

**ADMINISTRATIVE PROCEEDING  
BEFORE THE  
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:

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PRINCIPAL INVESTORS  
FUND, INC.,

File No. 2007-0286

\*

Respondent.

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**CONSENT ORDER**

WHEREAS, the Division of Securities of the Office of the Maryland Attorney General (the "Division"), pursuant to the authority granted in Section 11-701 of the Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (2007 Repl. Vol.) (the "Act"), undertook an investigation with regard to possible violations of the Act by Principal Investors Fund, Inc. ("PIF" or "Respondent"), in connection with the offer and sale in and from Maryland of PIF securities; and

WHEREAS, based on the information presented by the Division, the Maryland Securities Commissioner (the "Commissioner") has determined that Respondent has engaged in acts or practices constituting violations of §§ 11-501 and 11-503.1 of the Act and the regulations promulgated under those sections of the Act; and

WHEREAS, PIF has provided the Commissioner with a copy of its "Blue Sky Procedures," which procedures are designed to ensure compliance with Maryland's and other states' securities requirements and are incorporated by reference; and

WHEREAS, PIF has provided the Commissioner with a copy of an indemnification between PIF and its investment adviser, pursuant to which the investment adviser agrees to indemnify and hold harmless PIF for the amount of any civil monetary penalty imposed on the Fund by the Commissioner; and

WHEREAS, in settlement of any proceeding that could be brought based upon Respondent's violations of §§ 11-501 and 11-503.1, the Commissioner has determined that it is in the public interest to accept this Consent Order; and

WHEREAS, the securities subject to this Consent Order are issued by an investment company (PIF) that is registered under the Investment Company Act of 1940, and as federal

covered securities are subject to exclusive federal registration pursuant to § 18(b)(2) of the Securities Act of 1933; and

WHEREAS, this Consent Order pertains to Maryland Blue Sky notice filing requirements of §§ 11-501 and 11-503.1 of the Act and regulations promulgated under those sections of the Act; and

WHEREAS, Respondent has agreed to the provisions set forth below.

NOW THEREFORE, without the holding of a hearing in this matter, and upon consent of the parties hereto,

IT IS HEREBY AGREED AND ORDERED:

### **I. JURISDICTION**

1. The Commissioner has jurisdiction in this proceeding pursuant to Section 11-701.1 of the Act.

2. PIF voluntarily waives any right to a hearing and appeal under the Act and the rules and regulations promulgated thereunder with respect to this Consent Order.

3. In the event that judicial intervention in this matter is sought by any party, PIF consents to the jurisdiction of the Circuit Court for Baltimore City over any such proceeding and as to PIF.

### **II. PARTIES**

4. Melanie Senter Lubin is the Securities Commissioner for the State of Maryland.

5. PIF, an investment company registered with the U.S. Securities & Exchange Commissioner under the federal Investment Company Act of 1940 offers its securities as mutual fund investments in Maryland.

### **III. FINDINGS OF FACT**

The Commissioner finds the following facts:

6. PIF operates a mutual fund company business from its principal office in Des Moines, Iowa.

7. The records of the Division reflect that PIF filed notices on Form NF for its "Select" series of approximately 51 mutual fund portfolios in 2004, and these notices were made "effective" by the Division.

8. The records of the Division reflect that renewal notices for those files were filed by PIF following the October fiscal year end date of the fund(s), and these renewal notices were made "effective" by the Division.

9. The records of the Division reflect that renewal notices were not submitted to the Division for those 51 "Select" series following the expiration of those files on November 1, 2005.

10. In March 2007, PIF submitted to the Division untimely renewal notices and sales reports for the 2005 and 2006 fiscal year periods of those 51 funds.

#### **IV. CONCLUSIONS OF LAW**

The Commissioner concludes that:

11. The shares of common stock offered and sold by PIF constitute "securities" within the definition at Section 11-101(r) of the Act.

12. Respondent failed to comply in a timely manner with Sections 11-501 and 11-503.1 of the Act by offering and selling securities in Maryland between November 1, 2005 and March 21, 2007, without in all situations first perfecting claims of an exemption under the Act or of federal preemption under the Act.

#### **V. CONSENT TO SANCTIONS**

PIF expressly agrees and consents, and it is ordered that:

13. Respondent shall pay to the Division a civil monetary penalty pursuant to Section 11-702 of the Act, in the amount of \$15,000, payable by check to the order of the Office of the Attorney General, which penalty has been submitted to and received by the Commissioner.

14. Respondent agrees to cease and desist from offering or selling securities in violation of Sections 11-501 and 11-503.1 of the Act and the regulations promulgated under those sections of the Act.

15. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commissioner, or to which the Commissioner is a party, and without admitting or denying any of the Commissioner's findings of fact or conclusions of law herein, except as to the Commissioner's jurisdiction over it and the subject matter of these proceedings, which are admitted, PIF consents to the entry of this Consent Order pursuant to Section 11-701.1 of the Act, including imposition of administrative sanctions, as set forth above.

## **VI. CONSEQUENCES OF VIOLATION OF CONSENT ORDER**

16. If Respondent fails to comply with any term of this Consent Order, the Commissioner may declare this Consent Order to be null and void. The Commissioner may then proceed with full administrative and/or judicial proceedings to enforce this Consent Order against Respondent, or to sanction Respondent for violating an order of the Commissioner, and may take any other action authorized under the Act or any other applicable law. In any such proceeding in which, after an opportunity for a hearing, the Commissioner or the court finds that Respondent has violated this Consent Order, the facts and the violations of the Act set forth and incorporated in this Consent Order shall be deemed admitted and may be introduced into evidence against Respondent.

## **VII. MODIFICATION OF TERMS OF THIS CONSENT ORDER**

17. The terms of this Consent Order may only be modified by a subsequent order issued by the Commissioner.

## **IX. JURISDICTION RETAINED**

18. Jurisdiction shall be retained by the Commissioner for the purpose of enabling any party to this Consent Order to apply for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Consent Order.

The provisions of this Consent Order shall become binding when this Consent Order has been executed by each party and is issued by the Commissioner.

DATE OF THIS ORDER:

SO ORDERED:

June 5, 2008

**Commissioner's Signature is  
on File with Original Document**  
Melanie Senter Lubin  
Securities Commissioner

CONSENTED TO:

PRINCIPAL INVESTORS FUND, INC.

By: \_\_\_\_\_

\_\_\_\_\_ Print name \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_ On this \_\_\_ day of \_\_\_\_\_, 2008, personally appeared \_\_\_\_\_  
signer of the foregoing Consent Order, who did duly acknowledge to me that she/he was  
authorized to execute the same on behalf of Principal Investors Fund, Inc., and acknowledged the  
same to be her/his free act and deed.

\_\_\_\_\_  
\_\_\_\_\_  
Notary Public  
My Commission Expires \_\_\_\_\_