



**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 ▶ November 9, 2017

Print your name ▶ Sara Reece Title ▶ Vice President & Controller

**Paid Preparer Use Only**

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. – LargeCap Growth Fund II (EIN: XX-XXX9835)**  
**Attachment to Form 8937, Report of Organizational Action Affecting Cost Basis**  
**November 9, 2017**

This notice is provided to inform shareholders of Principal Funds, Inc. – LargeCap Growth Fund II of an action that affects your cost basis (per share) of shares owned on September 29, 2017.

Effective September 29, 2017, Principal Funds, Inc. – Blue Chip Fund acquired all of the assets and assumed all of the liabilities of Principal Funds, Inc. – LargeCap Growth Fund II. Each shareholder of Principal Funds, Inc. – LargeCap Growth Fund II will, as a result of the acquisition, own shares of Principal Funds, Inc. – Blue Chip Fund 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 class of shares at an exchange rate shown in the table below.

**Principal Funds, Inc. – LargeCap Growth Fund II Acquisition Tax-Free Exchange Rate**

Class of Common Shares (Form 8937, Box 9)	CUSIP (Form 8937, Box 10)	Ticker Symbol (Form 8937, Box 12)	LargeCap Growth Fund II 9/29/17 NAV Per Share	Blue Chip Fund 9/29/17 NAV Per Share	Tax-Free Exchange Rate
Class J	74253M753	PPLJX	\$5.6645	\$20.3518	0.2783
Institutional	74253J735	PPIIX	7.2853	20.3594	0.3578
R-1	74254R249	PDASX	6.4923	See Class R-3	0.3207*
R-2	74253J693	PPTNX	6.0617	See Class R-3	0.2994*
R-3	74253J685	PPTMX	6.4169	20.2450*	0.3170
R-4	74253J727	PPTSX	6.7927	20.2956	0.3347
R-5	74253J719	PPTPX	6.9156	20.3223	0.3403

NAV = net asset value

\*Principal Funds, Inc. – Blue Chip Fund Class R-3 acquired Principal Funds, Inc. – LargeCap Growth Fund II Classes R-1, R-2 and R-3.

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. – Blue Chip Fund after the acquisition, multiply shares owned of Principal Funds, Inc. – LargeCap Growth Fund II on September 29, 2017 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**

LargeCap Growth Fund II – Class I Shares Owned Immediately Prior to Acquisition	Cost Basis Per Share of LargeCap Growth Fund II – Class I Shares Owned	Total Cost Basis of LargeCap Growth Fund II – Class I Shares Owned	Blue Chip Fund – Class I Shares Owned Immediately After the Acquisition	Cost Basis Per Share of Blue Chip Fund – Class I Shares Owned	Total Cost Basis of Blue Chip Fund - Class I Shares Owned
10 shares	\$8	\$80 (10* \$8)	3.578 shares (10*0.3578)	\$22.3589 (\$8/0.3578)	\$80 (3.578 * \$22.3589)

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  
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Phone: 1.800.222.5852  
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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.