

February 4, 2002

To the Honorable Common Council  
of the City of Milwaukee  
City Hall, Room 205

Re: Demutualization of Principal Financial Group

Dear Members:

Common Council File No. 891524, authorized the proper City officers, with the concurrence of the Retirement Board of the Firemen's Annuity and Benefit Fund, to enter into an annuity contract with The Principal Mutual Life Insurance Company pursuant s. 34-06 of the Milwaukee City Charter guaranteeing payment of annuities and other benefits authorized by the Retirement Board and set forth in the law. As part of this undertaking, the resolution authorized and directed The Principal Mutual Life Insurance Company to apply assets of the fund in the amount of \$15,774,408.51 to the premium on the group annuity policy.

Common Council File No. 891524 also authorized the proper City officers to do all things necessary for the implementation of the group annuity policy. Common Council File No. 891539, a companion file, authorized the City to sell promissory notes in the amount of \$4,500,000 in order to implement the City's obligations under the Common Council File No. 891524. After certain adjustments, which did not require a change in the resolution, the City wire-transferred \$4,644,798.54 to The Principal Mutual Life Insurance Company, consisting of \$3,959,985.54, the amount due from the City of Milwaukee and \$684,813, the 1989 tax levy, and concluded the contract.

On January 25, 1990, under the terms of the contract, all of the annuities of the Firemen's Annuity and Benefit Fund, excluding duty disability obligations, were transferred to and guaranteed by The Principal Mutual Life Insurance Company. On February 1, 1990 the Retirement Board and the Firemen's Annuity and Benefit Fund ceased to exist.

In 2001, The Principal Mutual Life Insurance Company changed its status from a mutual insurance company to a stock insurance company. As part of the demutualization process, Mellon Investor Services, the stock transfer agent for The Principal Mutual Life Insurance Company has advised this office that there has been deposited to the account of the City with Mellon Investor Services a book balance of 79,281 shares of the stock of Principal Financial Group Inc. We have been advised that the City may sell any and all book entry shares that are maintained in the account at the market price. Mellon will deliver the proceeds by check to our address of record within 5 days after settlement of the transaction. The sale is subject to a transaction fee not to exceed \$15 plus 12 cents per share. The transaction fee will be deducted from the proceeds of the sale. At the time of this writing, Principal Financial Group shares were trading at a price of approximately \$25 per share.

Mellon Investor Services has forwarded to this office a Deposit and Sales Authorization Form. Mellon will require a certified copy of the resolution of the Common Council authorizing the City Comptroller's signature on the form. The enclosed resolution authorizes the Comptroller to execute the Deposit and Sales Authorization Form and directs that the proceeds be deposited to the City's account in the Employer's Reserve Fund established under s. 36-08-8 of the Milwaukee City Charter.

Very truly yours,

GRANT F. LANGLEY  
City Attorney

THOMAS E. HAYES  
Special Deputy City Attorney

Enclosure

c: Mr. W. Martin Morics

Ms. Laura Engan

1054-2001-3777

49867 TEH:kef