract.

Payments and transfers under this Section will not be made if such payment or transfer would cause the Benefit Index to exceed the value of the aggregate Separate Investment Funds under this contract, determined in accordance with Article VI, Section 4.

SECTION 4--CESSATION OF CONTRIBUTIONS.

Cessation of Contributions shall be effective on the earliest of the following dates:

- a) The date we receive Notification that cessation of Contributions is to occur.
- b) The date of Termination of Plan.
- c) The date the Plan fails to qualify under Section 401(a) of the Internal Revenue Code.
- d) The date no assets remain in any Fund under this contract.

Upon cessation of Contributions, no further employees will become Members and no further Contributions will be accepted.

All provisions of this contract will remain in effect as to any portion of the Funds which have not been paid or applied in full.

ARTICLE VI--LIMITATIONS ON PAYMENTS, APPLICATIONS, AND TRANSFERS

SECTION 1--LIMITATIONS ON PAYMENTS, APPLICATIONS, AND TRANSFERS FROM GUARANTEED INTEREST FUNDS.

Subsection 1--Limitations on Payments and Transfers from a Guaranteed Interest Fund. Before the end of its Guarantee Period, payments, or transfers from a Guaranteed Interest Fund are not permitted except on account of Termination of Plan. Any amounts paid or applied will be in accordance with Subsection 2 of this Section.

Subject to this Section, we may defer any payment or transfer from any of these Funds under the contract due to unstable or disorderly markets or investment conditions which, in our opinion, do not allow for an orderly investment transfer. This deferment may include, but not be limited to, situations where regular banking has been suspended or when an emergency or other circumstances beyond our control do not allow for the orderly disposal and liquidation of securities or other assets. We may defer such payment or transfer for up to 30 days.

However, if all payments or transfers from these Funds total \$25,000,000 or more in the 36-month period which ends on the requested date of payment or transfer, we will make the portion of the requested payment or transfer in excess of such \$25,000,000 in substantially equal monthly installments over a period of 36 months. For purposes of this limitation, general account payments and transfers at investment value from any other contracts or policies we issued in connection with the Plan or with any other retirement plan of the Employer will be included as a payment or transfer from any of these Funds. If this limitation is imposed by us, we will make the first installment one month after the date of request, or on a later date specified in Notification to us. If we defer any payment or transfer under this Article, we will determine the amount to be paid or transferred on the date payment or transfer actually occurs. We will notify you in the event of any such deferment of more than seven (7) days.

Nothing in this Subsection 1 will apply to payments made upon a Member's death to the Member's beneficiary or contingent annuitant.

Subsection 2--Payment and Applications. If we receive Notification to pay or apply amounts during a Guarantee Period for those instances in which such payment is permitted under Subsection 1 of this Section, such payments or applications will be in accordance with the following:

- a) The interest rate to be used for comparison in (b) and (c) below will be the Applicable U.S. Treasury Rate on the date of surrender plus 1.00%.
- b) If the interest rate determined in accordance with (a) above is equal to or less than the Guaranteed Interest Rate for the Guaranteed Interest Fund, there is no charge.
- c) If the interest rate determined in accordance with (a) above is greater than the Guaranteed Interest Rate for the Guaranteed Interest Fund, such charge is equal to:
 - i) the difference between such interest rate on the date of surrender and the Guaranteed Interest Rate multiplied by
 - ii) the number of years (including fractional parts of a year) remaining in the Guaranteed Period for such Guaranteed Interest Fund multiplied by
 - iii) the amount being surrendered.

If the payment or transfer under this Subsection results in the application of all of the Fund, the amount paid or transferred will be equal to such Fund reduced by the amount determined under (c) above.

In general, payments from a Guaranteed Interest Fund will be made in full within seven (7) business days after the requested date of payment.

If payment is delayed or limited as permitted under this Article, amounts to be paid or transferred will continue to earn interest at the rate shown on the Schedule for this Fund, until the date payment or transfer actually occurs. The amounts described in (a), (b), and (c) above will be determined as of the date payment or transfer actually occurs under this Section. We will notify you in the event of any deferment of more than seven (7) business days under the provisions of this Section.

SECTION 2--LIMITATIONS ON PAYMENTS AND TRANSFERS FROM SEPARATE INVESTMENT FUNDS.

Any limitations on payments and transfers from a Separate Investment Fund are described in the Separate Investment Fund rider or riders added to this contract.

ARTICLE VII--GENERAL PROVISIONS

SECTION 1--CERTIFICATES.

We will prepare a certificate for each Member to whom benefits are payable under Choice 1 or Choice 2. It will describe the benefit to which the Member is entitled and to whom any death benefits are payable. We will send the certificates to you or the Employer, if you are a trustee, (as you request) for delivery to the Member.

SECTION 2--BENEFICIARY.

The beneficiary is the person or persons to whom benefits (other than any monthly income payable to a contingent annuitant under Article IV, Section 3) are payable upon the death of a Member, subject to the provisions of Section 12 of this Article. A Member shall name or change a beneficiary designation by signing and filing a written beneficiary designation to that effect with us but the designation will not be effective until we receive it. When we receive the designation, it will be effective as of the date it was signed by the Member but any payments we made before receiving the designation shall discharge us to the extent of such payments. We reserve the right to require the Member's certificate for endorsement of any change of beneficiary.

Unless otherwise specified by the Member, with our written consent,

- a) if any beneficiary dies before the Member, any monthly annuity payment which would have become payable to such beneficiary, if living, will be payable when due to the beneficiary or beneficiaries surviving the Member in the order provided.
- b) if any beneficiary survives the Member, but dies before receiving all of the monthly payments which would have become payable to such beneficiary, if living, payment will be made when due to the surviving beneficiary or beneficiaries in the order provided.
- c) if the last survivor of all named beneficiaries dies after the death of the Member (and the contingent annuitant, if any), and before all payments due the beneficiary have been made, the remaining payments will be commuted and the commuted value paid to the executor or the administrator of the estate of the last survivor.

If no named beneficiary survives the Member (and the contingent annuitant, if any), then any amounts which would have become payable to a beneficiary will be commuted and the commuted value paid to the executor or administrator of the estate of the Member (the executor or administrator of the estate of any contingent annuitant, if he survives the Member).

If the beneficiary is not a natural person taking in his own right (e.g. is a trust or an estate), any monthly or other periodic payments will be commuted and the commuted value paid to the beneficiary in one sum. However, if the beneficiary is a trust established for the benefit of a natural person and if the payment period is at least 24 months and not more than 60 months, monthly or other periodic payments may be continued to such beneficiary.

SECTION 3--CONTRACT.

This contract, any Schedule, and your application, a copy of which is attached to and made a part of this contract, are the entire contract between you and us. We are obligated only as provided in this contract and are not a party to nor bound by any trust or plan.

SECTION 4 -- PLAN AND PLAN AMENDMENTS.

You agree to give us a copy of the Plan in effect on the date this contract is executed and copies of any subsequent amendments to it. No amendment to the Plan which affects our duties and obligations will be effective under this contract if we notify you in writing that such change is unacceptable to us. We will not unreasonably withhold our agreement to any change requested. We agree to notify you within 60 days after we receive an amendment if it is unacceptable.

SECTION 5 -- WAIVER AND MODIFICATION.

Only our officers have authority to change this contract or waive any of its provisions or requirements.

SECTION 6 -- MISSTATEMENTS.

If the age or sex (to the extent sex is a determining factor) of a Member, qualified status of the Plan, or any other relevant fact affecting the amount or date of any annuity payment made under Choice 2 is found to have been misstated, then, unless a satisfactory adjustment is agreed upon by you and us with regard to the misstatement, the amount of annuity payable by us will be that provided by the amount applied to provide such annuity, determined as of the date the annuity was provided established by the misstated information and on the basis of the correct age and sex or other relevant fact.

Any overpayment by us resulting from any misstatements will be deducted from amounts thereafter payable to the Member, his contingent annuitant, or his beneficiary. Any underpayment by us resulting from any misstatements will be paid in full with the next payment due the Member, his contingent annuitant, or his beneficiary.

SECTION 7 -- INFORMATION, PROOFS AND DETERMINATION OF FACTS.

You agree to give us records, data, proofs or additional information which, in our opinion, is necessary for the administration of this contract.

For purposes of this contract, your determination as to any facts (except age and sex) relating to any employee is, except for fraud or willful misstatement of fact, conclusive.

SECTION 8 -- AMENDMENT.

We reserve the right to amend or change this contract as follows, subject to the limitations of items (e) and (f):

- a) Any or all of the contract provisions may be changed at any time, including retroactive changes, to the extent necessary to meet the requirements of any law or regulation issued by any governmental agency to which we or the Plan are subject.
- b) We may amend or change the Order of Application, the Adjusted Fund Value Factor for each Fund, and the Benefit Value percentage at any time.
- c) We may amend or change the expenses referred to in Article III, Section 1 and the percentage used in Article VI, Section 1, Subsection 2.
- d) We may amend or change any of the Tables. No such change may be made within five years of the Contract Date. If we amend or change such Tables, we cannot again amend or change such provision until at least five years after the latest amendment or change to such provision.

- e) By written agreement between you and us, this contract may be amended or changed at any time as to any of its provisions, including those in regard to coverage, benefits and the participation privileges, without the consent of any Member, beneficiary or contingent annuitant.
- f) We will notify you in writing of any change made because of item (a) above. Any amendment or change under items (b), (c), or (d) will not become effective until the later of: (i) the effective date of the amendment or change or (ii) the date 60 days after the date we notify you in writing of the amendment or change.
- g) Any amendment or change under this Section 8 is binding and conclusive on each Member, beneficiary, or contingent annuitant, but is limited by the following:
 - i) No amendment or change will apply to the payment of monthly annuity under Choice 1 or Choice 2 which began before the effective date of the amendment or change, unless the change is required under item (a) of this Section.
 - ii) No amendment or change under (c), above, will affect Guaranteed Interest Funds established before the date of the amendment or change; no amendment or change under (d), above, will apply to annuity purchases made from Guaranteed Interest Funds which were established before the date of such amendment or change.
 - iii) Any change in the expenses referred to in Article III, Section 1, will not take effect as to any Separate Investment Fund if, prior to the date the amendment or change is to take effect, we receive Notification for payment or transfer of all Separate Investment Funds to an alternate Funding Agent in accordance with Article V, and such request is not revoked.
 - iv) No amendment or change will affect the method of determining any amounts to be paid or transferred from any Fund if we receive your request for payment or transfer from such Fund before the date the amendment or change is effective and the payment or transfer is to be made (or begin to be made) before the date the amendment or change is effective.

SECTION 9--CONTRIBUTIONS.

We reserve the right to limit or refuse further Contributions under this contract. If we do, we will give you at least 60 days advance written notice.

SECTION 10--COMMUTED VALUES AND RESERVES.

If any monthly payments under Choice 1 or Choice 2 are to be commuted, we will determine the commuted value using the interest rates on which the benefit payments were originally based.

We will determine the reserve of any benefit using the same mortality and interest assumptions on which the benefit payments were originally based.

SECTION 11--FACILITY OF PAYMENT.

If any Member, contingent annuitant, or beneficiary is legally incapable of giving a valid receipt for any payment due him and no legal representative has been appointed for him, we will, in the absence of written direction to the contrary from you, at our option, make such payment to the person or persons as have, in our opinion, assumed the care and principal support of the Member, contingent annuitant, or beneficiary, except that any payment due a minor will be paid at a rate not exceeding \$100.00 per month. However, in no event will any such payment exceed the maximum amount allowed under applicable law of the state in which this contract is delivered. Any such payment made by us shall fully discharge us to the extent of the payment.

SECTION 12--PRONOUNS.

Masculine pronouns used in this contract include both masculine and feminine gender unless the context indicates otherwise.

SECTION 13--ASSIGNMENT.

No benefits payable under this contract to any Member, beneficiary, or contingent annuitant are assignable, and all such benefits are exempt from the claims of creditors to the maximum extent permitted by law.

This contract cannot be assigned, nor any right, title, or interest herein, be alienated, assigned, or anticipated without our express consent.

SECTION 14--SMALL AMOUNTS.

If the monthly annuity payable under Choice 1 or Choice 2 to any Member, beneficiary or contingent annuitant is less than \$20, we will pay such annuity quarterly. If the annuity is paid quarterly, the monthly amount will be unchanged, but the first quarterly payment will be made two months after the date the first monthly annuity payment would have been made. Subsequent payments will be made quarterly for as long as the recipient is entitled to them.

However, if on the earlier of a Member's Termination of Employment or his Annuity Commencement Date, the present value of the monthly retirement benefit payable to him under Choice 1 or Choice 2 is less than \$5,000, we will, unless the Plan provides otherwise, pay such value in a single sum in full settlement of all benefits otherwise payable. We will determine the present value using the method described in the Plan. Any payment made under this Section will be as directed by you, or, if we receive no Notification, will be an application from the appropriate Fund or Funds as determined in the Order of Application.

SECTION 15--INVESTMENT MANAGER.

As set out in Article II and Article V, the right to direct the split of Contributions to the Guaranteed Interest Fund and to any Separate Investment Fund, and to direct any transfer between Funds is reserved to you, all in accordance with the provisions of this contract.

Application for and issuance of this contract constitutes appointment of and acceptance and affirmation by us that (i) we are an Investment Manager as described under ERISA solely with respect to Plan assets held in Separate Accounts to which you direct amounts under this contract, except for the right reserved in the preceding paragraph and (ii) we are qualified to accept such appointment and acknowledge that by virtue of such appointment we are a fiduciary of the Plan for this exclusive purpose of managing the assets of such Separate Accounts, within the meaning of ERISA.

SECTION 16 -- TERMINATION AND CASH OUT OF CONTRACT.

We may begin cash out proceedings with regards to the funds held under this contract on or after the date we have announced we will refuse all further Contributions under contracts of this class, subject to the following:

- a) We have announced our intention to refuse further Contributions and that we will no longer write or accept applications for contracts of this class.
- b) Once we determine we wish to cash out contracts of this class, we will cash out all contracts of this class without exception.
- c) Amounts held in any of our Separate Accounts will be available for payment or transfer in accordance with the contract provisions or riders making such Separate Accounts available hereunder.
- d) For amounts held in Guaranteed Interest Funds, the following will apply:
 - i) You may choose to transfer such funds to another Funding Agent. No charge will be made under Article VI, Section 1 for any funds so transferred.
 - ii) If no other Notification is received by us, at the end of the Guarantee Period, we will treat the funds held in our general account as if they are being held under the group annuity contract then offered by us which, in our opinion, most closely parallels the provisions of this contract. Thereafter, the provisions of this contract will no longer apply.
 - iii) There will be no charge made for payment from this contract of single sum amounts at benefit events, recognized by the Plan, even if the group annuity contract described in item (ii), above, would not permit such pay out without charge.
- e) The annuity purchase rate guarantees in effect under this contract on the day before the provisions of item (d)(ii) of this Section are instituted will remain the purchase rate guarantees for any general account funds handled in accordance with item (d)(ii).

Such purchase rate guarantees will also remain in effect for any Separate Account funds held hereunder until paid or transferred.
- f) We will not change any Guaranteed Interest Rates for amounts held in our general account before the end of the Guarantee Period for such amounts.
- g) Your right to transfer funds held hereunder to another Funding Agent will not be changed.
- h) If we choose to make another group annuity contract available to other contractholders of this type of contract, we will make such a group annuity contract available to you.
- i) We will give you 60 days advance written notice before we will enforce the provisions of this Section.

SECTION 17--OWNERSHIP.

You are the owner of this contract; provided however that if the Plan is trustee and this contract is issued to the trustee, the trustee is sole owner of all the payments, rights, options, and privileges herein granted or made payable to any Member, beneficiary, or contingent annuitant under this contract. This includes, without limitation, the right to distribute all or a portion of the Member's benefit or ownership of these rights in respect of such benefit, on or after the Member's Termination of Employment; but this does not include the right to designate a Member's beneficiary unless such right has been granted to the trustee by the Plan or trust. The trustee is entitled to exercise all such rights, options, and privileges and to receive all such payments at the time or times specified in this contract that such payments, rights, options, and privileges are available to a Member. Such exercise by the trustee may be made without the consent or participation of any Member, beneficiary or contingent annuitant.

Your ownership rights do not include the right to assign your interest in this contract. This contract cannot be assigned by you without our express consent.

APPLICATION FOR GROUP ANNUITY CONTRACT

Application is made to **PRINCIPAL LIFE INSURANCE COMPANY**
711 High Street
Des Moines, Iowa 50392-0001
(515) 247-5111

If variable annuity is available under the contract, it is understood that any such annuity will provide changing dollar amounts of payments, with the amount of change dependent upon the investment performance of the funds providing such variable annuity; that such funds are held in a separate account; and that Principal Life Insurance Company makes no guarantee as to the investment performance thereof.

It is agreed that acceptance of any contract issued shall constitute approval by the applicant of the provisions in such contract as being in accord with this application.

FOR RESIDENTS OF ALL STATES EXCEPT FL, MA, NE, NJ, NY, OK, OR, PA AND VA:

Any person who knowingly and with intent to defraud any insurance company or other person, submits a statement or claim or any application form containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act which is a crime. Such actions may be considered felonies and subject to criminal and civil penalties, including imprisonment and fines.



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FOR RESIDENTS OF ALL STATES EXCEPT FL, MA, NE, NJ, NY, OK, OR, PA, AND VA:

Any person who knowingly and with intent to defraud any insurance company or other person, submits a statement or claim or any application form containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act which is a crime. Such actions may be considered felonies and subject to criminal and civil penalties, including imprisonment and fines.

FOR RESIDENTS OF PA:

Any person who knowingly and within intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.

FOR RESIDENTS OF FL:

Any person who knowingly and with intent to injure, defraud, or deceive any insurer files a statement of claim or an application containing any false, incomplete, or misleading information is guilty of a felony of the third degree.

The undersigned applicant intends for this contract to replace an existing group annuity policy?
 Yes No

The undersigned agent is aware that this contract will replace an existing group annuity policy?
 Yes No

FOR RESIDENTS OF NJ:

Any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties.

