

Principal Variable Contracts Funds, Inc.
LargeCap Blend Account II, SmallCap Growth Account II, SmallCap Value Account I
Federal Income Tax Information
April 17, 2015

The following information is being provided to you, prompted by the acquisitions of the following Accounts effective April 17, 2015:

<u>Acquired Fund</u>	<u>Acquiring Fund</u>
LargeCap Blend Account II	Principal Capital Appreciation Account
SmallCap Growth Account II	SmallCap Blend Account
SmallCap Value Account I	SmallCap Blend Account

Long-Term Capital Gain Dividends. Certain Accounts distributed long-term capital gain dividends during the tax year ended April 17, 2015. The Accounts designate these distributions as long-term capital gain dividends per IRC Sec. 852(b)(3)(C) in the 20-percent group (which may be taxed at a 20-percent rate, a 15-percent rate or a 0-percent rate, depending on the shareholder's taxable income).

	<u>Long-Term Capital Gain</u>
LargeCap Blend Account II	\$ 32,069,632
SmallCap Growth Account II	\$ 13,693,744
SmallCap Value Account I	\$ 29,141,380

Dividends Received Deduction. For corporate shareholders, the percentages of ordinary income distributions (dividend income and short-term gains, if any) for the tax year ended April 17, 2015, that qualify for the Dividends Received Deduction are as follows:

	<u>Deductible Percentage</u>
LargeCap Blend Account II	58.30%
SmallCap Growth Account II	13.77%
SmallCap Value Account I	39.33%

Reallocation of Capital Redesignation. A portion of the ordinary income and/or long-term capital gains dividends paid by certain Accounts have been redesignated as non-taxable return of capital (ROC). The non-taxable return of capital for each class listed in the table below reduces your cost basis. The adjustment to your cost basis will impact your gain or loss calculation when you sell your shares of the Accounts below.

<u>Class of Common Shares</u>	<u>CUSIP</u>	<u>Ordinary Income Per Share ROC Basis Adjustments</u>	<u>Long-Term Capital Gain Per Share ROC Basis Adjustments</u>
LargeCap Blend Account II, Class 1	742969686	\$ 0.0035	\$ 0.0258
LargeCap Blend Account II, Class 2	742969546	\$ 0.0031	\$ 0.0258
SmallCap Value Account I, Class 1	742969785	\$ 0.0106	\$ 0.0538
SmallCap Value Account I, Class 2	742969488	\$ 0.0105	\$ 0.0538

Please consult your tax advisor if you have any questions.