

**FORM ADV****Uniform Application for Investment Adviser Registration****Part II - Page 1**

Name of Investment Adviser: <b>Principal Management Corporation</b>				
Address: (Number and Street) <b>680 8<sup>th</sup> Street</b>	(City) <b>Des Moines</b>	(State) <b>IA</b>	(Zip Code) <b>50392</b>	Area Code: Telephone Number: <b>( 515 ) 248-3842</b>

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.  
The information has not been approved or verified by any governmental authority.**

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

**Potential persons who are to respond to the collection of information contained in this form  
are not required to respond unless the form displays a currently valid OMB control number.**

**FORM ADV****Part II - Page 2**

Applicant:

**Principal Management Corporation**

SEC File Number:

**801-8144**

Date:

**03/24/2010****1. A. Advisory Services and Fees.** (check the applicable boxes)For each type of service provided, state the approximate % of total advisory billings from that service.  
(See instruction below.)**Applicant:**

- |                                     |     |   |               |
|-------------------------------------|-----|---|---------------|
| <input checked="" type="checkbox"/> | (1) | Provides investment supervisory services . . . . .  | <u>22.83%</u> |
| <input checked="" type="checkbox"/> | (2) | Manages investment advisory accounts not involving investment supervisory services . . . . .  | <u>77.17%</u> |
| <input type="checkbox"/>            | (3) | Furnishes investment advice through consultations not included in either service described above . . . . .  | <u>    %</u>  |
| <input type="checkbox"/>            | (4) | Issues periodicals about securities by subscription . . . . .   | <u>    %</u>  |
| <input type="checkbox"/>            | (5) | Issues special reports about securities not included in any service described above . . . . .   | <u>    %</u>  |
| <input type="checkbox"/>            | (6) | Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities . . . . . | <u>    %</u>  |
| <input type="checkbox"/>            | (7) | On more than an occasional basis, furnishes advice to clients on matters not involving securities . . . . .   | <u>    %</u>  |
| <input type="checkbox"/>            | (8) | Provides a timing service . . . . .   | <u>    %</u>  |
| <input type="checkbox"/>            | (9) | Furnishes advice about securities in any manner not described above . . . . .   | <u>    %</u>  |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

**B.** Does applicant call any of the services it checked above financial planning or some similar term? . . . . .Yes ☐ No ☒**C.** Applicant offers investment advisory services for: (check all that apply)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management | <input type="checkbox"/> (4) Subscription fees |
| <input type="checkbox"/> (2) Hourly charges                                     | <input type="checkbox"/> (5) Commissions       |
| <input type="checkbox"/> (3) Fixed fees (not including subscription fees)       | <input checked="" type="checkbox"/> (6) Other  |

**D.** For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

**2. Types of clients** - Applicant generally provides investment advice to: (check those that apply)

- |  |   |
|--|---|
| <input type="checkbox"/> A. Individuals                      | <input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations         |
| <input type="checkbox"/> B. Banks or thrift institutions     | <input type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input checked="" type="checkbox"/> C. Investment companies  | <input type="checkbox"/> G. Other (describe on Schedule F)                                  |
| <input type="checkbox"/> D. Pension and profit sharing plans |   |

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

**FORM ADV****Part II - Page 3**

Applicant:

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SEC File Number:

801- **8144**

Date:

**03/24/2010****3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- A. Equity securities  
(1) ☒ exchange-listed securities  
(2) ☒ securities traded over-the-counter  
(3) ☒ foreign issues
- B. ☒ Warrants
- C. ☐ Corporate debt securities (other than commercial paper)
- D. ☐ Commercial paper
- E. ☐ Certificates of deposit
- F. ☐ Municipal securities
- G. Investment company securities:  
(1) ☐ variable life insurance  
(2) ☐ variable annuities  
(3) ☒ mutual fund shares
- H. ☐ United States government securities
- I. Options contracts on:  
(1) ☐ securities  
(2) ☐ commodities
- J. Futures contracts on:  
(1) ☐ tangibles  
(2) ☒ intangibles
- K. Interests in partnerships investing in:  
(1) ☐ real estate  
(2) ☐ oil and gas interests  
(3) ☐ other (explain on Schedule F)
- L. ☒ Other (explain on Schedule F)

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

## A. Applicant's security analysis methods include: (check those that apply)

- (1) ☐ Charting  
(2) ☒ Fundamental  
(3) ☒ Technical  
(4) ☒ Cyclical  
(5) ☒ Other (explain on Schedule F)

## B. The main sources of information applicant uses include: (check those that apply)

- (1) ☒ Financial newspapers and magazines  
(2) ☒ Inspections of corporate activities  
(3) ☒ Research materials prepared by others  
(4) ☒ Corporate rating services  
(5) ☐ Timing services  
(6) ☒ Annual reports, prospectuses, filings with the Securities and Exchange Commission  
(7) ☒ Company press releases  
(8) ☒ Other (explain on Schedule F)

## C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- (1) ☒ Long term purchases  
(securities held at least a year)  
(2) ☒ Short term purchases  
(securities sold within a year)  
(3) ☒ Trading (securities sold within 30 days)  
(4) ☐ Short sales  
(5) ☐ Margin transactions  
(6) ☐ Option writing, including covered options,  
uncovered options or spreading strategies  
(7) ☒ Other (explain on Schedule F)

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

**FORM ADV****Part II - Page 4**

Applicant:

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Date:

**03/24/2010****5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? . . . . .

Yes No  
☒ ☐

(If yes, describe these standards on Schedule F.)

**6. Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- |                 |  |
|-----------------|--|
| • name          | • formal education after high school               |
| • year of birth | • business background for the preceding five years |

**7. Other Business Activities.** (check those that apply)

- ☐ A. Applicant is actively engaged in a business other than giving investment advice.
- ☒ B. Applicant sells products or services other than investment advice to clients.
- ☐ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- |  |  |
|--|--|
| <input checked="" type="checkbox"/> (1) broker-dealer  | <input type="checkbox"/> (7) accounting firm                                       |
| <input checked="" type="checkbox"/> (2) investment company   | <input type="checkbox"/> (8) law firm  |
| <input checked="" type="checkbox"/> (3) other investment adviser   | <input checked="" type="checkbox"/> (9) insurance company or agency                |
| <input type="checkbox"/> (4) financial planning firm   | <input type="checkbox"/> (10) pension consultant                                   |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer                         |
| <input type="checkbox"/> (6) banking or thrift institution   | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest?

Yes No  
☐ ☒

(If yes, describe on Schedule F the partnerships and what they invest in.)

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

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Principal Management Corporation

SEC File Number:

801- 8144

Date:

03/24/2010

**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☒ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☒ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? . . . . .

Yes

☐

No

☒

(If yes, describe on Schedule F.)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Principal's Chief Investment Officer oversees the management of all of the portfolios. The Chief Investment Officer also chairs the firm's Investment Oversight Committee ("IOC") which provides complex-wide oversight for the management of the portfolios in adherence to investment objectives, guidelines and strategies. The focus of the IOC is on people, process and investment performance. The IOC meets at least quarterly to review investment performance, style consistency, investment process, and adherence to investment guidelines. Significant events impacting investment markets may trigger more frequent or special reviews, depending on relevant circumstances. Membership of the IOC includes Principal's Chief Investment Officer, Chief Compliance Officer, Executive Vice President and other Principal staff, as well as the Funds' Chief Compliance Officer.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

Quarterly reports are made to each client's Board of Directors. These reports include performance data, portfolio strategy and holdings and comments on the economy and securities markets. Other special reports may be made if deemed appropriate by the Registrant.

**FORM ADV****Part II - Page 6**

Applicant:

**Principal Management Corporation**

SEC File Number:

**801-8144**

Date:

**03/24/2010****12. Investment or Brokerage Discretion.**

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

(1) Securities to be bought or sold? .....

Yes No

☒ ☐

(2) Amount of the securities to be bought or sold? .....

Yes No

☒ ☐

(3) Broker or dealer to be used? .....

Yes No

☒ ☐

(4) Commission rates paid? .....

Yes No

☒ ☐

B. Does applicant or a related person suggest brokers to clients? .....

Yes No

☒ ☐

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? .....

Yes No

☐ ☒

B. directly or indirectly compensates any person for client referrals? .....

Yes No

☐ ☒

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities; or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet? .....

Yes No

☐ ☒**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
<b>Principal Management Corporation</b>	<b>801- 8144</b>	<b>03/24/2010</b>

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Principal Management Corporation</b>	IRS Empl. Ident. No.: <b>42-0948302</b>
Item of Form (identify)	Answer
Form ADV Part II Item 1D	<p>The Registrant serves as a “manager of managers” on behalf of the mutual funds organized by Principal Life Insurance Company. The Registrant recommends the hiring and firing of sub-advisory firms, provides ongoing oversight of the sub-advisors’ investment advisory services provided to the funds, and provides ongoing compliance oversight of the firms in connection with the services provided to the funds.</p> <p>The registrant provides the following program, often referred to as the “core/satellite” arrangement, for some of its mutual fund clients:</p> <p style="padding-left: 40px;">The Registrant invests between 10% and 40% of the portfolio’s assets in common stocks in an attempt to match or exceed the performance of the portfolio’s benchmark index for performance. The Registrant provides these investment advisory services through a portfolio manager who functions as a co-employee under a standard employee sharing contract, with Principal Global Investors, LLC (“PGI”), an affiliate.</p> <p style="padding-left: 40px;">The portfolio’s benchmark index for performance is identified in the average annual total returns table in the prospectus. Principal’s strategy is an active quantitative approach to asset management which Principal refers to as “structured equity.” Principal’s strategy is an active quantitative approach to asset management which Principal refers to as “structured equity.” The strategy focuses on the avoidance or underweighting of companies most susceptible to underperformance. Principal’s structured equity strategy applies a risk-controlled investment process and targets 90% benchmark coverage in terms of benchmark weightings, not in terms of issues, included in the benchmark.</p> <p>The Registrant also provides investment advisory services to the LifeTime portfolios (which are Funds of Funds) of mutual funds organized by Principal Life Insurance Company. In this connection, the Registrant furnishes to the Board of Directors of each fund an investment policy statement consistent with each fund’s investment objectives and policies. The Registrant is authorized, within the approved investment program, to determine which mutual funds are to be bought or sold, and in what amounts. The Registrant has entered into a sub-advisory agreement with Principal Global Investors, an affiliated investment advisory firm, to provide asset allocation services to the LifeTime portfolios. Principal Global Investors determines the portion of each portfolio’s assets that should be allocated to various asset classes.</p> <p>The Registrant also manages a cash buffer account in connection with the advisory services it provides to some of its mutual fund clients. A cash buffer account has been established for each such fund with the funds’ custodian. As each cash buffer account increases or decreases due to the daily cash flows, the Registrant monitors and maintains account balances against pre-set target levels by transferring excess funds to the portfolio managers in a prescribed and orderly fashion and equitizing the remaining cash balance in futures contracts. The amount invested in futures is based on the cash balance in the accounts on the trade date of the investment. Cash held in the cash buffer accounts is not included in asset figures for purposes of determining sub-advisory fees payable.</p> <p>The Registrant also serves as the nondiscretionary investment advisor to Delaware Charter Guarantee &amp; Trust Company, conducting business as Principal Trust Company, as trustee for a collective investment trust called Principal Trust<sup>SM</sup> Target Date Collective</p>
Complete amended pages in full, circle amended items and file with execution page (page 1).	

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
<b>Principal Management Corporation</b>	<b>801- 8144</b>	<b>03/24/2010</b>

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1.	Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Principal Management Corporation</b>	IRS Empl. Ident. No.: <b>42-0948302</b>																																																																																																	
Item of Form (identify)	Answer																																																																																																		
Form ADV Part II Item 1D (continued)	<p>Investment Funds (CIT), a non-registered trust maintained exclusively for the "collective investment" and reinvestment of moneys contributed on behalf of eligible employees' pension, profit sharing and other employee benefit trusts that are exempt from taxation and is not available for investment by the general public. The CIT provides access to funds with underlying assets which consist of Principal Funds, Principal Life Separate Accounts, non-affiliated mutual funds, and non-affiliated collective investment trusts. The Registrant provides asset allocation and investment manager selection advice to the trustee of the CIT.</p> <p>For providing the investment advisory services and specified other services, the Registrant, under a Management Agreement, is entitled to receive fees computed and accrued daily and payable monthly at the following annual rates:</p> <p><b>Accounts of Principal Variable Contracts Funds, Inc.</b></p> <table border="0"> <tr> <td> <p><b>SCHEDULE 1 MANAGEMENT FEES</b> <b>LargeCap Growth Account I and Asset Allocation Account</b></p> <table border="0"> <tr> <td>Average Daily Net Assets of the Account</td><td>Fee as a Percentage of Average Daily Net Assets</td></tr> <tr> <td>First \$100 million.....</td><td>0.80%</td></tr> <tr> <td>Next \$100 million.....</td><td>0.75%</td></tr> <tr> <td>Next \$100 million.....</td><td>0.70%</td></tr> <tr> <td>Next \$100 million.....</td><td>0.65%</td></tr> <tr> <td>Over \$400 million.....</td><td>0.60%</td></tr> </table> <p><b>SCHEDULE 3 MANAGEMENT FEES</b> <b>MidCap Blend Account</b></p> <table border="0"> <tr> <td>Average Daily Net Assets of the Account</td><td>Fee as a Percentage of Average Daily Net Assets</td></tr> <tr> <td>First \$100 million.....</td><td>0.65%</td></tr> <tr> <td>Next \$100 million.....</td><td>0.60%</td></tr> <tr> <td>Next \$100 million.....</td><td>0.55%</td></tr> <tr> <td>Next \$100 million.....</td><td>0.50%</td></tr> <tr> <td>Over \$400 billion.....</td><td>0.45%</td></tr> </table> <p><b>SCHEDULE 5 MANAGEMENT FEES</b> <b>Bond and Mortgage Securities Account, Government &amp; 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Complete amended pages in full, circle amended items and file with execution page (page 1).



**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
<b>Principal Management Corporation</b>	<b>801- 8144</b>	<b>03/24/2010</b>

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1.	Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Principal Management Corporation</b>	IRS Empl. Ident. No.: <b>42-0948302</b>																																																																																																																
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Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
<b>Principal Management Corporation</b>	<b>801- 8144</b>	<b>03/24/2010</b>

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1.	Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Principal Management Corporation</b>	IRS Empl. Ident. No.: <b>42-0948302</b>
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Form ADV Part II Item 1D (continued)	<div> <p><b>SCHEDULE 21 MANAGEMENT FEES</b>  <b>Strategic Asset Management (SAM) Portfolio Accounts*</b>  Average Daily Net Fee as a Percentage of  <u>Assets of the Account</u> <u>Average Daily Net Assets</u>  First \$1 billion.....0.25%  Over \$1 billion.....0.20%    * Breakpoints based on aggregate SAM Portfolio net assets</p> <p><b>SCHEDULE 22 MANAGEMENT FEES</b>  <b>LargeCap Growth Account</b>  Average Daily Net Fee as a Percentage of  <u>Assets of the Account</u> <u>Average Daily Net Assets</u>  First \$500 million.....0.68%  Next \$500 million.....0.65%  Next \$1 billion.....0.62%  Next \$1 billion.....0.58%  Over \$3 billion.....0.55%</p> <p><b>SCHEDULE 23 MANAGEMENT FEES</b>  <b>Diversified Balanced Account and Diversified Growth Account</b>  Average Daily Net Fee as a Percentage of  <u>Assets of the Account</u> <u>Average Daily Net Assets</u>  All Net Assets.....0.05%</p> <p><b>Funds of Principal Fund, Inc.</b></p> <table> <thead> <tr> <th><u>Series</u></th><th><u>Management Fee as a Percentage Of Daily Average Net Assets</u></th></tr> </thead> <tbody> <tr><td>LargeCap S&amp;P 500 Index Fund</td><td>0.15%</td></tr> <tr><td>MidCap S&amp;P 400 Index Fund</td><td>0.15%</td></tr> <tr><td>SmallCap S&amp;P 600 Index Fund</td><td>0.15%</td></tr> <tr><td>Bond Market Index Fund</td><td>0.25%</td></tr> <tr><td>International Equity Index Fund</td><td>0.25%</td></tr> </tbody> </table>   <table> <thead> <tr> <th><u>Series</u></th><th><u>Management Fee as a Percentage Of Daily Average Net Assets</u></th></tr> </thead> <tbody> <tr><td>LifeTime 2010 Fund</td><td>0.03%</td></tr> <tr><td>LifeTime 2015 Fund</td><td>0.03%</td></tr> <tr><td>LifeTime 2020 Fund</td><td>0.03%</td></tr> <tr><td>LifeTime 2025 Fund</td><td>0.03%</td></tr> <tr><td>LifeTime 2030 Fund</td><td>0.03%</td></tr> <tr><td>LifeTime 2035 Fund</td><td>0.03%</td></tr> <tr><td>LifeTime 2040 Fund</td><td>0.03%</td></tr> <tr><td>LifeTime 2045 Fund</td><td>0.03%</td></tr> <tr><td>LifeTime 2050 Fund</td><td>0.03%</td></tr> <tr><td>LifeTime 2055 Fund</td><td>0.03%</td></tr> <tr><td>LifeTime Strategic Income Fund</td><td>0.03%</td></tr> </tbody> </table>   <table> <thead> <tr> <th><u>Series</u></th><th><u>Management Fee as a Percentage Of Daily Average Net Assets</u></th></tr> </thead> <tbody> <tr> <td>Disciplined LargeCap Blend Fund</td> <td> <table> <thead> <tr> <th><u>First \$500 million</u></th><th><u>Next \$500 million</u></th><th><u>Next \$500 million</u></th><th><u>Over \$1.5 billion</u></th></tr> </thead> <tbody> <tr><td>0.60%</td><td>0.58%</td><td>0.56%</td><td>0.55%</td></tr> </tbody> </table> </td></tr> <tr><td>Global Real Estate Securities Fund</td><td>0.90%</td><td>0.88%</td><td>0.86%</td><td>0.85%</td></tr> <tr><td>Government &amp; 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International Emerging Markets Fund	1.20%	1.18%	1.16%	1.15%																																																																																															
International Fund I	1.10%	1.08%	1.06%	1.05%																																																																																															
International Growth Fund	1.00%	0.98%	0.96%	0.95%																																																																																															
International Value Fund I	1.10%	1.08%	1.06%	1.05%																																																																																															
LargeCap Blend Fund I	0.45%	0.43%	0.41%	0.40%																																																																																															

Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
<b>Principal Management Corporation</b>	<b>801- 8144</b>	<b>03/24/2010</b>

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Principal Management Corporation</b>		IRS Empl. Ident. No.: <b>42-0948302</b>																																													
Item of Form (identify)	Answer																																														
Form ADV Part II Item 1D (continued)	LargeCap Blend Fund II	0.75%	0.73%	0.71%	0.70%																																										
	LargeCap Growth Fund I	0.75%	0.73%	0.71%	0.70%																																										
	LargeCap Growth Fund II	0.95%	0.93%	0.91%	0.90%																																										
	LargeCap Value Fund	0.45%	0.43%	0.41%	0.40%																																										
	LargeCap Value Fund I	0.80%	0.78%	0.76%	0.75%																																										
	MidCap Blend Fund	0.65%	0.63%	0.61%	0.60%																																										
	MidCap Growth Fund	0.65%	0.63%	0.61%	0.60%																																										
	MidCap Growth Fund III	1.00%	0.96%	0.94%	0.92%																																										
	MidCap Value Fund I	1.00%	0.98%	0.96%	0.95%																																										
	MidCap Value Fund III	0.65%	0.63%	0.61%	0.60%																																										
	SmallCap Growth Fund I	1.10%	1.08%	1.06%	1.05%																																										
	SmallCap Growth Fund II	1.00%	0.98%	0.96%	0.95%																																										
	SmallCap Value Fund I	1.00%	0.98%	0.96%	0.95%																																										
	SmallCap Value Fund II	1.00%	0.98%	0.96%	0.95%																																										
	Preferred Securities Fund	0.75%	0.73%	0.71%	0.70%																																										
	Real Estate Securities Fund	0.85%	0.83%	0.81%	0.80%																																										
	Short-Term Bond Fund	0.40%	0.38%	0.36%	0.35%																																										
	SmallCap Blend Fund	0.75%	0.73%	0.71%	0.70%																																										
	SmallCap Growth Fund	0.75%	0.73%	0.71%	0.70%																																										
	SmallCap Value Fund	0.75%	0.73%	0.71%	0.70%																																										
	Tax Exempt Bond Fund	0.50%	0.48%	0.46%	0.45%																																										
	<p style="text-align: center;"><b>Management Fee as a Percentage Of Daily Average Net Assets</b></p> <table> <tr> <th>Series</th> <th>First \$500 million</th> <th>Next \$500 million</th> <th>Next \$500 million</th> <th>Next \$500 million</th> <th>Next \$1 billion</th> <th>Over \$3 billion</th> </tr> <tr> <td>Bond and Mortgage Securities Fund</td> <td>0.55%</td> <td>0.53%</td> <td>0.51%</td> <td>0.50%</td> <td>0.48%</td> <td>0.45%</td> </tr> <tr> <td>Global Diversified Income Fund</td> <td>0.80%</td> <td>0.78%</td> <td>0.76%</td> <td>0.75%</td> <td>0.73%</td> <td>0.70%</td> </tr> <tr> <td>Money Market Fund</td> <td>0.40%</td> <td>0.39%</td> <td>0.38%</td> <td>0.37%</td> <td>0.36%</td> <td>0.35%</td> </tr> <tr> <td>LargeCap Value Fund III</td> <td>0.80%</td> <td>0.78%</td> <td>0.76%</td> <td>0.75%</td> <td>0.73%</td> <td>0.70%</td> </tr> <tr> <td>Diversified International Fund</td> <td>0.90%</td> <td>0.88%</td> <td>0.86%</td> <td>0.85%</td> <td>0.83%</td> <td>0.80%</td> </tr> </table>					Series	First \$500 million	Next \$500 million	Next \$500 million	Next \$500 million	Next \$1 billion	Over \$3 billion	Bond and Mortgage Securities Fund	0.55%	0.53%	0.51%	0.50%	0.48%	0.45%	Global Diversified Income Fund	0.80%	0.78%	0.76%	0.75%	0.73%	0.70%	Money Market Fund	0.40%	0.39%	0.38%	0.37%	0.36%	0.35%	LargeCap Value Fund III	0.80%	0.78%	0.76%	0.75%	0.73%	0.70%	Diversified International Fund	0.90%	0.88%	0.86%	0.85%	0.83%	0.80%
	Series	First \$500 million	Next \$500 million	Next \$500 million	Next \$500 million	Next \$1 billion	Over \$3 billion																																								
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	Global Diversified Income Fund	0.80%	0.78%	0.76%	0.75%	0.73%	0.70%																																								
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Series	First \$500 million	Next \$500 million	Next \$500 million	Next \$500 million	Next \$500 million	Over \$2.5 billion																																									
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<p style="text-align: center;"><b>Management Fee as a Percentage of Daily Average Net Assets</b></p> <table> <tr> <th>Series</th> <th>First \$250 million</th> <th>Next \$250 million</th> <th>Over \$500 million</th> </tr> <tr> <td>Equity Income Fund</td> <td>0.60%</td> <td>0.55%</td> <td>0.50%</td> </tr> </table>					Series	First \$250 million	Next \$250 million	Over \$500 million	Equity Income Fund	0.60%	0.55%	0.50%																																			
Series	First \$250 million	Next \$250 million	Over \$500 million																																												
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Series	First \$500 million	Next \$500 million	Over \$1 billion																																												
Principal Capital Appreciation Fund	0.625%	0.50%	0.375%																																												
<p style="text-align: center;"><b>Management Fee as a Percentage of Daily Average Net Assets</b></p> <table> <tr> <th>Series</th> <th>First \$2 billion</th> <th>Over \$2 billion</th> </tr> <tr> <td>Income Fund</td> <td>0.50%</td> <td>0.45%</td> </tr> </table>					Series	First \$2 billion	Over \$2 billion	Income Fund	0.50%	0.45%																																					
Series	First \$2 billion	Over \$2 billion																																													
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<p style="text-align: center;"><b>Management Fee as a Percentage of Daily Average Net Assets</b></p>																																															

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**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
<b>Principal Management Corporation</b>	801- 8144	03/24/2010

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1.	Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Principal Management Corporation</b>	IRS Empl. Ident. No.: <b>42-0948302</b>
Item of Form (identify)	Answer	
Form ADV Part II Item 4(A).5	<p><u>Methods of Analysis</u></p> <p>The Registrant considers many different factors in determining into which Principal Funds the LifeTime portfolios will invest. Factors that are considered include the Registrant's view of each manager's ability to outperform, the overall tracking error and risk level of the portfolio, the overall style characteristics of each major asset class compared to its index, diversification within the portfolio by investment firm and process, and a preference to minimize the costs of turnover and fund expenses.</p> <p>The <i>Compass</i> product is used to perform optimizations that seek to minimize portfolio tracking error (risk versus the benchmark) and to measure style neutrality. <i>Compass</i> is also used to measure whether or not historic risk and returns levels for the portfolios are appropriate. <i>Factset</i> gives the Registrant the ability to perform detailed attributions both on each underlying fund as well as each LifeTime portfolio. Because <i>Factset</i> is based on current portfolio holdings, it gives us a better forecast of future risk levels than by looking at <i>Compass</i> alone. The Registrant's goal is to provide consistent outperformance through strong manager selection rather than trying to make tactical decisions about which asset classes or equity styles will be in favor.</p> <p>In addition to those methods previously noted the Registrant may utilize quantitative modeling with the core/satellite portion of the relevant portfolios.</p>	
Form ADV Part II Item 4.B.(8)	<p><u>Sources of Information</u></p> <p>The Registrant has access to the underlying holdings of all Principal Fund portfolios in which the LifeTime Funds may invest. Portfolio holdings of the Principal Funds are loaded into a specialized risk model on a daily or weekly basis. This gives the Registrant the ability to analyze portfolio positioning, risk, and sources of performance for each underlying portfolio in LifeTime, other portfolios that could be included in LifeTime, and the LifeTime portfolios themselves. The software used to evaluate the underlying holdings is <i>Factset</i>.</p> <p>A Wilshire product called <i>Compass</i> is also used for both equity and fixed income portfolios. Monthly portfolio performance is available for all of our products and their relevant indexes. Morningstar data by investment category is also used in an effort to monitor peer group performance.</p> <p>For fixed income portfolios, the Registrant also receives additional risk information on a quarterly basis from the fixed income sub-advisors.</p>	
Form ADV Part II Item 4(C)(7)	<p><u>Investment Strategies</u></p> <p>For services provided to the LifeTime Funds, the Registrant chooses its investment strategies from among the Principal Funds in which the LifeTime Funds may invest. Each of these funds is monitored on an ongoing basis by the Registrant's Research Group on both quantitative (performance) and qualitative (fundamental) basis. The sub-advisor of the LifeTime Funds, Principal Global Investors, sets strategic weights for each of the asset classes within the various LifeTime funds. The Registrant's role is to select and appropriately weight the managers within each asset class. The Registrant is also responsible for ongoing monitoring of each investment option underlying the LifeTime funds.</p> <p>With respect to the core/satellite portion of the portfolios, the Registrant's strategy is an active quantitative approach to asset management which Principal refers to as "structured equity." Principal's structured equity strategy applies a risk-controlled investment process</p>	
Complete amended pages in full, circle amended items and file with execution page (page 1).		

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
<b>Principal Management Corporation</b>	801- 8144	03/24/2010

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1.	Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Principal Management Corporation</b>	IRS Empl. Ident. No.: <b>42-0948302</b>
Item of Form (identify)	Answer	
Form ADV Part II Item 5	that slightly over/underweights individual stocks relative to their weight in the Account's benchmark index for performance.  <u>Education and Business Standards</u> A Masters degree in economics or finance or equivalent business experience is ordinarily required.	
Form ADV Part II Item 6	<u>Education and Business Background</u> Nora M. Everett: President; Born 1959; Formal Education after High School: BS, Iowa State University, Ames, Iowa; JD, William and Mary College, Williamsburg, VA; Business Background for preceding 5 years: President of Principal Management Corporation since 2008; prior thereto, Senior Vice President and Deputy General of Principal Financial Group.  James W. Fennessey: Head of Investment Manager Research; Born 1977; Formal Education after High School; BS, Truman State University; Business Background for preceding 5 years: Head of Investment Management Research, Principal Life Insurance Company.  Michael P. Finnegan: Chief Investment Officer; Born 1963; Formal Education after High School: BBA, Iowa State University; MA, University of Iowa; Business Background for preceding 5 years: Vice President, Principal Life Insurance Company, 2008 ; prior thereto 2 <sup>nd</sup> Vice President  Randy L. Welch: Portfolio Manager; Born 1962; Formal Education after High School: BA, Grandview College; MBA, Drake University. Business Background for preceding 5 years: Vice President, Principal Management Corporation, since 2005; prior thereto, Assistant Director, Principal Life Insurance Company.  Mark Stark: Portfolio Manager; Born 1956; Formal Education after High School: BS, University of Nebraska; Business Background preceding 5 years; Vice President and Portfolio Manager, Principal Management Corporation since 2008, prior thereto, Vice President, Principal Management Corporation and Principal Financial Advisor, Inc.  Mariateresa Monaco: Portfolio Manager; born 1964; Formal Education after High School: MBA, Sloan School of Management, Massachusetts Institute of Technology; MA, Northwestern University, MA, Politecnico di Torino, Italy; Business Background preceding 5 years: Portfolio Manager, Principal Global Investors since 2005, prior thereto Senior Quantitative Analyst, Fidelity Investment Management Co.  Scott Smith: Portfolio Manager; Born 1976; Formal Education after High School: BA, Iowa State University; Business Background preceding 5 years: Investment Analyst and Portfolio Manager, Principal Global Investors since 2007, prior thereto Investment Analyst.	
Form ADV Part II Item 7B	<u>Other Business Activities</u> The Registrant provides certain administrative services in connection with the Class R shares of Principal Fund. The Registrant has entered into agreements with Principal Life Insurance Company and other entities to provide these services to the Class R shares.	

Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
<b>Principal Management Corporation</b>	801- 8144	03/24/2010

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

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Item of Form (identify)	Answer
Form ADV Part II Item 8C	
Form ADV Part II Item 8C(1)	<b><u>Material Arrangements to Advisory Business</u></b>
Form ADV Part II Item 8C(2)	<p><b>Broker-Dealer</b> Principal Funds Distributor, Inc. ("PFD") is a wholly-owned subsidiary of the Registrant. PFD is a limited services broker-dealer registered with the SEC and a FINRA member firm that serves as principal underwriter for Principal Funds and Principal Variable Contracts Funds.</p>
Form ADV Part II Item 8C(3)	<p><b>Investment Company</b> The Registrant has executed a contract to provide investment advisory and specified other services to each mutual fund organized by Principal Life Insurance Company.</p> <p><b>Other Investment Advisors</b> Principal Global Investors, LLC ("PGI"), an investment advisor registered with the SEC, is an indirect wholly-owned subsidiary of Principal Life Insurance Company, a related person of the Registrant. The Registrant has executed sub-advisory agreements with PGI to serve as investment sub-advisor to certain mutual funds organized by Principal Life Insurance Company.</p> <p>In addition to and separate from the sub-advisory agreements between the Registrant and Principal Global Investors, LLC, the Registrant may utilize the advisory and/or management services of Principal Global Investors, an affiliate of the Registrant, when providing advisory and/or management services to mutual funds organized by Principal Life Insurance Company.</p> <p>Principal Global Investors, LLC is an indirect wholly owned subsidiary of Principal Financial Group thus is a "Participating Affiliate" of the Registrant (as that term has been defined by the Staff of the Securities and Exchange Commission in various no-action letters) in that certain employees of PGI are shared with the Registrant and may provide, on behalf of Registrant, investment advice to the mutual funds organized by Principal Life Insurance Company. The Participating Affiliate is also registered as an Investment Adviser under the Investment Advisers Act of 1940. Certain personnel listed in Part II of this Form ADV are employed by the Participating Affiliate and may render investment advice through the Registrant to the mutual funds organized by Principal Life Insurance Company. The Registrant supervises these employees and at times other administrative personnel, including management, trading and compliance staff of the Participating Affiliate with respect to their work on behalf of Registrant for the mutual funds organized by Principal Life Insurance Company.</p> <p>Principal Global Investors, LLC and the Registrant are wholly owned indirect subsidiaries of Principal Financial Group. Both provide investment advice and market asset management products and services to clients. As such, Principal Global Investors, LLC and the Registrant are Advisory Affiliates for purposes of the related discussion and disclosures in Part I of this Form ADV.</p> <p>Principal Real Estate Investors, LLC ("Principal – REI"), an investment advisor registered with the SEC, is an indirect wholly-owned subsidiary of Principal Life Insurance Company, a related person of the Registrant. The Registrant has executed sub-advisory agreements</p>

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**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

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Item of Form (identify)	Answer	
Form ADV Part II Item 8C(3) (continued)	<p>with Principal – REI to serve as investment sub-advisor to certain mutual funds organized by Principal Life Insurance Company.</p> <p>Spectrum Asset Management, Inc. ("Spectrum"), an investment advisor registered with the SEC, is an indirect wholly-owned subsidiary of Principal Life Insurance Company, a related person of the Registrant. The Registrant has executed sub-advisory agreements with Spectrum to serve as investment sub-advisor to certain mutual funds organized by Principal Life Insurance Company. Spectrum is registered with the SEC and NASD as a broker-dealer.</p> <p>Columbus Circle Investors ("CCI"), an investment advisor registered with the SEC, is an indirect wholly-owned subsidiary of Principal Life Insurance Company, a related person of the Registrant. The Registrant has executed sub-advisory agreements with CCI to serve as investment sub-advisor to certain mutual funds organized by Principal Life Insurance Company.</p> <p>Edge Asset Management, Inc., an investment advisor registered with the SEC, is a wholly-owned subsidiary of the Registrant. The Registrant has executed sub-advisory agreements with Edge to serve as investment sub-advisor to certain mutual funds organized by Principal Life Insurance Company.</p>	
Form ADV Part II Item 8C(9)	<p>Princor Financial Services Corporation is registered with the SEC as an investment advisor.</p>	
Form ADV Part II Item 9	<p><b>Insurance Company</b></p> <p>The Registrant is a related person of Principal Life Insurance Company, an Iowa Corporation, which is licensed as an insurance company in all 50 states and the District of Columbia. Principal Life makes available its personnel and its other resources to the Registrant to enable the Registrant to provide its services to the funds.</p>	
Form ADV Part II Item 9B		
Form ADV Part II Item 9D and 9E	<p><u>Participation or Interest in Client Transactions</u></p> <p>Spectrum Asset Management, Inc., a related person of the Registrant, effects securities transactions as a broker for Principal Fund portfolios for which it serves as sub-adviser. Spectrum completes these transactions in accordance with procedures each fund has adopted pursuant to Rule 17e-1 of the Investment Company Act of 1940. Each fund's board of directors reviews all transactions completed pursuant to these procedures on a quarterly basis to determine whether the compensation each fund pays to Spectrum Asset Management is reasonable and fair compared to compensation other brokers received for transactions in similar securities traded on an exchange during a comparable time period.</p> <p>Principal provides non-discretionary investment advice to Principal Trust Company as trustee to Principal Trust Target Date Collective Investment Funds ("Principal CIT Trustee"), and discretionary investment advice to the LifeTime portfolios of the Funds. Conflicts may arise in connection with the services Principal provides to Principal CIT Trustee with respect to the recommendation of underlying investment options (open-end investment companies, unregistered insurance company separate accounts and unaffiliated collective trust funds) for each asset class identified by the Principal CIT, and target weights for each underlying investment option. Conflicts may arise in connection with the services Principal provides to the LifeTime portfolios with respect to investments made in underlying mutual funds. Conflicts may arise in connection with the services Principal provides to the Principal CIT Trustee for the following</p>	
Complete amended pages in full, circle amended items and file with execution page (page 1).		



**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

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Item of Form (identify)	Answer
Form ADV Part II Item 9D and 9E (continued)	<p>reasons:</p> <ul style="list-style-type: none"> <li>Principal serves as the investment adviser to the underlying open-end investment companies in which the Principal CIT may invest, and an affiliated investment adviser may serve as sub-adviser to the open-end investment companies or adviser to the insurance company separate accounts in which the Principal CIT may invest; and</li> <li>Principal's, or an affiliated company's, profit margin may vary depending upon the underlying fund or separate account in which the Principal CIT invests.</li> </ul> <p>Conflicts may arise in connection with the services Principal provides to the LifeTime portfolios for the following reasons:</p> <ul style="list-style-type: none"> <li>Principal serves as the investment adviser to the underlying open-end investment companies in which the LifeTime portfolios invest, and an affiliated investment adviser may serve as sub-adviser to the open-end investment companies in which the LifeTime portfolios may invest; and</li> <li>Principal's, or an affiliated company's, profit margin may vary depending upon the underlying fund in which the LifeTime portfolios invest.</li> </ul> <p>In order to limit the appearance of conflicts of interest and the opportunity for events that could trigger an actual conflict of interest, Principal will do the following:</p> <ol style="list-style-type: none"> <li>Maintain a documented, systematic methodology for determining which open-end investment companies or Principal Life separate accounts to recommend to the Principal CIT Trustee that does not give undue consideration to the impact to Principal or its affiliates;</li> <li>Maintain a systematic methodology for determining into which open-end investment companies the LifeTime portfolios invest that does not give undue consideration to the impact to Principal or its affiliates;</li> <li>Remind its investment personnel who provide services to the Principal CIT Trustee and/or the LifeTime portfolios of Principal's inherent conflicts of interest, and Principal's and such investment personnel's duties of loyalty and care as a fiduciary;</li> <li>The Investment Oversight Committee monitor the services provided by Principal to the Principal CIT Trustee and the LifeTime portfolios to ensure such services conform to the applicable investment methodology, that undue consideration is not given to the impact on Principal or its affiliates, and that such services reflect Principal's duties of loyalty and care as a fiduciary; and</li> <li>Disclose on Form ADV Part II Schedule F Principal's inherent conflicts of interest, and its duties of loyalty and care as a fiduciary.</li> </ol> <p>Principal Global Investors, a related person of the Registrant which also serves as a sub-advisor to some of the Funds, may advise the funds to purchase securities which at the time the fund purchases, one of more related persons of the Registrant may also (1) be</p>

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**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

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Form ADV Part II Item 9D and 9E (continued)	<p>purchasing or selling and/or (2) holding. Such situations will be subject to procedures designed to assure fair allocation of available transactions.</p> <p><b><u>CODE OF ETHICS</u></b>  The Registrant has adopted a Code of Ethics that is compliant with Rule 204-A-1. Related persons of the Registrant who are officers, directors and employees of Registrant may buy or sell for themselves securities that Registrant also recommends to its client, so long as Registrant's officers, directors and employees undertake those purchases and sales in accordance with the Registrant's code of ethics.</p> <p>The Code of Ethics sets out the Registrant's standards of conduct expected of advisory personnel, including compliance with applicable federal securities laws, prompt reporting of any violation of the Code of Ethics to the Chief Compliance Officer, confidential treatment of non-public client investment information, acknowledging the receipt of the Code of Ethics and any amendments and personal security investment reporting by supervised persons of the Registrant with access to material non-public client investment information. A copy of the Registrant's Code of Ethics will be provided to clients or prospective clients upon request.</p> <p><b><u>INVESTMENT OR BROKERAGE DISCRETION</u></b>  The Registrant has discretion to determine in which portfolios to invest in connection with the advisory services it provides to the "LifeTime" portfolios of Principal Funds (which invest in Institutional Class shares of Principal Funds) and the LifeTime Accounts of Principal Variable Contracts Funds (which invest in Class I shares of Principal Variable Contracts Funds or Institutional Class shares of Principal Funds). The Registrant also has discretion over which securities are to be bought or sold, the amount of such securities, the broker or dealer to be used and the commission rates to be paid for securities transactions in connection with the advisory services it provides to some of its Principal Fund clients. Sub-Advisors, including affiliated firms, for each portfolio have investment discretion over the portfolios each sub-advises.</p> <p>Any restrictions on which securities Registrant may buy or sell or the amount are determined by agreement with each client. In addition, clients may further limit the Registrant's authority by requiring that all or a portion of the client's transactions be executed through the client's designated broker-dealer ("client directed brokerage" or "commission recapture program").</p> <p>In placing brokerage business arising out of the management of client accounts, Registrant's objective is to obtain the best overall terms. In selecting brokers, Registrant considers a variety of factors including, but not limited to the breadth of the market in the security, the price of the security, the financial condition, executing capability and trading expertise of the broker and the reasonableness of the broker's commission. In determining which broker may provide best execution for a particular transaction or series of transactions, the Registrant considers the services the broker can provide, including, but not limited to: execution price; capability to execute difficult trades (possible market impact, size of the order and market liquidity); commitment of capital; opportunity for block transactions; access to IPOs and other new issues; research; confidentiality; clearance and settlement; responsiveness; access to markets; and financial stability. The Registrant</p>	
Form ADV Part II Item 12A(3)(4) and 12B		

Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
<b>Principal Management Corporation</b>	<b>801- 8144</b>	<b>03/24/2010</b>

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

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Form ADV Part II Item 12A(3)(4) and 12B (continued)	<p>selects a broker to execute transactions based on the totality of the circumstances considering some or all of these factors. This means that, a broker offering the most favorable commission may not be selected to execute a particular transaction. The Registrant seeks to negotiate favorable commission rates (other than on client-directed brokerage transactions). The Registrant will determine the reasonableness of the brokerage commissions and other transaction costs by taking into account such factors as: current market conditions; the size and timing of the order; depth of the market; per share price; execution difficulty; the time taken to conclude the transaction; the extent of the broker's commitment, if any, of its own capital; and the transaction amount. In some instances, the Registrant will pay a broker commissions on a client transaction that are higher than the commissions another broker might have charged for the same transaction. Registrant will do so when it believes that such commissions are reasonable in light of (a) the size and difficulty of the transaction, (b) the quality of the execution provided and (c) the level of commissions paid by other institutions. Registrant views these factors in terms of either a particular transaction or all brokerage transactions that a broker executes for all of the Registrant's clients.</p> <p>In allocating brokerage business, Registrant gives consideration to research products and services provided to it by introducing as well as clearing brokers. The Registrants may receive a variety of research products and services on many topics which the Registrant may can use in connection with its management responsibilities with respect to the various accounts over which the Registrant exercises investment discretion or otherwise provides investment advice. These topics include issuers, industries, securities, economic factors and trends, portfolio strategy, the performance of accounts, statistical information, market data, earnings statements, credit analysis, pricing, risk measurement analysis, and other information that may affect economies, security prices, or management of portfolios.</p> <p>The research products and services may include written reports, pricing and appraisal services, market data services, analysis of issues raised in proxy statements, educational seminars, subscriptions to trade journals, portfolio attribution and monitoring services and computer software and access charges which are directly related to investment research. Research services may be received in the form of written reports, online services, telephone contacts and personal meetings with securities analysts, economists, corporate and industry spokespersons, investment consultants and government representatives. Research services are either provided directly by brokers or generated by third parties and are provided by the brokerage firm to which commissions are paid, including commission sharing arrangements. It is not Registrant's practice to negotiate "execution-only" transaction costs, thus Registrant's clients may be deemed to be paying for products and services provided by the broker which are included in the transactions costs. Registrant maintains a list of brokers that provide Registrant with research information and the products and services each broker provides to Registrant.</p> <p>In making brokerage allocations, the primary criterion used is obtaining the best overall terms for such transactions. The Registrant may pay additional commission amounts for research services but generally does not do so. Such statistical data and research information received from brokers or dealers may be useful in varying degrees, and Registrant may use it in servicing some or all of the accounts it manages. Registrant's clients may pay higher commission rates than those normally obtained from other brokers. Some of the products and services may benefit a specific segment of the Registrant's clients. Registrant does not attempt to match a particular client's trade executions with</p>	

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**Schedule F of  
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**Continuation Sheet for Form ADV Part II**

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Form ADV Part II Item 12A(3)(4) and 12B (cont.)	<p>brokers who have provided research services which have directly benefited that client's portfolio. Some products and services obtained from brokers may not necessarily be used for a client even though its commission dollars (or other transaction charges) paid for the products and services. Therefore it is possible a client may not be a direct or indirect beneficiary of the products and services provided. Some statistical data and research information paid for with brokerage commissions attributable to a particular client account may not be useful to the Registrant in managing that client account. However, in Registrant's opinion, the value thereof is not determinable and it is not expected that client's expenses will be significantly raised since the receipt of such statistical data and research information is only supplementary to the Registrant's own research efforts.</p> <p>Registrant does not utilize all client brokerage commissions to purchase research services through soft dollar arrangements. Registrant will generally limit its participation in soft dollar arrangements annually to an amount that, in its judgment, ensures best execution of client transactions.</p> <p>A client may request that the Registrant direct brokerage for the client's account to a particular broker. If a client directs Registrant to use a particular broker or dealer, Registrant may be unable to negotiate commissions, obtain volume discounts, ensure best execution, or batch trades on client's behalf. Consequently, clients who direct Registrant to use a particular broker may pay more in commissions than those who do not. No assurance can be given that transactions executed in accordance with such directed brokerage arrangements result in the best execution available to the client.</p> <p>With respect to Registrant's purchase of statistical data and research information with commission dollars, clients who afford Registrant complete discretion in selecting brokers to execute transactions for their accounts may, in effect, subsidize the purchase of research Registrant utilizes in managing accounts of those clients who do not afford Registrant such discretion.</p> <p>The Registrant shares a common trading platform and personnel that perform trade-related functions with Principal Global Investors ("PGI") and, where applicable, the Registrant and PGI coordinate trading activities on behalf of their respective clients. Such transactions are executed in accordance with the firms' trading policies and procedures, including, but not limited to trade allocations, purchase of new issues, cross trades, and directed brokerage. The Registrant and PGI maintain separate soft dollar arrangements, however it is possible that transactions made on behalf of either firm's clients will be placed with a broker with which the other firm has a soft dollar arrangement. Although the Registrant and PGI do not maintain an aggregated soft dollar budget, it is possible that research services that benefit the Registrant's clients may be paid for with commissions generated by PGI clients and vice versa. The Registrants arrangements for the receipt of research from brokers may create conflicts of interest, because the Registrant may have an incentive to choose a broker that provides research services instead of one that charges a lower commission rate but does not provide any research. All such transactions will be placed with a broker only if the broker with whom the transaction is placed is reasonably believed to be able to provide best execution.</p> <p><b><u>Order Allocation and Aggregation</u></b></p> <p>The Registrant shares a common trading platform and personnel that perform trade-</p>	

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**Continuation Sheet for Form ADV Part II**

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Form ADV Part II Item 12A(3)(4) and 12B (cont.)	<p>related functions with Principal Global Investors ("PGI") and, where applicable, the Registrant and PGI coordinate trading activities on behalf of their respective clients. Such transactions are executed in accordance with the firms' trading policies and procedures, including, but not limited to trade allocations, purchase of new issues, and directed brokerage. Registrant acts as investment adviser for registered investment companies and PGI acts as investment adviser for a variety of individual accounts, ERISA accounts, mutual funds, insurance company separate accounts, and public employee retirement plans and places orders to trade portfolio securities for each of these accounts. If, in carrying out the investment objectives of their respective clients, occasions arise in which the Registrant and PGI deem it advisable to purchase or sell the same equity securities for two or more client accounts at the same or approximately the same time, the Registrant and PGI may submit the orders to purchase or sell to a broker/dealer for execution on an aggregate or "bunched" basis. The Registrant and PGI will not aggregate orders unless it believes that aggregation is consistent with (1) its duty to seek best execution and (2) the terms of its investment advisory agreements. In distributing the securities purchased or the proceeds of sale to the client accounts participating in a bunched trade, the Registrant and PGI shall be guided by the following principles:</p> <ol style="list-style-type: none"> <li>1. No advisory account will be favored over any other account; and each account that participates in an aggregated order will participate at the average share price for all transactions of the Registrant and PGI relating to that aggregated order on a given business day, with all transaction costs relating to that aggregated order shared on a pro rata basis.</li> <li>2. The Registrant and PGI shall compose, before entering an aggregated order, a written statement (the "Allocation Statement") as to how the order will be allocated among the various accounts.</li> <li>3. If the aggregate order is filled in its entirety, it shall be allocated among the accounts in accordance with the Allocation Statement; if the order is partially filled, it shall be allocated pro rata based on the Allocation Statement.</li> <li>4. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all accounts of clients whose orders are allocated receive fair and equitable treatment and the reason for such different allocation is explained in writing and, except for a de minimis deviation, is approved in writing by the Registrant's or PGI's compliance officer no later than one hour after the opening of the markets on the trading day following the day on which the order is executed. A de minimis deviation occurs when a distribution different from that stated in the Allocation Statement is necessary to correct a pro rata distribution that results in a participating account holding (1) too small a number of shares in relation to the size of the participating account or its investment strategy or (2) an odd-lot.</li> </ol> <p>A de minimis deviation will also be permissible when (1) any account participating in a bunched trade seeks an allocation amounting to less than USD50,000, or (2) a partially filled order results in purchase amounts or sales proceeds of less than USD50,000. In the first instance, such accounts will, where possible, receive their entire requested allocation before any other account participating in the bunched trade receives an allocation, with the balance of any partially filled order being allocated to the other accounts participating in the bunched trade on a pro rata basis. In the second instance, any such partially filled order will be allocated among the accounts participating in the bunched trade in a sequence arrived at by a random ordering of the participating accounts, with the first account in the sequence receiving as much of</p>	

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**Continuation Sheet for Form ADV Part II**

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Form ADV Part II Item 12A(3)(4) and 12B (cont.)	<p>such partially filled order as is necessary to fill its entire requested allocation, with the balance of such partially filled order, if any, being allocated to the second and subsequent participating accounts in the same manner.</p> <p>5. If an aggregated order is partially filled and allocated on a basis different from that specified in the Allocation Statement or de minimis deviation, no account that is benefited by such different allocation may, for a reasonable period following the execution of the aggregated order, effect any purchase or sale that would result in it receiving or selling more shares than the amount of shares it would have received or sold had the aggregated order been completely filled.</p> <p>6. The Registrant and PGI may enter aggregated orders to participate in initial public offerings (IPOs). In determining whether to enter an order for an IPO for any client account, the Registrant and PGI consider the account's investment restrictions, risk profile, asset composition and cash level. Accordingly, it is unlikely that every client account will participate in every available IPO order. Partially filled aggregated orders will be allocated to participating accounts in accordance with the procedures set out, above. Often, however, the amount of shares designated by an underwriter for the Registrant's and PGI's clients is insufficient to provide a meaningful allocation to each participating account. In such cases, the Registrant and PGI will employ a computer program to randomly order the accounts that were designated to participate in the aggregated order. The Registrant and PGI will allocate, in the sequence arrived at by the random ordering, the shares the underwriter designates for the Registrant's client accounts, with the first client account receiving an allocation of shares equal in value to a percentage of that account's value, determined by the PM at the time the Allocation Statement is made. The Registrant and PGI will continue the allocation of shares in the same manner to the second and subsequent accounts in the sequence arrived at by the random ordering until all shares are allocated. It is possible, therefore, that some accounts participating in the aggregated order will receive no shares in the allocation.</p> <p>Registrant expects aggregation or "bunching" of orders, on average, to reduce slightly the cost of execution. Registrant will not aggregate a client's order if, in a particular instance, it believes that aggregation will increase the client's cost of execution. In some cases, aggregation or "bunching" of orders may increase the price a client pays or receives for a security or reduce the amount of securities purchased or sold for a client account.</p> <p>Because the Registrant manages different styles of accounts with different portfolio managers, it sometimes happens that two or more portfolio managers may initiate orders to buy or sell the same security at the same time. If one portfolio manager has entered a buy order for a stock while another portfolio manager has a sell order, the orders will be worked separately to ensure that one account does not buy from the other. The Registrant generally will not cross securities from one client account to another unless the clients in question are mutual funds and have adopted a policy pursuant to Rule 17a-7 of the Investment Company Act of 1940 that permits the Registrant to cross securities. Steps are taken to ensure that the transaction is in the best interests of both funds and the security is suitable for the portfolio to which the security is being added and the transaction complies with the funds' Rule 17a-7 procedures. In addition, the portfolio's investment restrictions are reviewed so that the addition of the security does not violate those restrictions.</p> <p>For all cross trade transactions that are entered into, a form must be completed and signed by the Portfolio Managers assigned to the portfolios and Compliance. The form requires</p>

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Form ADV Part II Item 13A	<p>that the Portfolio Managers provide written statements explaining why they believe the transaction is beneficial for both of the parties involved.</p> <p>Registrant maintains a system of checks and balances designed to limit the errors it makes in placing trades for client accounts. Nonetheless, Registrant will, from time to time, make such errors. It is Registrant's policy to absorb all losses on trades it places in error. In rectifying erroneous trades, Registrant distinguishes between errors it identifies prior to the time a client's custodian settles the erroneous trade and posts it to the client's custodial statement ("Time of Settlement") and those it identifies after the Time of Settlement. It is Registrant's policy to accord clients any profitable erroneous trades Registrant identifies after the Time of Settlement. Registrant maintains an error account and settles into it all erroneous trades it identifies prior to the Time of Settlement. Any profit from erroneous trades identified before settlement is retained in the Registrant's error account and can only be used to offset other future negative errors.</p> <p><b><u>Proxy Voting Policy</u></b></p> <p>The registrant has adopted and implemented written Proxy Voting Policies and Procedures which are designed to reasonably ensure that Registrant votes proxies in the best interests of its advisory clients who have authorized the Registrant to address these matters on their behalf. Registrant's guiding principles in performing proxy voting are to make decisions that (i) favor proposals that tend to maximize a company's shareholder value and (ii) are not influenced by conflicts of interest.</p> <p>To implement these guiding principles, Registrant has established a general Proxy Voting Policy using the Risk Metrics Standard Proxy Voting Guidelines (the "Guidelines") except where a portfolio management team may decide to diverge from the Guidelines. In this case, the policy requires certain procedures and documentation to be met.</p> <p>The principles and positions in the Policy are designed to guide Registrant in voting proxies, and not necessarily in making investment decisions. Portfolio Management Teams base their determinations of whether to invest in a particular company on a variety of factors. Clients may obtain a summary report relating to their account by contacting the Registrant.</p> <p><b><u>Business Continuity Plan</u></b></p> <p>Registrant has developed a Business Continuity Plan and a Disaster Recovery Plan to ensure the continued operation of the Registrant in the event of a business disruption. The Business Continuity Plan documents procedures the business areas follow in the event of a disaster. The plan is designed to mitigate potential interruptions, resume critical functions within 72 hours and return to full operations. The Disaster Recovery Plan contains a listing of critical applications that support the business functions identified in the Business Continuity Plan.</p> <p>It is Registrant's policy to use all soft dollar credits generated by brokerage commissions attributable to client accounts in a manner consistent with the "safe harbor" established by Section 28(e) of the Securities Exchange Act. In connection with some of Registrant's soft dollar arrangements, Registrant will receive from non-clients products and services that may perform an administrative function as well as a research function. In such cases,</p>	

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Item of Form  
(identify)

Answer

Registrant will make a reasonable allocation of the cost of the product or service according to Registrant's use. Registrant will pay for the portion of the product or service that consists of research in commission dollars. Registrant will pay for the portion that provides Registrant with administrative or non-research assistance with Registrant's own money. Registrant's allocation of the cost of such products and services between research and non-research functions poses a conflict of interest between Registrant and its clients because, to the extent Registrant categorizes products and services as research, Registrant avoids paying for those products and services with its own money.

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