

NORTHERN
INSTITUTIONAL
FUNDS

TAX
FACTS

2008

Northern Institutional Funds: Tax Facts 2008 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 2008.

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LONG-TERM CAPITAL GAIN DISTRIBUTIONS

Listed in the table below 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	0.611723
INTERNATIONAL EQUITY INDEX	0.372237
U.S. TREASURY INDEX	0.013688

CAPITAL GAIN INFORMATION FOR RHODE ISLAND

For Rhode Island, the following chart shows the percentage of capital gain distributions for assets held one to five years and five years or more. This information may be necessary to prepare your Rhode Island state tax filings.

PORTFOLIOS	ASSETS HELD MORE THAN 1 YEAR AND UP TO 5 YEARS	ASSETS HELD MORE THAN 5 YEARS
EQUITY INDEX	16%	84%
INTERNATIONAL EQUITY INDEX	90%	10%
U.S. TREASURY INDEX	100%	0%

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 2008 as shown on your year-end statement.

PORTFOLIOS	TAX EXEMPT %	TAXABLE %
MUNICIPAL MONEY MARKET	99.49%	0.51%
TAX-EXEMPT	99.52%	0.48%

TAX-EXEMPT INCOME EARNED BY STATE

Generally, the U.S. government does not impose income tax on interest income derived from municipal obligations. 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 2008 for the Municipal Money Market and the 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	0%	0%
ARIZONA	2%	1%
ARKANSAS	0%	0%
CALIFORNIA	2%	3%
COLORADO	4%	3%
CONNECTICUT	0%	0%
DELAWARE	0%	0%
DISTRICT OF COLUMBIA	2%	2%
FLORIDA	10%	8%
GEORGIA	2%	4%
GUAM	0%	0%
HAWAII	0%	0%
IDAHO	0%	1%
ILLINOIS	11%	13%
INDIANA	3%	2%
IOWA	2%	2%
KANSAS	1%	1%
KENTUCKY	2%	2%
LOUISIANA	2%	2%
MAINE	0%	0%
MARYLAND	2%	2%
MASSACHUSETTS	3%	4%
MICHIGAN	6%	1%
MINNESOTA	2%	3%
MISSISSIPPI	1%	2%
MISSOURI	3%	2%
MONTANA	0%	0%
NEBRASKA	0%	0%
NEVADA	1%	1%
NEW HAMPSHIRE	1%	0%
NEW JERSEY	1%	1%
NEW MEXICO	1%	2%
NEW YORK	2%	1%
NORTH CAROLINA	2%	2%
NORTH DAKOTA	0%	0%
OHIO	3%	4%
OKLAHOMA	1%	2%
OREGON	1%	0%
PENNSYLVANIA	3%	2%
PUERTO RICO	1%	1%
RHODE ISLAND	0%	0%
SOUTH CAROLINA	1%	1%
SOUTH DAKOTA	0%	1%
TENNESSEE	2%	3%
TEXAS	7%	11%
UTAH	2%	3%
VERMONT	0%	0%
VIRGIN ISLANDS	0%	0%
VIRGINIA	1%	0%
WASHINGTON	3%	3%
WEST VIRGINIA	0%	0%
WISCONSIN	5%	3%
WYOMING	0%	0%
TOTAL	100%	100%

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 2008.

PORTFOLIOS	U.S. GOVERNMENT	FEDERAL FARM CREDIT BANK	FEDERAL HOME LOAN BANK	STUDENT LOAN MARKETING ASSOCIATION	TENNESSEE VALLEY AUTHORITY
BOND	14.21%	—	7.36%	—	—
CORE BOND	1.00%	—	6.99%	—	—
DIVERSIFIED ASSETS	4.91%	—	4.32%	—	—
DIVERSIFIED GROWTH	—	—	—	—	—
EQUITY INDEX	0.29%	—	—	—	—
FOCUSED GROWTH	—	—	—	—	—
GLOBAL TACTICAL ASSET ALLOCATION	3.00%	—	—	—	—
GOVERNMENT	3.37%	5.83%	33.01%	—	—
GOVERNMENT SELECT	3.00%	9.00%	88.00%	—	—
INTERMEDIATE BOND	2.00%	—	7.66%	—	—
INTERNATIONAL EQUITY INDEX	—	—	—	—	—
INTERNATIONAL GROWTH	—	—	—	—	—
LIQUID ASSETS	4.65%	—	7.72%	—	—
MID CAP GROWTH	—	—	—	—	—
MUNICIPAL MONEY MARKET	—	—	0.50%	—	—
PRIME OBLIGATIONS	5.64%	—	4.31%	—	—
SHORT BOND	—	1.80%	9.23%	—	—
SMALL COMPANY GROWTH	—	—	1.34%	—	—
SMALL COMPANY INDEX	0.63%	—	—	—	—
TAX-EXEMPT	—	—	0.48%	—	—
TREASURY	15.79%	—	—	—	—
U.S. GOVERNMENT SECURITIES	5.57%	3.65%	29.66%	—	—
U.S. TREASURY INDEX	89.85%	—	0.64%	—	—

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Income & Capital Gain Distributions

For the 2008 calendar year, 100% of the dividends paid by the fixed income portfolios is taxable as ordinary income for federal income tax purposes.

Listed in the table below 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
DIVERSIFIED GROWTH	83.18%
EQUITY INDEX	81.98%
FOCUSED GROWTH	78.15%
GLOBAL TACTICAL ASSET ALLOCATION	18.88%
INTERNATIONAL EQUITY INDEX	71.89%
INTERNATIONAL GROWTH EQUITY	75.82%
SMALL COMPANY INDEX	20.77%
SMALL COMPANY GROWTH	19.19%

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 2008 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 2008.

PORTFOLIOS	DRD PERCENTAGE
DIVERSIFIED GROWTH	84.95%
EQUITY INDEX	81.86%
FOCUSED GROWTH	79.53%
GLOBAL TACTICAL ASSET ALLOCATION	16.09%
SMALL COMPANY INDEX	4.83%
SMALL COMPANY GROWTH	16.58%

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. Form 1099-INT (Box 9) reports the tax-exempt income that is subject to AMT. The table below reports the percentage of tax-exempt income subject to the AMT.

PORTFOLIOS	AMT PERCENTAGE
MUNICIPAL MONEY MARKET	0.00%
TAX-EXEMPT	0.00%

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 2008. 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: Form 1099-DIV (Box 6) reports the foreign taxes paid. This is your qualifying foreign taxes paid used in Part II of Form 1116 (for corporations, Schedule B of Form 1118).

Gross Income from Sources Outside the U.S.: Multiply the “Foreign Source Income Factor” in the table below by the amount in box 1a of your Form 1099-DIV. This result is your gross income from sources outside the U.S. used in Part I of Form 1116 (for corporations, Schedule A of Form 1118).

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.

PORTFOLIOS	FOREIGN TAX PAID	FOREIGN SOURCE INCOME
INTERNATIONAL EQUITY INDEX	1.0000	1.320030
INTERNATIONAL GROWTH EQUITY	1.0000	1.361804



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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