

Principal[®]

**Financial
Group**

**Principal Life
Insurance Company**

July 15, 2010

Douglas F. Gansler
Office of the Attorney General
200 St. Paul Place
Baltimore, MD 21202

Re: Printing Issue

Dear Attorney General Gansler:

I write to inform you of a recent printing incident identified by Principal Funds, Inc., which may have impacted transaction and address confirmation statements during the time period June 22, 2010 to July 7, 2010. Confirmation statements for Principal Funds account holders *may* have been mailed to another Principal Funds customer. A number of the customers may have received their correct statement but it cannot be determined with any certainty if they did or did not, therefore, notification is being provided to all potentially impacted customers. The information disclosed may have included name, account number, address and transaction information. None of the information disclosed included a Social Security Number, nor did it include a PIN number or password necessary to place transactions in the account. **The printing incident may have impacted 9 Maryland residents.**

After careful analysis of the problem, Principal Funds determined it was an isolated incident related to a recent programming change to the daily confirmation statement printing process.

Measures have been taken to mitigate this from happening in the future. Principal Funds is sending a letter to the residents offering to change the account number as an additional precaution. A copy of the letter is attached.

Please do not hesitate to contact me if you have questions.

Sincerely,



Rick Gubbels
Chief Privacy Officer
Principal Financial Group
Des Moines, Iowa 50392-2250
(515) 248-8638
FAX (866) 496-6527
gubbels.rick@principal.com

Enclosure



July 20, 2010

Re: Your Recent Confirmation Statement.

Dear Shareholder:

On behalf of Principal Funds, this letter is to inform you of a possible printing issue involving the enclosed account and to apologize for the inconvenience this incident may have caused you. We are notifying all potentially impacted customers although many of the confirmation statements were correct. We acknowledge our responsibility to protect your privacy and we take the confidentiality and security of our customer's information very seriously. We encourage you to review your confirmation statements when you receive them as they contain important information.

During the time period June 22, 2010 and July 2, 2010, your confirmation statement confirming recent activity in your Principal Funds account may have been mailed to another Principal Funds' customer. The information disclosed may have included your name, account number, address and transaction information. Importantly, none of the information disclosed included a social security number, nor did it include a PIN number or password necessary to place transactions in the account.

While Principal Funds has measures in place to help prevent this type of situation from happening, after careful analysis of the problem we determined it was an isolated issue related to a recent change to our daily confirmation statement printing process. Additional measures have been taken to prevent this type of incident from occurring in the future.

We do not believe that any person would be able to complete an unauthorized transaction in your account, either by web, phone or paper, with the information that was inadvertently disclosed. Upon your request, however, Principal Funds will assign a new number to your account. Please call us at the number below if you would like to change your account number.

Again, we sincerely apologize for our error. Your security and privacy are very important to us. If you have any questions, please contact our Call Center at 1-800-222-5852.

Sincerely,

A handwritten signature in black ink, appearing to read "C Fuchs".

Cary Fuchs
Senior Vice President
Principal Funds, Inc.

Maryland Residents:

To learn more about protecting yourself from identity theft and to report incidents of identity theft, please contact the following:

Federal Trade Commission
1-877-ID-THEFT (1-877-438-4338)
Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, DC 20580

www.consumer.gov/idtheft, or www.ftc.gov/credit

Attorney General of Maryland
1-888-743-0023 toll-free / TDD: 410-576-6372
Attn: Security Breach Notification
200 St. Paul Place
Baltimore, MD 21202
Idtheft@oag.state.md.us