



**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 return of capital was determined in accordance with Sections 301, 312, 316 and 851-855 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 ▶ December 12, 2016

Print your name ▶ Layne Rasmussen Title ▶ Vice President & Controller

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶			Firm's EIN ▶	
	Firm's address ▶			Phone no.	



**Principal Funds, Inc. – Credit Opportunities Explorer Fund (EIN: XX-XXX8392)**

Attachment to Form 8937, Report of Organizational Action Affecting Cost Basis  
December 12, 2016

This notice is provided to inform shareholders of Principal Funds, Inc. – Credit Opportunities Explorer Fund of an action that affects your cost basis of shares owned during the period of September 1, 2016 through October 28, 2016. A portion of the dividends paid by Principal Funds, Inc. – Credit Opportunities Explorer Fund for its taxable year ended October 28, 2016 is in excess of its earnings and profits and is designated as a non-taxable return of capital.

The non-taxable return of capital reduces your cost basis (see details for each class of shares in the table below). If you receive a 2016 Form 1099-DIV, the non-taxable return of capital amount will be shown in Box 3, Non-dividend distributions. The adjustment to your cost basis will impact your gain or loss calculation when your shares of Principal Funds, Inc. – Credit Opportunities Explorer Fund are sold or liquidated. For further information, please see Publication 550, Investment Income and Expenses and/or consult your tax advisor.

**Principal Funds, Inc. – Credit Opportunities Explorer Fund**

Class of Common Shares (Form 8937, Box 9)	CUSIP (Form 8937, Box 10)	Ticker Symbol (Form 8937, Box 12)	Per Share Return of Capital Basis Adjustment *
Class A	742537830	PCEAX	\$0.003212845
Institutional	742537822	PCOIX	\$0.003439102

\*11.3128% of dividends paid during the period 9/1/2016 – 10/28/2016.

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 8024  
Boston, MA 02266-8024  
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.