

NORTHERN
INSTITUTIONAL
FUNDS

TAX FACTS

2007

Northern Institutional Funds: Tax Facts 2007 contains specific information about investment income and capital gain distributions related to Northern Institutional Funds. It includes the percentages that clients will need to calculate possible tax exemptions.

Because tax laws vary among localities and states, we encourage you to consult your tax advisor concerning the application of state and local tax regulations to each portfolio's distributions.

If you have questions about the information provided or about your Northern Institutional Funds accounts, please call your Investment Relationship Manager or **800-637-1380**.

As always, we appreciate your confidence in selecting Northern Institutional Funds as your investment partner. We hope you'll find these materials useful as you prepare your tax filings for 2007.

TRUST NORTHERN FOR WHAT REALLY MATTERS



NORTHERN INSTITUTIONAL FUNDS TAX FACTS 2007

Important Information for Your Reference at Tax Time

Income & Capital Gain Distributions

For the 2007 calendar year, **100% of the dividends paid by the fixed income portfolios is taxable as ordinary income** for federal income tax purposes.

Listed in this table are the percentages of ordinary income distributed by the equity portfolios, as applicable, that can be treated as Qualified Dividend Income (QDI).

PORTFOLIOS	QUALIFIED DIVIDEND INCOME PERCENTAGE
BALANCED	10.87%
DIVERSIFIED GROWTH	15.13%
EQUITY INDEX	82.64%
FOCUSED GROWTH	75.75%
INTERNATIONAL EQUITY INDEX	77.37%
INTERNATIONAL GROWTH EQUITY	22.39%
SMALL COMPANY INDEX	41.05%

Listed in this table are the long-term capital gain distributions per share made by each equity and fixed income portfolio, as applicable. Capital gains are distributed to all share classes of a portfolio at the same factor per unit.

PORTFOLIOS	LONG-TERM CAPITAL GAINS
EQUITY INDEX	1.51965
BALANCED	1.42721
DIVERSIFIED GROWTH	0.36498
INTERNATIONAL GROWTH EQUITY	1.62553
INTERNATIONAL EQUITY INDEX	2.43827

Percentage of Exempt Interest Dividends

The following table refers to the amount of dividends paid that are excludable from gross income for federal income tax purposes. To determine the portion that is excludable, multiply the percentage below by your total dividends received in 2007 as shown on your year-end statement.

PORTFOLIO	PERCENTAGE
MUNICIPAL MONEY MARKET	100.00%
TAX-EXEMPT	100.00%

Percentage of Dividends Eligible for the Corporate Dividends Received Deduction

Mutual fund dividends derived from certain domestic corporations may be eligible for the dividends received deduction (DRD) for corporations. A portion of the ordinary income dividend paid by the funds listed below in 2007 may qualify for this deduction. The table below shows the portion of the ordinary dividends attributable to such domestic corporations for each of the Funds for 2007.

PORTFOLIO	CORPORATE DIVIDENDS RECEIVED DEDUCTION PERCENTAGE
BALANCED	14.12%
DIVERSIFIED GROWTH	28.00%
EQUITY INDEX	93.17%
FOCUSED GROWTH	76.25%
SMALL COMPANY INDEX	54.38%

Alternative Minimum Tax

The Tax Reform Act of 1986 requires that interest income from certain municipal obligations called "private activity bonds" be included as a tax preference item for the Alternative Minimum Tax (AMT) computation on your federal tax return. This table shows the percentage of tax-exempt income subject to the AMT. Please multiply the total dividends received in 2007 as shown on your year-end statement by the percentage listed here to determine the amount subject to the AMT.

NORTHERN FUNDS	PERCENTAGE
MUNICIPAL MONEY MARKET	0.00%
TAX-EXEMPT	0.00%

Tax-Exempt Income Earned by State

For the year ended December 31, 2007, 100% of the distributions paid by both the Municipal Money Market Portfolio and Tax-Exempt Portfolio was exempt interest and free from any federal income tax. In addition, most states do not impose income tax on interest income derived from their own municipal obligations. This table shows the portion of dividends derived from interest income on state and local obligations on a state-by-state basis during 2007 for the Municipal Money Market and Tax-Exempt Portfolios. Because tax laws vary among localities and states, we urge you to consult with your tax advisor about the specific rules in your respective state.

	MUNICIPAL MONEY MARKET	TAX-EXEMPT
ALABAMA	2%	1%
ALASKA	1%	1%
ARIZONA	3%	2%
ARKANSAS	0%	0%
CALIFORNIA	3%	3%
COLORADO	3%	3%
CONNECTICUT	1%	0%
DELAWARE	0%	0%
DISTRICT OF COLUMBIA	0%	2%
FLORIDA	8%	5%
GEORGIA	3%	6%
GUAM	0%	0%
HAWAII	0%	0%
IDAHO	0%	1%
ILLINOIS	13%	15%
INDIANA	3%	4%
IOWA	2%	1%
KANSAS	1%	1%
KENTUCKY	1%	2%
LOUISIANA	2%	2%
MAINE	0%	0%
MARYLAND	3%	2%
MASSACHUSETTS	4%	2%
MICHIGAN	4%	5%
MINNESOTA	2%	3%
MISSISSIPPI	1%	2%
MISSOURI	2%	2%
MONTANA	0%	0%
NEBRASKA	0%	0%
NEVADA	1%	0%
NEW HAMPSHIRE	1%	0%
NEW JERSEY	1%	1%
NEW MEXICO	0%	1%
NEW YORK	4%	2%
NORTH CAROLINA	2%	0%
NORTH DAKOTA	0%	0%
OHIO	2%	1%
OKLAHOMA	1%	1%
OREGON	1%	0%
PENNSYLVANIA	2%	2%
PUERTO RICO	0%	0%
RHODE ISLAND	0%	0%
SOUTH CAROLINA	1%	1%
SOUTH DAKOTA	0%	0%
TENNESSEE	4%	2%
TEXAS	7%	13%
UTAH	2%	3%
VERMONT	0%	0%
VIRGIN ISLANDS	0%	0%
VIRGINIA	1%	0%
WASHINGTON	3%	3%
WEST VIRGINIA	1%	0%
WISCONSIN	4%	5%
WYOMING	0%	0%
TOTAL	100%	100%

Foreign Taxes

To avoid double taxation, you are entitled to claim a foreign tax credit or take an itemized deduction, as applicable, on your federal income tax return for the foreign taxes paid by the International Equity Index and International Growth Portfolios during 2007. Generally, you will owe less federal income tax if you claim the foreign tax credit by filing IRS Form 1116. (For corporations, use Form 1118.)

Determining Your Credits & Deductions

Qualifying Foreign Taxes Paid: Multiply the “Foreign Tax Factor” for each country in the table below by the amount in box 6 of your Form 1099-DIV. This result is your qualifying foreign taxes paid used in Part II of Form 1116.

Gross Income from Sources Outside the U.S.: Multiply the “Foreign Source Income Factor” for each country in the table below by the amount in box I of your Form 1099-DIV. This result is your gross income from sources outside the U.S. used in Part I of Form 1116.

We recommend that you consult your tax advisor to determine whether the deduction or credit is best for you. For additional information, refer to IRS Publication 514, Foreign Tax Credit for Individuals, or call the Foreign Tax Credit Department of the IRS at 800-829-1040.

COUNTRY	INTERNATIONAL EQUITY INDEX		INTERNATIONAL GROWTH EQUITY	
	FOREIGN TAX FACTOR	FOREIGN SOURCE INCOME FACTOR	FOREIGN TAX FACTOR	FOREIGN SOURCE INCOME FACTOR
AUSTRALIA	0.0194	0.0652	–	0.0245
AUSTRIA	0.0065	0.0041	–	–
BELGIUM	0.0301	0.0149	–	–
BERMUDA	–	0.0022	–	–
CAYMAN ISLANDS	–	0.0033	–	–
CHINA	–	–	–	0.0013
DENMARK	0.0066	0.0041	–	–
EGYPT	–	0.0018	–	–
FINLAND	0.0299	0.0168	0.0510	0.0099
FRANCE	0.1975	0.1022	0.1312	0.0283
GERMANY	0.1453	0.0793	0.2920	0.0630
GREECE	–	0.0065	–	0.0060
HONG KONG	–	0.0159	–	–
IRELAND	–	0.0098	–	0.0018
ITALY	0.1051	0.0589	0.1474	0.0464
JAPAN	0.0736	0.0764	0.0720	0.0301
LUXEMBOURG	0.0002	0.0002	–	–
NETHERLANDS	0.1046	0.0486	–	–
NEW ZEALAND	0.0029	0.0022	–	–
NORWAY	0.0170	0.0096	0.0292	0.0057
PORTUGAL	0.0100	0.0039	–	–
SINGAPORE	–	0.0116	–	0.0034
SPAIN	0.0877	0.0425	0.1081	0.0212
SWEDEN	0.0596	0.0299	0.0188	0.0092
SWITZERLAND	0.1040	0.0480	0.1503	0.0296
UNITED KINGDOM	–	0.2457	–	0.1354
TOTAL	1.0000	0.9036	1.0000	0.4158

DIRECT U.S. GOVERNMENT & AGENCY OBLIGATIONS

Percentage of Dividends Derived from Direct U.S. Government & Agency Obligations

In some states, mutual fund dividends derived from certain direct U.S. government and agency obligations may be exempt from state income taxes. A portion of the dividend income paid by Northern Institutional Funds during 2008 may qualify for this exemption. This table shows the percentage of dividends attributable to direct U.S. government and agency obligations for each of the Northern Institutional Portfolios during 2007.

PORTFOLIO	U.S. GOVERNMENT	FEDERAL FARM CREDIT UNION	FEDERAL HOME LOAN BANK	STUDENT LOAN MARKETING ASSOCIATION	TENNESSEE VALLEY AUTHORITY
BALANCED	1%	—	2%	—	—
BOND	12%	—	9%	—	—
CORE BOND	1%	—	12%	—	—
DIVERSIFIED ASSETS	—	—	—	—	—
DIVERSIFIED GROWTH	—	—	1%	—	—
EQUITY INDEX	—	—	—	—	—
FOCUSED GROWTH	—	—	—	—	—
GOVERNMENT	0%	12%	19%	—	—
GOVERNMENT SELECT	2%	24%	73%	—	1%
INTERMEDIATE BOND	3%	—	7%	—	—
INTERNATIONAL EQUITY INDEX	—	—	—	—	—
INTERNATIONAL GROWTH EQUITY	—	—	—	—	—
LIQUID ASSETS	—	—	—	—	—
MID CAP GROWTH	—	—	—	—	—
MUNICIPAL MONEY MARKET	—	—	—	—	—
PRIME OBLIGATIONS	—	—	—	—	—
SHORT BOND	—	—	2%	—	—
SMALL COMPANY GROWTH	—	—	—	—	—
SMALL COMPANY INDEX	—	—	—	—	—
TAX-EXEMPT	—	—	—	—	—
U.S. GOVERNMENT SECURITIES	3%	1%	53%	—	—
U.S. TREASURY INDEX	58%	—	1%	—	—

IRS CIRCULAR 230 NOTICE: The information in this guide is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law. For more information about this notice, see northerntrust.com/circular230.

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