



**Part II** Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ The non-taxable acquisition was determined in accordance with Sections 354, 357, 358, 361, 362, 368, 381, 851-855, 1032 and 1223 of the Internal Revenue Code.

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18 Can any resulting loss be recognized? ▶ See Attachment

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19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See Attachment

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Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here** Signature ▶ Signed copy maintained in taxpayer's records Date ▶ May 24, 2019

<b>Paid Preparer Use Only</b>	Print your name ▶ <u>Sara Reece</u>	Preparer's signature	Title ▶ <u>Vice President &amp; Controller</u>	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶			Firm's EIN ▶		
	Firm's address ▶			Phone no.		



**Principal Funds, Inc. – MidCap Value Fund III (EIN: XX-XXX9824)**  
**Attachment to Form 8937, Report of Organizational Action Affecting Cost Basis**  
**May 24, 2019**

This notice is provided to inform shareholders of Principal Funds, Inc. – MidCap Value Fund III of an action that affects your cost basis (per share) of shares owned on April 12, 2019.

Effective April 12, 2019, Principal Funds, Inc. – MidCap Value Fund I acquired all of the assets and assumed all of the liabilities of Principal Funds, Inc. – MidCap Value Fund III. Each shareholder of Principal Funds, Inc. – MidCap Value Fund III will, as a result of the acquisition, own shares of Principal Funds, Inc. – MidCap Value Fund I of equal value and will recognize no gain or loss from the exchange of shares. The acquisition was accomplished by a tax-free exchange of each respective class of shares at an exchange rate shown in the table below.

**Principal Funds, Inc. – MidCap Value Fund III Acquisition Tax-Free Exchange Rate**

Class of Common Shares (Form 8937, Box 9)	CUSIP (Form 8937, Box 10)	Ticker Symbol (Form 8937, Box 12)	MidCap Value Fund III 04/12/19 NAV Per Share	MidCap Value Fund I 04/12/19 NAV Per Share	Tax-Free Exchange Rate
Class A	742537301	PVCAX	17.6139	13.8629	1.2706
Class J	74253Q689	PM CJX	16.5184	13.6974	1.2060
Institutional	74253Q671	PVUIX	17.7692	13.8404	1.2839
R-1	74254R322	PMSVX	16.7934	13.2476	1.2677
R-2	74253J305	PKPPX	16.8787	13.3961	1.2600
R-3	74253J404	PJPPX	16.6719	13.6633	1.2202
R-4	74253J107	PMPPX	16.4939	13.6919	1.2046
R-5	74253J206	PLPPX	16.6596	13.7611	1.2106
R-6	742537582	PCMIX	17.8585	13.8634	1.2882

NAV = net asset value

The acquisition did not impact your overall cost basis but does change your cost basis per share. To compute your shares owned of Principal Funds, Inc. – MidCap Value Fund I after the acquisition, multiply shares owned of Principal Funds, Inc. – MidCap Value Fund III on April 12, 2019 times the tax-free exchange rate. To compute your new cost basis per share, divide your cost basis by the tax-free exchange rate.

**Example for Shareholder XYZ**

MidCap Value Fund III – Class A Shares Owned by Shareholder XYZ Immediately Prior to Acquisition	Shareholder XYZ’s Cost Basis Per Share of MidCap Value Fund III – Class A Shares Owned	Shareholder XYZ’s Total Cost Basis of MidCap Value Fund III – Class A Shares Owned	MidCap Value Fund I – Class A Shares Owned by Shareholder XYZ Immediately After the Acquisition	Shareholder XYZ’s Cost Basis Per Share of MidCap Value Fund I – Class A Shares Owned	Shareholder XYZ’s Total Cost Basis of MidCap Value Fund I – Class A Shares Owned
10 shares	\$8	\$80 (10* \$8)	12.706 shares (10*1.2706)	\$6.2962 (\$8/1.2706)	\$80 (12.706 * \$6.2962)

**This information is being provided pursuant to Internal Revenue Code Section 6045B(e), as amended. The information in this notice is also reported to the IRS.**

**Direct questions regarding this notice to:**

**Principal Funds  
P.O. Box 219971  
Kansas City, MO 64121-9971  
Phone: 1.800.222.5852  
Email: [investorcontact@principalfunds.com](mailto:investorcontact@principalfunds.com)  
Website: <https://www.principalfunds.com/customer-support/contact-us>**

**The tax information contained herein is provided for informational purposes only and should not be construed as legal or tax advice.**