

PRINCIPAL FINANCIAL SERVICES INC

Form 424B3

October 11, 2006

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

**Filed Pursuant to Rule 424(b)(3)
Registration No. 333-111352**

Subject to Completion, Dated October 11, 2006

PROSPECTUS SUPPLEMENT
(To Prospectus Dated June 24, 2004)

\$
PRINCIPAL FINANCIAL GROUP, INC.
% Senior Notes due
Fully and Unconditionally Guaranteed by
PRINCIPAL FINANCIAL SERVICES, INC.

We are offering \$ _____ of our % Senior Notes due _____ (the Notes). The Notes will bear interest at a rate of % per year. Interest on the Notes is payable on April 15 and October 15 of each year, beginning on April 15, 2007. The Notes will mature on _____, _____. We may redeem the Notes at any time at a make-whole redemption price described beginning on page S-14 under the caption Description of the Notes Optional Redemption.

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

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

Investing in the Notes involves risks. See Risk Factors beginning on page S-5 of this prospectus supplement.

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

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

(1) Plus accrued interest, if any, from October _____, 2006 to the date of delivery.

The underwriters expect to deliver the Notes to purchasers on or about October _____, 2006.

Joint Book-Running Managers

**Goldman, Sachs & Co.
Citigroup**

**Merrill Lynch & Co.
Credit Suisse**

**Morgan Stanley
UBS Investment Bank**

Co-Managers

A.G. Edwards

**Banc of America Securities Lehman Brothers
LLC**

Wachovia Securities

October , 2006

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus and in any free writing prospectus filed by the Company with the Securities and Exchange Commission. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on the prospectus supplement. We and the underwriters have not authorized anyone to provide you with information that is different. This prospectus supplement and the accompanying prospectus may only be used where it is legal to sell these securities. The information in this prospectus supplement and the accompanying prospectus may only be accurate as of the date of this prospectus supplement, the accompanying prospectus or the information incorporated by reference herein or therein, and the information in any free writing prospectus may only be accurate as of the date of such free writing prospectus. Our business, financial condition, results of operations and/or prospects may have changed since those dates.

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

Unless otherwise indicated, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to Principal, the Company, we, us and our or similar terms are to Principal Financial Group, Inc. and its subsidiaries. The underwriters refers to the financial institutions named on the front cover of this prospectus supplement.

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

You should read this entire prospectus supplement carefully, including the section entitled Risk Factors, our financial statements and the notes thereto incorporated by reference into this prospectus supplement, and the accompanying prospectus, before making an investment decision.

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FORWARD-LOOKING STATEMENTS

Some of the statements contained in this prospectus supplement and the accompanying prospectus are forward-looking statements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and include estimates and assumptions related to economic, competitive and legislative developments. These forward-looking statements are subject to change and uncertainty which are, in many instances, beyond our control and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with management's expectations or that the effect of future developments on us will be those anticipated by management. Actual results could differ materially from those expected by us, depending on the outcome of various factors. These factors include:

a decline or increased volatility in the securities markets could result in investors withdrawing from the markets or decreasing their rates of investment, either of which could reduce our net income, revenues and assets under management;

our investment portfolio is subject to several risks which may diminish the value of our invested assets and affect our sales, profitability and the investment returns credited to our customers;

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

a downgrade in the financial strength ratings of Principal Life Insurance Company (Principal Life), our subsidiary, may increase policy surrenders and withdrawals, reduce new sales and terminate relationships with distributors and cause some of our existing liabilities to be subject to acceleration, additional collateral support, changes in terms, or creation of additional financial obligations;

our efforts to reduce the impact of interest rate changes on our profitability and surplus may not be effective;

if we are unable to attract and retain sales representatives and develop new distribution sources, sales of our products and services may be reduced;

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

our reserves established for future policy benefits and claims may prove inadequate, requiring us to increase liabilities;

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

the pattern of amortizing our deferred policy acquisition costs on our Statement of Financial Accounting Standard No. 97 Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments products may change, impacting both the level of the asset and the timing of our operating earnings;

we may need to fund deficiencies in our closed block (Closed Block) assets which benefit only the holders of Closed Block policies;

changes in laws, regulations or accounting standards may reduce our profitability;

litigation and regulatory investigations may harm our financial strength and reduce our profitability;

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fluctuations in foreign currency exchange rates could reduce our profitability;

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

a downgrade in our debt ratings may adversely affect our ability to secure funds and cause some of our existing liabilities to be subject to acceleration, additional collateral support, changes in terms, or creation of additional financial obligations; and

the risk factors or uncertainties listed under **Risk Factors** in our Annual Report on Form 10-K for the year ended December 31, 2005, incorporated by reference in this prospectus supplement and the accompanying prospectus, and the risk factors or uncertainties listed under **Risk Factors** in this prospectus supplement.

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The offering terms of the Notes are summarized below solely for your convenience. This summary is not a complete description of the Notes. You should read the full text and more specific details contained elsewhere in this prospectus supplement and the accompanying prospectus. For a more detailed description of the Notes, see the discussion under the caption "Description of the Notes" beginning on page S-13 of this prospectus supplement.

Issuer	Principal Financial Group, Inc.
Notes Offered	\$ _____ aggregate principal amount of _____ % Senior Notes due _____
Maturity	The Notes will mature on _____, _____.
Interest Payment Dates	April 15 and October 15 of each year, beginning April 15, 2007.
Subsidiary Guarantee	The Notes will be fully and unconditionally guaranteed by our subsidiary, Principal Financial Services, Inc. See "Description of the Notes" Subsidiary Guarantee.
Record Dates	The April 1 or October 1 of each year immediately preceding the related interest payment date.
Optional Redemption; No Sinking Fund	The Notes may be redeemed at any time and from time to time, at our option, in whole or in part, as described in this prospectus supplement under the caption "Description of the Notes" Optional Redemption. The Notes will not have the benefit of any sinking fund.
No Listing	The Notes will not be listed on any national securities exchange or included in any automated quotation system.
Ranking	The Notes will be our senior unsecured and unsubordinated obligations and will rank equally in right of payment with all of our existing and future senior indebtedness and senior to all of our existing and future subordinated indebtedness. The Subsidiary Guarantee will be a senior unsecured and unsubordinated obligation of Principal Financial Services, Inc. and will rank equally in right of payment with all of its existing and future senior indebtedness and senior to all of its existing and future subordinated indebtedness.
Use of Proceeds	We will use all or substantially all of the estimated approximately \$ _____ million in net proceeds from this offering to fund a portion of the purchase price for our pending acquisition of WM Advisors, Inc. The remainder of the net proceeds, if any, will be used for general corporate purposes. See "Use of Proceeds."
Covenants	The Senior Indenture contains negative covenants that apply to us; however, the limitation on liens and the limitation on consolidation, merger and sale of assets contain important exceptions. See "Description of the

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tions upon Liens and Consolidation, Merger and Sale of Assets in the accompanying prospectus.

Risk Factors

See Risk Factors and the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in the Notes.

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The Company

The Principal Financial Group is a leading provider of retirement savings, investment and insurance products and services with \$206.0 billion in assets under management and approximately 16 million customers worldwide as of June 30, 2006.

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

We primarily focus on small and medium sized businesses, which we define as companies with less than 1,000 employees, providing a broad array of retirement and employee benefit solutions to meet the needs of the business, the business owner and their employees. With over 31,000 plans, we are the leading provider of corporate defined contribution plans in the U.S., according to Spectrem Group. We are also the leading employee stock ownership plan consultant. In addition, we are a leading provider of nonqualified plans, defined benefit plans and plan termination annuities. We are also one of the largest providers of non-medical insurance product solutions.

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

We organize our business into the following operating segments: (1) U.S. Asset Management and Accumulation, which provides retirement and related financial products and services primarily to businesses, their employees and other individuals and provides asset management services to our asset accumulation business, the life and health insurance operations, the Corporate and Other segment and third-party clients; (2) International Asset Management and Accumulation, which provides retirement products and services, annuities, long-term mutual funds and life insurance through subsidiaries and joint ventures in various countries; and (3) Life and Health Insurance, which provides life insurance, health insurance as well as specialty benefits in the U.S. We also have a Corporate and Other segment, which consists of the assets and activities that have not been allocated to any other segment.

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

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

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Recent Development

Pending Acquisition of WM Advisors, Inc.

On July 25, 2006, we entered into a stock purchase agreement with Washington Mutual, Inc., a Washington corporation, and New American Capital, Inc., a Delaware corporation, pursuant to which we will acquire all outstanding capital stock of WM Advisors, Inc., a Washington corporation (WMA), and its two subsidiaries, WM Funds Distributor, Inc. and WM Shareholder Services, Inc., in exchange for approximately \$740 million. The purchase price is subject to an adjustment at and after the closing based on (i) certain declines in revenues from services of WMA and its subsidiaries and (ii) certain decreases of revenues from services of WMA and its subsidiaries during a period of time following the closing.

The closing of the transaction, which is currently expected to occur in the fourth quarter of 2006, is subject to various conditions, including (i) the expiration or early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (ii) approvals by the shareholders of certain funds sponsored by WMA or its affiliates, and (iii) other customary conditions to closing, including the execution and delivery of certain related transaction documents.

We will use all or substantially all of the net proceeds from this offering to fund a portion of the purchase price for our pending acquisition of WMA. The remainder of the net proceeds, if any, will be used for general corporate purposes.

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RISK FACTORS

In considering whether to purchase the Notes, you should carefully consider the information included or incorporated by reference in this prospectus supplement. In particular, you should carefully consider the factors listed in Forward-Looking Statements as well as the Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2005 which is incorporated by reference herein. In addition you should consider the following risk factors relating to the Notes:

The Senior Indenture Does Not Limit the Amount of Indebtedness That We or Our Subsidiaries Can Issue.

The Senior Indenture does not limit the amount of unsecured indebtedness (including under the Senior Indenture) or secured indebtedness that we or our subsidiaries can issue, except, with respect to secured indebtedness, to the extent set forth under the caption Description of the Debt Securities Limitation upon Liens in the accompanying prospectus. The Notes will be our senior unsecured and unsubordinated obligations and will rank equally in right of payment with all of our existing and future senior indebtedness and senior to all of our existing and future subordinated indebtedness. As of June 30, 2006, Principal Financial Group, Inc. had no senior indebtedness that would have ranked equally in right of payment with the Notes. In addition, the Notes will be subordinated to any future secured indebtedness we issue, to the extent of the assets securing such indebtedness. As of June 30, 2006, Principal Financial Group, Inc. had no secured indebtedness outstanding.

The Subsidiary Guarantee will be a senior unsecured and unsubordinated obligation of Principal Financial Services, Inc. and will rank equally in right of payment with all of its existing and future senior indebtedness and senior to all of its existing and future subordinated indebtedness. As of June 30, 2006, Principal Financial Services, Inc. had approximately \$464 million of senior indebtedness that would have ranked equally in right of payment with the Subsidiary Guarantee. In addition, the Subsidiary Guarantee will be subordinated to any existing and future secured indebtedness Principal Financial Services, Inc. issues, to the extent of the assets securing such indebtedness. As of June 30, 2006, Principal Financial Services, Inc. had no secured indebtedness outstanding.

Our Ability to Make Payments on the Notes Depends on Our Ability to Receive Dividends from Our Subsidiaries.

We are an insurance holding company whose assets include all of the outstanding shares of common stock of Principal Financial Services, Inc. Principal Financial Services, Inc., an Iowa business corporation and the Subsidiary Guarantor, is an intermediary holding company whose assets include all of the outstanding shares of Principal Life and other subsidiaries. Principal Financial Services, Inc.'s ability to pay dividends and meet its obligations, including paying any debt service, including with respect to the Subsidiary Guarantee, depends upon the receipt of dividends from Principal Life. Iowa insurance laws impose limitations on the ability of Principal Life to pay dividends. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Dividends from Principal Life in our Annual Report on Form 10-K for the year ended December 31, 2005. Our ability to pay dividends and meet our obligations, including paying operating expenses and any debt service, including with respect to the Notes, depends upon the receipt of dividends from Principal Financial Services, Inc. and our other subsidiaries. However, Principal Financial Services, Inc. and each of our other subsidiaries are legally distinct entities and, while Principal Financial Services, Inc. will guarantee payments on the Notes, such guarantee is subject to risks as described under The Subsidiary Guarantee may be subject to challenge under fraudulent transfer laws.

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The Notes Will Be Effectively Subordinated to All Existing and Future Liabilities of Our Subsidiaries.

Because we are an insurance holding company, our rights and the rights of our creditors, including the holders of the Notes, to a share of the assets of any subsidiary upon the liquidation or recapitalization of such subsidiary will be subject to the prior claims of such subsidiary's creditors, except to the extent we may be a creditor with recognized claims against such subsidiary. Accordingly, the Notes will be effectively subordinated to all existing and future liabilities of our subsidiaries, and holders of the Notes should look only to our assets for payments on the Notes. As of June 30, 2006, our subsidiaries (excluding Principal Financial Services, Inc.) had approximately \$854 million of indebtedness that would have been effectively senior to the Notes.

Because Principal Financial Services, Inc. is an intermediary holding company, the rights of Principal Financial Services, Inc. and the rights of its creditors, including the holders of the Notes as beneficiaries of the Subsidiary Guarantee, to a share of the assets of any subsidiary upon the liquidation or recapitalization of such subsidiary will be subject to the prior claims of such subsidiary's creditors, except to the extent Principal Financial Services, Inc. may be a creditor with recognized claims against such subsidiary. Accordingly, the Subsidiary Guarantee will be effectively subordinated to all existing and future liabilities of its subsidiaries, and the holders of the Notes as beneficiaries of the Subsidiary Guarantee should only look to the assets of Principal Financial Services, Inc. for payment on the Subsidiary Guarantee. As of June 30, 2006, the subsidiaries of Principal Financial Services, Inc. had approximately \$854 million of indebtedness that would have been effectively senior to the Subsidiary Guarantee.

There Is No Public Market for the Notes, so You May Be Unable to Sell the Notes.

The Notes are a new series of securities for which there is currently no public market. Consequently, the notes may be relatively illiquid, and you may be unable to sell your Notes, or if you are able to sell your Notes, we cannot assure you as to the price at which you will be able to sell them. Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, economic conditions, our financial condition and the market for similar securities. We do not intend to apply for listing of the Notes on any securities exchange or for the inclusion of the Notes in any automated quotation system.

The Subsidiary Guarantee May Be Subject to Challenge Under Fraudulent Transfer Laws.

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

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WHERE YOU CAN FIND MORE INFORMATION

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

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement, and information that we file later with the SEC prior to the termination of the offering under this prospectus supplement will automatically update and supersede this information. We incorporate by reference the documents listed below and all documents we file with the SEC pursuant to Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), prior to the termination of the offering under this prospectus supplement:

(a) Our Current Reports on Form 8-K filed on January 31, 2006; February 9, 2006; March 6, 2006; March 15, 2006; May 19, 2006; July 26, 2006 (other than those portions furnished under Item 7.01 of Form 8-K); August 1, 2006; and August 28, 2006;

(b) Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006 and June 30, 2006;

(c) Our Annual Report on Form 10-K for the fiscal year ended December 31, 2005; and

(d) Our Proxy Statement filed on March 31, 2006 for the 2006 Annual Meeting of Stockholders.

You may request a free copy of these filings by writing or telephoning the office of the Corporate Secretary, Principal Financial Group, Inc., 711 High Street, Des Moines, Iowa 50392, Telephone: (515) 247-5111.

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

	For the Six Months Ended June 30,	For the Years Ended December 31,				
	2006	2005	2004	2003	2002	2001
Ratio of earnings to fixed charges before interest credited on investment products	10.9	11.1	9.5	7.5	4.5	3.2
Ratio of earnings to fixed charges	2.3	2.1	2.0	1.9	1.4	1.3

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

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

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The following table shows our consolidated capitalization as of June 30, 2006 (unaudited) and as adjusted for the sale of the Notes offered hereby.

As of June 30, 2006

	Actual	Percent of Total Capitalization	As Adjusted	Percent of Total Capitalization(1)
Short-term debt	\$ 424.4	5.2%	\$ 424.4	%
% Senior Notes due				
Long-term debt	894.2	11.0	894.2	
Total debt	1,318.6	16.2		
Stockholders equity	6,844.7	83.8	6,844.7	
Total capitalization	\$ 8,163.3	100.0%	\$	100.0%

(1) If the Notes offered hereby aggregate between \$350 million and \$500 million, total debt as a percentage of total capitalization as of June 30, 2006 would have been between 19.6% and 20.9%, respectively.

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USE OF PROCEEDS

Our net proceeds from this offering are estimated to be approximately \$ _____ million after deducting underwriting discounts and estimated offering expenses. We will use all or substantially all of these net proceeds to fund a portion of the purchase price for our pending acquisition of WMA. The remainder of the net proceeds, if any, will be used for general corporate purposes.

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The following table sets forth certain selected historical consolidated financial information of Principal Financial Group, Inc. We derived the consolidated financial information (except for amounts referred to as Other Supplemental Data) for each of the years ended December 31, 2005, 2004 and 2003 and as of December 31, 2005 and 2004 from our audited consolidated financial statements and notes to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2005. This selected consolidated financial information should be read in conjunction with and is qualified by reference to these financial statements and the related notes. We derived the consolidated financial information (except for amounts referred to as Other Supplemental Data) for the years ended December 31, 2002 and 2001 and as of December 31, 2003, 2002 and 2001 from our audited consolidated financial statements not included or incorporated by reference in this prospectus supplement or the accompanying prospectus. The selected consolidated financial information as of and for the six months ended June 30, 2006 and 2005 has been derived from the unaudited interim consolidated financial statements included in our Quarterly Report on Form 10-Q for the six months ended June 30, 2006. The following consolidated statements of operations and consolidated statements of position data have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP).

	As of or For the Six Months Ended		As of or For the Year Ended December 31,				
	June 30, 2006(1)	June 30, 2005(1)	2005(1)	2004(1)	2003(1)	2002(1)	2001(1)

(Dollars and shares in millions, except for per share data and as otherwise indicated)

Statement of Operations Data:							
Revenues:							
Premiums and other considerations	\$ 2,146.4	\$ 1,883.0	\$ 3,975.0	\$ 3,710.0	\$ 3,630.7	\$ 3,877.8	\$ 4,094.5
Fees and other revenues	900.1	822.5	1,683.2	1,472.0	1,185.8	950.4	868.2
Net investment income	1,763.8	1,629.9	3,360.7	3,224.0	3,229.4	3,173.1	3,327.6
Net realized/unrealized capital gains (losses)	29.8	8.7	(11.2)	(104.8)	(63.2)	(374.1)	(491.9)
Total revenues	\$ 4,840.1	\$ 4,344.1	\$ 9,007.7	\$ 8,301.2	\$ 7,982.7	\$ 7,627.2	\$ 7,798.4
Income from continuing operations, net of related income taxes (benefits)	\$ 512.7	\$ 428.5	\$ 891.9	\$ 700.9	\$ 644.7	\$ 446.4	\$ 249.8
Income (loss) from discontinued operations, net of related income		15.9	27.1	130.4	105.0	(23.2)	119.7

taxes(2)								
Income before cumulative effect of accounting changes	512.7	444.4	919.0	831.3	749.7	423.2	369.5	
Cumulative effect of accounting changes, net of related income taxes(3)				(5.7)	(3.4)	(280.9)	(10.7)	
Net income	\$ 512.7	\$ 444.4	\$ 919.0	\$ 825.6	\$ 746.3	\$ 142.3	\$ 358.8	
Preferred stock dividends(4)	16.5		17.7					
Net income available to common stockholders	\$ 496.2	\$ 444.4	\$ 901.3	\$ 825.6	\$ 746.3	\$ 142.3	\$ 358.8	
Earnings per Common Share								
Data(5):								
Income from continuing operations, net of related income taxes:								
Basic	\$ 1.79	\$ 1.45	\$ 3.04	\$ 2.24	\$ 1.99	\$ 1.27	\$ 0.69	
Diluted	\$ 1.78	\$ 1.44	\$ 3.02	\$ 2.23	\$ 1.98	\$ 1.27	\$ 0.69	

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	As of or For the Six Months Ended		As of or For the Year Ended December 31,				
	June 30, 2006(1)	June 30, 2005(1)	2005(1)	2004(1)	2003(1)	2002(1)	2001(1)
(Dollars and shares in millions, except for per share data and as otherwise indicated)							
Net income:							
Basic	\$ 1.79	\$ 1.50	\$ 3.13	\$ 2.64	\$ 2.29	\$ 0.41	\$ 0.99
Diluted	\$ 1.78	\$ 1.49	\$ 3.11	\$ 2.62	\$ 2.28	\$ 0.41	\$ 0.99
Common shares outstanding at end of period (in millions)	269.1	279.4	280.6	300.6	320.7	334.4	360.1
Basic weighted-average common shares outstanding for the period (in millions)	276.5	295.8	287.9	313.3	326.0	350.2	362.4
Weighted-average common shares and potential common shares outstanding for the period for computation of diluted earnings per share (in millions)	279.0	298.2	289.9	314.7	326.8	350.7	362.4
Cash dividends per share	\$	\$	\$ 0.65	\$ 0.55	\$ 0.45	\$ 0.25	N/A
Statement of Financial Position Data:							
Total assets	\$ 131,429.4	\$ 117,192.6	\$ 127,035.4	\$ 113,798.1	\$ 107,754.4	\$ 89,870.6	\$ 88,350.5
Long-term debt	\$ 894.2	\$ 839.5	\$ 898.8	\$ 843.5	\$ 1,374.3	\$ 1,332.5	\$ 1,378.4
Series A preferred stock	\$	\$	\$	\$	\$	\$	\$

Series B preferred stock	0.1	0.1	0.1				
Common stock(6)	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Additional paid-in capital(7)	8,068.8	7,860.5	8,000.0	7,269.4	7,153.2	7,106.3	7,072.5
Retained earnings (deficit)(8)	2,504.8	1,733.9	2,008.6	1,289.5	630.4	29.4	(29.1)
Accumulated other comprehensive income	218.5	1,453.9	994.8	1,313.3	1,171.3	635.8	147.5
Treasury stock, at cost	(3,951.3)	(3,200.1)	(3,200.1)	(2,331.7)	(1,559.1)	(1,118.1)	(374.4)
Total stockholders equity	\$ 6,844.7	\$ 7,852.1	\$ 7,807.2	\$ 7,544.3	\$ 7,399.6	\$ 6,657.2	\$ 6,820.3
Other Supplemental Data:							
Assets under management (\$ in billions)	\$ 206.0	\$ 181.3	\$ 195.2	\$ 167.0	\$ 144.3	\$ 110.5	\$ 120.2
Number of employees (actual)	15,105	14,549	14,507	13,976	14,976	15,038	17,138

(1) Our consolidated financial information for 2001 was affected by the following transactions that affect year-to-year comparability:

On February 1, 2002, we sold our remaining stake of 15.1 million shares of Coventry Health Care. We accounted for our investment in Coventry using the equity method prior to its sale. Our share of Coventry's net income was \$20.2 million for the year ended December 31, 2001.

On October 1, 2001, Spectrum Asset Management (Spectrum) became an affiliate of Principal Global Investors. The acquisition was accounted for using the purchase method and the results of operations of the acquired business have been included in our financial statements from the date of acquisition. In October 2002, we purchased the remaining 20% of Spectrum. We included revenues of \$11.0 million, \$5.9 million and \$0.8 million for the years ended December 31, 2003, 2002 and 2001, respectively, in our consolidated results of operations.

On September 25, 2001, we disposed of all the stock of PT Asuransi Jiwa Principal Indonesia, our subsidiary in Indonesia. We received nominal proceeds, which resulted in a realized capital loss of \$6.7 million in 2001. We included nominal revenues and net loss from our operations in Indonesia in our consolidated results of operations for the year ended December 31, 2001. We received an additional \$1.4 million in 2003 pursuant to the 2001 sale agreement, resulting in a \$0.9 million after-tax realized capital gain.

On February 15, 2001, we disposed of all of the stock of Principal International España, S.A. de Seguros de Vida, our subsidiary in Spain, for nominal proceeds, resulting in a realized capital loss of \$38.4 million, or \$21.0 million

net of

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income tax, ceasing our business operations in Spain. We did not include revenues or net income from our operations in Spain in our consolidated results of operations for the year ended December 31, 2001.

- (2) For disposals accounted for as discontinued operations, the results of operations (excluding corporate overhead) have been removed from our results of continuing operations for all periods presented. Corporate overhead allocated to those entities does not qualify for discontinued operations treatment under Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment of Disposal of Long-Lived Assets, and therefore is included in our results of continuing operations for periods prior to disposal.

Principal International Argentina S.A. On July 2, 2004, we closed the sale of Principal International Argentina S.A, our subsidiary in Argentina, and its wholly owned subsidiaries, Principal Life Compañía de Seguros, S.A. and Principal Retiro Compañía de Seguros de Retiro, S.A. Our total after-tax proceeds from the sale were approximately U.S.\$29.2 million.

Principal Residential Mortgage, Inc. On July 1, 2004, we closed the sale of Principal Residential Mortgage, Inc. to CitiMortgage, Inc. Our total after-tax proceeds from the sale were approximately U.S.\$620.0 million.

BT Financial Group. On October 31, 2002, we sold substantially all of BT Financial Group to Westpac Banking Corporation (Westpac). As of December 31, 2004, we have received proceeds of A\$958.9 million Australian dollars (A\$) (U.S.\$537.4 million) from Westpac. Our total after-tax proceeds from the sale were approximately U.S.\$890.0 million. This amount includes cash proceeds from Westpac, expected tax benefits, and a gain from unwinding the hedged asset associated with our investment in BT Financial Group.

- (3) The following accounting changes resulted in cumulative effects of accounting changes being recorded: For the year ended December 31, 2004, the cumulative effect of accounting change was related to our implementation of Statement of Position 03-1, Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts.

For the year ended December 31, 2003, the cumulative effect of accounting change was related to our implementation of Interpretation No. 46, Consolidation of Variable Interest Entities, in January 2003.

For the year ended December 31, 2002, the cumulative effect of accounting change was related to our implementation of SFAS No. 142, Goodwill and Other Intangible Assets.

For the year ended December 31, 2001, the cumulative effect of accounting change was related to our implementation of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities.

- (4) On June 16, 2005, we issued 13.0 million shares of non-cumulative perpetual preferred stock. We paid preferred stock dividends of \$9.4 million and \$8.3 million on September 30, 2005, and December 31, 2005, respectively.
- (5) Earnings per share information for 2001 represents unaudited pro forma earnings per common share for the year ended December 31, 2001. For purposes of calculating pro forma per diluted share information, weighted-average shares outstanding were used. For the period January 1, 2001 through October 25, 2001, we estimated 360.8 million common shares were outstanding. This consists of 260.8 million shares issued to eligible policyholders in our demutualization and the 100.0 million shares issued in our initial public offering (IPO) which closed on October 26, 2001. For the period October 26, 2001 through December 31, 2001, actual shares outstanding were used in the weighted-average share calculation.
- (6) During 2001, we issued 260.8 million shares of common stock as compensation in the demutualization, 100.0 million shares of common stock in our IPO and 15.0 million shares of common stock as a result of the exercise of over-allotment options granted to underwriters in the IPO. All shares issued have a \$0.01 per share par value.

(7) As of December 31, 2001, represents: a) additional paid-in capital from the demutualization resulting from the reclassification of residual retained earnings of Principal Mutual Holding Company, net of common stock issued (\$5,047.7 million); b) net proceeds, net of common stock issued, from the sale of 100.0 million shares of common stock in our IPO (\$1,752.9 million); c) net proceeds, net of common stock issued, from the exercise of over-allotment options granted to underwriters in the IPO (\$265.2 million); and d) common stock issued and held in a rabbi trust (\$6.7 million).

(8) As of December 31, 2001, represents a \$29.1 million net loss for the period October 26, 2001 through December 31, 2001. Retained earnings as of October 26, 2001 were reclassified to additional paid-in capital as a result of our demutualization.

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DESCRIPTION OF THE NOTES

The series of Notes offered by this prospectus supplement is a series of senior debt securities as described in the accompanying prospectus. This description supplements the description of the general terms and provisions of the debt securities found in the accompanying prospectus under Description of the Debt Securities .

Capitalized terms used and not otherwise defined below or elsewhere in this prospectus supplement or the accompanying prospectus are used with the respective meanings given thereto in the Senior Indenture, dated as of October , 2006, between Principal Financial Group, Inc. and The Bank of New York, as trustee, as will be supplemented by a supplemental indenture with respect to this offering (as supplemented, the Senior Indenture). Any reference to the Notes contained in this prospectus supplement refers to the % Senior Notes due , unless the context indicates otherwise. In this Description of the Notes , references to Principal , we , us and our or similar terms only are to Principal Financial Group, Inc.

The Senior Indenture contains negative covenants that apply to us; however, the limitation on liens and the limitation on consolidation, merger and sale of assets contain important exceptions. See Description of the Debt Securities Limitations upon Liens and Consolidation, Merger and Sale of Assets in the accompanying prospectus.

General

The Notes initially will be limited to \$ aggregate principal amount. We may, without the consent of the holders of the Notes, increase the principal amount of the Notes in the future, on the same terms and conditions (except that the issue price, the first interest payment date and the issue date may vary) and with the same CUSIP number as the Notes being offered by this prospectus supplement. The Notes will be our senior unsecured and unsubordinated obligations and will rank equally in right of payment with all of our existing and future senior indebtedness and senior to all of our existing and future subordinated indebtedness.

Principal of, and premium, if any, and interest on the Notes will be payable, and transfers of the Notes will be registrable, at our office or agency in the Borough of Manhattan, The City of New York. Transfers of the Notes will also be registrable at any of our other offices or agencies that we may maintain for that purpose. The Notes are to be in denominations of \$2,000 or any multiple of \$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, except for any tax or other governmental charge that may be imposed in connection therewith.

Subsidiary Guarantee

General

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

Ranking

The Subsidiary Guarantee will be a senior unsecured and unsubordinated obligation of the Subsidiary Guarantor and will rank equally in right of payment with all of its existing and future senior indebtedness and senior to all of its existing and future subordinated indebtedness.

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Modification of the Subsidiary Guarantee

The Subsidiary Guarantee may be modified or amended on the same terms as the Senior Indenture may be modified or amended as described under Description of the Debt Securities Modification and Waiver in the accompanying prospectus.

Merger or Consolidation of the Subsidiary Guarantor

The Subsidiary Guarantor may merge or consolidate with or into any other person or sell, convey, transfer or otherwise dispose of all or substantially all of its assets to any person, if (a) (i) in the case of a merger or consolidation, the Subsidiary Guarantor or Principal Financial Group, Inc. is the surviving person or (ii) in the case of a merger or consolidation where the Subsidiary Guarantor or Principal Financial Group, Inc. is not the surviving person and in the case of any sale, conveyance, transfer or other disposition, the resulting, surviving or transferee person is organized and existing under the laws of the United States or a State thereof or the District of Columbia and such person expressly assumes by supplemental agreement all the obligations of the Subsidiary Guarantor under the Subsidiary Guarantee, (b) immediately after giving effect to the merger, consolidation, conveyance or transfer, there exists no event of default under the Senior Indenture, and no event which, after notice or lapse of time or both, would become such an event of default and (c) the Subsidiary Guarantor shall have delivered to the Trustee an officers certificate and an opinion of counsel each stating that such merger, consolidation, sale, conveyance, transfer or other disposition complies with the Subsidiary Guarantee and that all conditions precedent therein provided for relating to such transaction have been complied with. In the event of the assumption by a successor person of the obligations of the Subsidiary Guarantor as provided in clause (a)(ii) of the immediately preceding sentence, such successor person shall succeed to and be substituted for the Subsidiary Guarantor thereunder and all such obligations of the Subsidiary Guarantor shall terminate.

Interest; Maturity; No Sinking Fund

Each Note will bear interest from October , 2006, payable semiannually on April 15 and October 15 of each year, commencing April 15, 2007, to the person in whose name the Note is registered, subject to certain exceptions as provided in the Senior Indenture, at the close of business on the April 1 or October 1, as the case may be, immediately preceding such April 15 or October 15. The Notes will bear interest at a rate of % per year. The Notes will mature on , . Interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months. The Notes are not subject to any sinking fund provision.

Optional Redemption

We may redeem the Notes, at our option, at any time (the Redemption Date) in whole or from time to time in part at a redemption price equal to the greater of:

(a) 100% of the principal amount of the Notes being redeemed, or

(b) the sum of the present values of the remaining scheduled payments for principal and interest on the Notes to be redeemed (not including any portion of such payments of interest accrued as of the Redemption Date) discounted to the Redemption Date on a semiannual basis (assuming a 360 day year consisting of twelve 30-day months) at the Treasury Rate, plus basis points, as calculated by an Independent Investment Banker; plus, in either of the above cases, accrued and unpaid interest on the Notes to be redeemed to, but not including, the Redemption Date.

If we have given notice as provided in the Senior Indenture and made funds available for the redemption of any Notes called for redemption on the Redemption Date referred to in that notice, those Notes will cease to bear interest on that Redemption Date. Any interest accrued to the date

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fixed for redemption will be paid as specified in such notice. We will give written notice of any redemption of any Notes to holders of the Notes to be redeemed at their addresses, as shown in the security register for the Notes, at least 30 days and not more than 60 days prior to the date fixed for redemption. The notice of redemption will specify, among other items, the date fixed for redemption, the redemption price and the aggregate principal amount of the Notes to be redeemed.

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

As used in this prospectus supplement:

Comparable Treasury Issue means the United States Treasury security selected by the Independent Investment Banker as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

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

Independent Investment Banker means an independent investment banking institution of national standing appointed by us that is acceptable to the trustee.

Reference Treasury Dealer means each of Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and two other primary U.S government securities dealers (each, a **Primary Treasury Dealer**), as specified by us; provided that if any of Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated or any Primary Treasury Dealer as specified by us shall cease to be a Primary Treasury Dealer, we will substitute therefor another Primary Treasury Dealer and if we fail to select a substitute within a reasonable period of time, then the substitute will be a Primary Treasury Dealer selected by the trustee after consultation with us.

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

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

Events of Default

In addition to the events of default set forth under **Description of the Debt Securities** **Events of Default** in the accompanying prospectus, each of the following will also constitute an event of default for the Notes:

default for 30 days in the payment of any interest on the Notes under the Subsidiary Guarantee by the Subsidiary Guarantor;

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default in the payment of principal of the Notes, or premium, if any, when due under the Subsidiary Guarantee by the Subsidiary Guarantor;

default (other than those relating to payment) in the performance, or breach, of any covenant or warranty in the Subsidiary Guarantee for 90 days after written notice;

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

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

Global Securities

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

Same-Day Settlement and Payment

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

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

Book-Entry System

DTC

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

The depository has advised us and the underwriters as follows: the depository is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the United States Securities Exchange Act of 1934, as amended. The depository holds securities that its participants (Direct Participants) deposit with the depository. The depository also eliminates the need for physical movement of securities certificates by facilitating the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in the Direct Participants accounts. Direct Participants include securities brokers and dealers, including the underwriters, banks, trust companies, clearing corporations, and certain other organizations. The depository is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the depository s book-entry system is also available to others such as securities brokers and dealers, banks and trust companies that clear

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through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants). The rules applicable to the depository and its Direct and Indirect Participants are on file with the SEC.

The depository advises that its established procedures provide that:

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

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

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

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

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

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

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

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

Clearstream and Euroclear have provided us with the following information and neither we nor the underwriters take any responsibility for its accuracy:

Clearstream

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

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

Euroclear

Euroclear was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear performs various other services, including securities lending and borrowing and interacts with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A/ N.V. under contract with Euroclear plc, a U.K. corporation. All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator, not Euroclear plc. Euroclear plc establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks, including central banks, securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

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

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

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behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

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

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

Global Clearance and Settlement Procedures

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

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

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

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

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CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain material United States federal income tax consequences of the acquisition, ownership, and disposition of Notes to holders who purchase Notes at their original offering price and hold the Notes as capital assets. This summary is based upon the Internal Revenue Code of 1986, as amended (the Code), the regulations promulgated by the U.S. Treasury department, rulings and other administrative pronouncements issued by the Internal Revenue Service (the IRS), and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. This summary is for general information only, and does not purport to discuss all aspects of United States federal income taxation that may be important to a holder in light of its particular circumstances, or to holders subject to special tax rules such as:

financial institutions (including banks);

insurance companies;

broker-dealers;

regulated investment companies;

persons holding Notes as part of a straddle, hedge, conversion or other integrated transaction;

non-U.S. holders who are engaged in a trade or business in the United States;

U.S. persons whose functional currency for United States federal income tax purposes is not the U.S. dollar;

persons who mark their securities to market for United States federal income tax purposes;

United States expatriates; and

persons liable for the alternative minimum tax.

As used herein, the term U.S. holder means a beneficial owner of Notes that for United States federal income tax purposes is:

an individual citizen or resident of the United States;

a corporation (including an entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or of its political subdivisions (including the District of Columbia);

an estate whose income is subject to United States federal income taxation regardless of its source; or

any trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons (as defined in the Code) have the authority to control all substantial decisions of the trust or (2) it has a valid election in place to be treated as a U.S. person.

If an entity or arrangement treated as a partnership for United States federal income tax purposes holds a Note, the United States federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding Notes should consult its tax advisor regarding the United States federal income tax consequences to the partner of the acquisition, ownership and disposition of Notes by the partnership.

THIS SUMMARY IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR PERSON. YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND

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OTHER TAX CONSEQUENCES TO YOU, IN LIGHT OF YOUR PARTICULAR CIRCUMSTANCES, OF ACQUIRING, OWNING, OR DISPOSING OF NOTES.

Interest Income and Original Issue Discount

The Notes will not be issued with an issue price that is less than their stated redemption price at maturity by more than the statutory de minimis amount. As a result, the Notes will not be subject to the original issue discount (OID) rules, so that U.S. holders will generally be taxed on the stated interest on the Notes as ordinary income at the time it is paid or accrued in accordance with the U.S. holder's regular method of accounting for United States federal income tax purposes.

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

Upon the sale, exchange, retirement or other disposition of a Note, a U.S. holder will generally recognize taxable gain or loss in an amount equal to the difference between the amount realized by such U.S. holder and such U.S. holder's adjusted tax basis in the Notes. Any gain or loss so recognized will generally be capital gain or loss and be long-term capital gain or loss if the U.S. holder has held the Notes for more than one year at the time of disposition. A reduced tax rate on long-term capital gain may apply to individual holders. The deductibility of capital losses is subject to limitations.

Non-U.S. Holders

As used herein, a non-U.S. Holder is a beneficial owner of a Note that is, for United States federal income tax purposes, (i) an individual who is classified as a nonresident for United States federal income tax purposes, (ii) a foreign corporation or (iii) a foreign estate or trust.

Payments received by a non-U.S. holder with respect to the Notes will not be subject to United States withholding tax, provided that such non-U.S. holder (1) does not actually or constructively hold 10% or more of the combined voting power of all classes of our stock that are entitled to vote within the meaning of section 871(h)(3) of the Code, (2) is not a controlled foreign corporation for United States federal income tax purposes that is related to us through stock ownership and (3) complies with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN or other applicable Form W-8).

In general, United States federal withholding tax will not apply to any gain or income realized by a non-U.S. holder on the sale, exchange or other disposition of the Notes.

Backup Withholding and Information Reporting

Unless a U.S. holder is an exempt recipient, such as a corporation, payments under the Notes and the proceeds received from the sale or other disposition of Notes may be subject to information reporting and may also be subject to United States federal backup withholding tax at the applicable rate if such U.S. holder fails to supply an accurate taxpayer identification number or otherwise fails to comply with applicable United States information reporting or certification requirements. Any amounts so withheld may be allowed as a credit against the holder's United States federal income tax liability, provided that the required information is furnished to the IRS.

Information returns will be filed with the IRS in connection with payments on the Notes to non-U.S. holders. A non-U.S. holder may have to comply with certification procedures to establish that such holder is not a U.S. holder in order to avoid information reporting and backup withholding tax.

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The Company, the Subsidiary Guarantor and the underwriters for the offering named below have entered into an underwriting agreement with respect to the Notes. Subject to certain conditions, each underwriter has severally agreed to purchase the principal amount of Notes indicated in the following table.

Underwriter	Principal Amount of Notes
Goldman, Sachs & Co.	\$
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Morgan Stanley & Co. Incorporated	
Citigroup Global Markets Inc.	
Credit Suisse Securities (USA) LLC	
UBS Securities LLC	
A.G. Edwards & Sons, Inc.	
Banc of America Securities LLC	
Lehman Brothers Inc.	
Wachovia Capital Markets, LLC	
Total	\$

The underwriters are committed to take and pay for all of the Notes being offered, if any are taken.

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

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

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

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

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

effected in the over-the-counter market or otherwise.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and

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agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Notes to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/ EC and includes any relevant implementing measure in each Relevant Member State.

The Notes are not being offered to the public in Switzerland. This document is being communicated in Switzerland to a limited circle of selected investors only. Each copy of this document is addressed to a specifically named recipient and shall not be passed on to a third party.

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 (FSMA) does not apply to us; and