

## PROSPECTUS SUPPLEMENT

**NORTHERN INSTITUTIONAL FUNDS  
MONEY MARKET PORTFOLIOS  
SERVICE AND PREMIER SHARES AND SHARES  
PROSPECTUSES**

**SUPPLEMENT DATED APRIL 10, 2009 TO  
PROSPECTUS DATED APRIL 1, 2009**

*The following information supplements the information on pages 3-4 of the Service and Premier Shares and Shares Prospectuses:*

On April 8, 2009, the Board of Trustees of Northern Institutional Funds approved the participation by each of the Portfolios, except for the Treasury Portfolio, in the subsequent extension (the "Subsequent Extension") of the U.S. Department of the Treasury's Temporary Guarantee Program for Money Market Funds (the "Program"). The Program was previously due to expire on April 30, 2009. The Program protects the net asset value ("NAV") of certain shares owned by a shareholder of record in the Portfolios at the close of business on September 19, 2008, subject

to the terms of the Program as further described on pages 3-4 of the Prospectuses.

Each Portfolio will bear the expense of its participation in the Program without regard to any expense caps currently in place and, therefore, all shareholders will bear such expense irrespective of the extent of their coverage. The fee for participation in the Subsequent Extension is 0.015% of the NAV of each of the Government, Government Select, Tax-Exempt and Municipal Portfolios and 0.023% of the NAV of the Diversified Assets Portfolio as of September 19, 2008.

The Subsequent Extension terminates on September 18, 2009, and the Treasury Department currently has no authority to extend the Program beyond that date.

Further information about the Program can be obtained at [www.ustreas.gov](http://www.ustreas.gov). Any questions regarding the Portfolios' participation in the Program should be addressed to Northern Institutional Funds at 800-637-1380.

*This supplement, the above referenced prospectus and each Portfolio itself are not in any manner approved, endorsed, sponsored or authorized by the U.S. Treasury Department.*

*Please retain this Supplement with your Prospectus for future reference.*

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**Northern Trust**

NIFSPTMM 04/09



## NORTHERN INSTITUTIONAL FUNDS

MONEY MARKET PORTFOLIOS – SERVICE & PREMIER SHARES

YOUR PROSPECTUS INSIDE

APRIL 1, 2009

TRUST NORTHERN FOR WHAT REALLY MATTERS



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## NORTHERN INSTITUTIONAL FUNDS

DIVERSIFIED ASSETS PORTFOLIO

GOVERNMENT PORTFOLIO

GOVERNMENT SELECT PORTFOLIO

TREASURY PORTFOLIO

TAX-EXEMPT PORTFOLIO

MUNICIPAL PORTFOLIO

**Prospectus dated April 1, 2009**

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An investment in a Portfolio is not a deposit of any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation ("FDIC"), any other government agency, or Northern Trust. An investment in a Portfolio involves investment risks including possible loss of principal.

Although each of the Portfolios seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Portfolios.

The Securities and Exchange Commission ("SEC") has not approved or disapproved these securities or passed upon the adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

Shares of Northern Institutional Funds are distributed by Northern Funds Distributors, LLC, 10 High Street, Suite 302, Boston, MA 02110. Northern Funds Distributors, LLC is not affiliated with Northern Trust.

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## OVERVIEW

**NORTHERN INSTITUTIONAL FUNDS (THE “TRUST”) OFFERS SIX MONEY MARKET PORTFOLIOS (EACH A “PORTFOLIO”) TO INSTITUTIONAL INVESTORS. EACH PORTFOLIO IS AUTHORIZED TO OFFER THREE CLASSES OF SHARES: SHARES, SERVICE SHARES AND PREMIER SHARES. PREMIER SHARES ARE NOT CURRENTLY OFFERED TO INVESTORS. SHARES ARE DESCRIBED IN A SEPARATE PROSPECTUS.**

The descriptions on the following pages may help you choose the Portfolio or Portfolios that best fit your investment needs. Keep in mind, however, that no Portfolio can guarantee it will meet its investment objective and no Portfolio should be relied upon as a complete investment program. This Prospectus describes six money market portfolios currently offered by the Trust. The Trust also offers other investment portfolios, including additional money market portfolios and fixed-income, asset allocation, equity and equity index portfolios, which are described in separate prospectuses.

The Portfolios seek to maintain a stable net asset value (“NAV”) of \$1.00 per share. Consistent with this policy, each of the Portfolios:

- Limits its dollar-weighted average portfolio maturity to 90 days or less;
- Buys securities with remaining maturities of 397 days or less (except for certain variable and floating rate instruments and securities collateralizing repurchase agreements); and
- Invests only in U.S. dollar-denominated securities that represent minimal credit risks.

In addition, each Portfolio limits its investments to “Eligible Securities” as defined by the SEC. Eligible Securities include, generally, securities that either (a) have short-term debt ratings at the time of purchase in the two highest rating categories by a Nationally Recognized Statistical Rating Organization (“NRSRO”) or (b) are issued or guaranteed by, or otherwise allow a Portfolio to demand payment from, an issuer with those ratings. Securities that are unrated (including securities of issuers that have long-term but not short-term ratings) may be deemed to be Eligible Securities if they are determined to be of comparable quality by the Investment Adviser under the direction of the Board of Trustees. After its purchase, a portfolio security may be assigned a lower rating or cease to be rated. If this occurs, a Portfolio may continue to hold the issue if the Investment Adviser believes it is in the best interest of the Portfolio and its shareholders. Securities that are in the highest short-term rating category (and comparable unrated securities) are called “First Tier Securities.” Under normal circumstances, the Diversified Assets, Government, Government Select and Treasury Portfolios intend to limit purchases of securities to First Tier Securities. Securities

in which the Portfolios may invest may not earn as high a level of income as long-term or lower quality securities, which generally have greater market risk and more fluctuation in market value.

In accordance with current SEC regulations, each Portfolio generally will not invest more than 5% of the value of its total assets at the time of purchase in the securities of any single issuer. The Portfolios may, however, invest up to 25% of their total assets in the securities of a single issuer for up to three Business Days. These limitations do not apply to cash, certain repurchase agreements, U.S. government securities or securities of other investment companies. In addition, securities subject to certain unconditional guarantees and securities that are not First Tier Securities as defined by the SEC are subject to different diversification requirements as described in the Statement of Additional Information (“Additional Statement”).

Each of the Portfolios, except for the Treasury Portfolio, participates in the U.S. Department of the Treasury’s Temporary Guarantee Program for Money Market Funds (the “Program”). The Program protects the NAV of certain shares of a shareholder of record in the Portfolios at the close of business on September 19, 2008. A shareholder would receive a payment in the amount of \$1.00 per covered share upon liquidation of the Portfolio, if the Portfolio’s market-based NAV per share were to fall below \$0.995 and was not promptly restored to \$1.00 (a “Guarantee Event”). Upon the occurrence of a Guarantee Event, a Portfolio’s Board of Trustees must, in the absence of an intervening “cure” event, promptly initiate all actions necessary under state and federal law to commence liquidation of that Portfolio. The Program will guarantee any difference between the amount received by an investor in connection with the liquidation and \$1.00 per share. The number of covered shares is the lesser of the number of shares owned on September 19, 2008 or the number of shares owned on the date when the payment is triggered. **Shares acquired by a covered shareholder after the close of business on September 19, 2008 will not be guaranteed.** If a covered shareholder closes his or her account with the Portfolios or a broker-dealer or other intermediary, any future investment in the Portfolios will not be guaranteed. Guarantee payments under the Program will not exceed the amount available within the Treasury’s Exchange Stabilization Fund.

Each participating Portfolio will bear the expense of its participation in the Program without regard to any expense caps

currently in place and, therefore, all shareholders will bear such expense irrespective of the extent of their coverage. The fee for participation is 0.015% of the NAV of the Government, Government Select, Tax-Exempt and Municipal Portfolios and 0.022% of the NAV of the Diversified Assets Portfolio, all as of September 19, 2008.

The Program terminates on April 30, 2009, but may be extended by the Treasury Department to terminate no later than September 18, 2009. If the Treasury Department further extends the Program, the Board of Trustees will consider whether to continue to participate.

Further information about the Program can be obtained at [www.ustreas.gov](http://www.ustreas.gov). Any questions regarding the Portfolios' participation in the Program should be addressed to Northern Institutional Funds at 800-637-1380.

In addition to the instruments described above and on the following pages, each Portfolio may use various investment techniques in seeking its investment objective. You can learn more about these techniques and related risks by reading "Risks, Securities and Techniques" in this Prospectus beginning on page 34 and in the Additional Statement.

## PORTFOLIOS

## DIVERSIFIED ASSETS PORTFOLIO

## INVESTMENT OBJECTIVE

The Portfolio seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high quality money market instruments.

## PRINCIPAL INVESTMENT STRATEGIES AND RISKS

**INVESTMENT STRATEGIES.** The Portfolio seeks to achieve its objective by investing in a broad range of government, bank and commercial obligations that are available in the money markets, including:

- U.S. dollar-denominated obligations of U.S. banks (including obligations of foreign branches of such banks);
- U.S. dollar-denominated obligations of foreign commercial banks;
- High quality commercial paper and other obligations issued or guaranteed by U.S. and foreign corporations and other issuers;
- Corporate bonds, notes, paper and other instruments that are of high quality;
- Asset-backed securities;
- Securities issued or guaranteed as to principal and interest by the U.S. government or by its agencies, instrumentalities or sponsored enterprises and custodial receipts with respect thereto;
- U.S. dollar-denominated securities issued or guaranteed by one or more foreign governments or political subdivisions, agencies or instrumentalities;
- Repurchase agreements relating to the above instruments; and
- Municipal securities issued or guaranteed by state or local governmental bodies.

During extraordinary market conditions and interest rate environments, some portion of the Portfolio's total net assets may be uninvested. In such cases, a portion of the Portfolio's assets may be held in cash in the Portfolio's custody account. Cash assets are not income-generating and therefore would impact the Portfolio's current yield.

**RISKS.** These principal investment risks apply to the Portfolio: stable NAV, interest rate, guarantor (or credit enhancement), prepayment (or call), debt extension, counterparty failure, management, liquidity, credit (or default), structured securities, financial services sector and foreign securities risks. See page 9 for a discussion of these risks.

*More information on the Portfolio's investment strategies and techniques is provided in "Risks, Securities and Techniques" beginning on page 34 of this Prospectus.*

## GOVERNMENT PORTFOLIO

## INVESTMENT OBJECTIVE

The Portfolio seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high quality money market instruments.

## PRINCIPAL INVESTMENT STRATEGIES AND RISKS

**INVESTMENT STRATEGIES.** The Portfolio seeks to achieve its objective by investing, under normal circumstances, substantially all (and at least 80%) of its net assets in securities issued or guaranteed as to principal and interest by the U.S. government or by its agencies, instrumentalities or sponsored enterprises, and repurchase agreements backed by such securities.

The Portfolio may make significant investments in securities issued by U.S. government-sponsored entities. Such securities are neither issued nor guaranteed by the U.S. Treasury.

During extraordinary market conditions and interest rate environments, some portion of the Portfolio's total net assets may be uninvested. In such cases, a portion of the Portfolio's assets may be held in cash in the Portfolio's custody account. Cash assets are not income-generating and therefore would impact the Portfolio's current yield.

**RISKS.** These principal investment risks apply to the Portfolio: stable NAV, interest rate, guarantor (or credit enhancement), prepayment (or call), debt extension, counterparty failure, management, liquidity, structured securities and U.S. government securities risks. See page 9 for a discussion of these risks.

*More information on the Portfolio's investment strategies and techniques is provided in "Risks, Securities and Techniques" beginning on page 34 of this Prospectus.*

## GOVERNMENT SELECT PORTFOLIO

## INVESTMENT OBJECTIVE

The Portfolio seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high quality money market instruments.

## PRINCIPAL INVESTMENT STRATEGIES AND RISKS

**INVESTMENT STRATEGIES.** The Portfolio seeks to achieve its objective by investing, under normal circumstances, substantially all (and at least 80%) of its net assets in securities issued or guaranteed as to principal and interest by the U.S. government or by its agencies, instrumentalities or sponsored enterprises. Under normal circumstances, the Portfolio will seek to acquire only those U.S. government securities paying interest that generally is exempt from state income taxation. These securities include obligations issued by the U.S. Treasury and certain U.S. government agencies, instrumentalities or sponsored enterprises, such as the Federal Home Loan Bank and the Federal Farm Credit Banks Funding Corp.

Under unusual circumstances, as when appropriate securities that are exempt from state taxes are unavailable, the Portfolio also may invest in non-exempt U.S. government securities and cash equivalents, including money market funds and time deposits with a maturity of three months or less, and hold uninvested cash. Cash assets are not income-generating and therefore would impact the Portfolio's current yield.

The Portfolio may make significant investments in securities issued by U.S. government-sponsored entities. Such securities are neither issued nor guaranteed by the U.S. Treasury.

**RISKS.** These principal investment risks apply to the Portfolio: stable NAV, interest rate, guarantor (or credit enhancement), prepayment (or call), debt extension, counterparty failure, management, liquidity, structured securities and U.S. government securities risks. See page 9 for a discussion of these risks.

*More information on the Portfolio's investment strategies and techniques is provided in "Risks, Securities and Techniques" beginning on page 34 of this Prospectus.*

## TREASURY PORTFOLIO

## INVESTMENT OBJECTIVE

The Portfolio seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing primarily in U.S. Treasury securities, securities guaranteed as to principal and interest by the U.S. government, and related repurchase agreements.

## PRINCIPAL INVESTMENT STRATEGIES AND RISKS

**INVESTMENT STRATEGIES.** The Portfolio seeks to achieve its objective by investing, under normal circumstances, substantially all (and at least 80%) of its net assets in:

- Short-term bills, notes and other obligations issued or guaranteed by the U.S. Treasury ("Treasury Obligations");
- Securities guaranteed as to principal and interest by the U.S. government ("Government Obligations");
- Repurchase agreements with counterparties collateralized fully by Treasury Obligations and Government Obligations; and
- Shares of other money market portfolios of regulated investment companies that i) limit investments to U.S. Treasury Obligations, Government Obligations, and related repurchase agreements, and ii) determine NAVs based on Rule 2a-7 under the Investment Company Act of 1940, as amended (the "1940 Act").

While the Portfolio expects to invest predominantly in the securities listed above, it may also invest in other Eligible Securities, as defined and discussed on page 3 of this Prospectus.

In addition, during extraordinary market conditions and interest rate environments, some portion of the Portfolio's total net assets may be uninvested. Such a strategy may be deemed advisable during periods where the interest rate on newly-issued U.S. Treasury securities is extremely low, or where no interest rate is paid at all. In such cases, the Portfolio's assets may be held in cash in the Portfolio's custody account. Cash assets are not income-generating and therefore would impact the Portfolio's current yield.

**RISKS.** These principal investment risks apply to the Portfolio: stable NAV, interest rate, guarantor (or credit enhancement), prepayment (or call), debt extension, counterparty failure, management and liquidity risks. See page 9 for a discussion of these risks.

*More information on the Portfolio's investment strategies and techniques is provided in "Risks, Securities and Techniques" beginning on page 34 of this Prospectus.*

## TAX-EXEMPT PORTFOLIO

## INVESTMENT OBJECTIVE

The Portfolio seeks to provide, to the extent consistent with the preservation of capital and prescribed portfolio standards, a high level of income exempt from regular federal income tax by investing primarily in municipal instruments.

## PRINCIPAL INVESTMENT STRATEGIES AND RISKS

**INVESTMENT STRATEGIES.** The Portfolio seeks to achieve its objective by investing primarily in high quality short-term municipal instruments, the interest on which is exempt from regular federal income tax. The high level of income sought by the Portfolio is relative to yields currently available in the tax-exempt marketplace. Municipal instruments may include:

- Fixed, variable and floating rate notes and similar debt instruments;
- Asset-backed securities that are considered municipal instruments (such as trust certificates backed by municipal bonds);
- Tax-exempt commercial paper;
- Municipal bonds, notes, paper or other instruments; and
- Municipal bonds and notes that are guaranteed as to principal and interest or backed by the U.S. government or by its agencies, instrumentalities or sponsored enterprises.

Except in extraordinary circumstances, at least 80% of the Portfolio's net assets will be invested in debt instruments that pay interest that is exempt from regular federal income tax. Alternative minimum tax ("AMT") obligations, which pay interest that may be treated as an item of tax preference to shareholders under the federal AMT, will not be deemed to be eligible debt instruments for the purposes of determining whether the Portfolio meets this policy. To the extent that the Portfolio invests in AMT obligations, a limited portion of the Portfolio's dividends may be subject to federal income tax for shareholders subject to AMT.

During temporary defensive periods all or any portion of the Portfolio's assets may be held uninvested or invested in AMT obligations and taxable instruments. Taxable investments may consist of those instruments that may be purchased by the Diversified Assets Portfolio. Cash assets are not income-generating and therefore would impact the Portfolio's current yield. The Portfolio may not achieve its investment objective when this temporary defensive strategy is used.

**RISKS.** These principal investment risks apply to the Portfolio: stable NAV, interest rate, guarantor (or credit enhancement), prepayment (or call), debt extension, counterparty failure, management, liquidity, credit (or default), structured securities, project/industrial development bond, tax and municipal market volatility risks. See page 9 for a discussion of these risks.

*More information on the Portfolio's investment strategies and techniques is provided in "Risks, Securities and Techniques" beginning on page 34 of this Prospectus.*

## MUNICIPAL PORTFOLIO

## INVESTMENT OBJECTIVE

The Portfolio seeks to provide, to the extent consistent with the preservation of capital, a high level of income exempt from regular federal income tax by investing primarily in municipal instruments. This objective may be changed without shareholder approval.

## PRINCIPAL INVESTMENT STRATEGIES AND RISKS

**INVESTMENT STRATEGIES.** The Portfolio seeks to achieve its objective by investing primarily in high quality short-term municipal instruments, the interest on which is exempt from regular federal income tax. The high level of income sought by the Portfolio is relative to yields currently available in the tax-exempt marketplace. Municipal instruments may include:

- Fixed, variable and floating rate notes and similar debt instruments;
- Asset-backed securities that are considered municipal instruments (such as trust certificates backed by municipal bonds);
- Tax-exempt commercial paper;
- Municipal bonds, notes, paper or other instruments; and
- Municipal bonds and notes that are guaranteed as to principal and interest or backed by the U.S. government or by its agencies, instrumentalities or sponsored enterprises.

Except in extraordinary circumstances, at least 80% of the Portfolio's net assets will be invested in debt instruments that pay interest that is exempt from regular federal income tax. AMT obligations, which pay interest that may be treated as an item of tax preference to shareholders under the federal AMT, will be deemed eligible investments for the purposes of determining whether the portfolio meets this policy. To the extent that the Portfolio invests in AMT obligations, a significant portion of the Portfolio's dividends may be subject to federal income tax for shareholders subject to AMT. Although the Portfolio is not limited in the amount of its assets that may be invested in AMT obligations, the Portfolio does not currently intend to invest in AMT obligations.

During temporary defensive periods all or any portion of the Portfolio's assets may be held uninvested or invested in taxable instruments. Taxable investments may consist of those instruments that may be purchased by the Diversified Assets Portfolio. Cash assets are not income-generating and therefore would impact the Portfolio's current yield. The Portfolio may

not achieve its investment objective when this temporary defensive strategy is used.

**RISKS.** These principal investment risks apply to the Portfolio: stable NAV, interest rate, guarantor (or credit enhancement), prepayment (or call), debt extension, counterparty failure, management, liquidity, credit (or default), structured securities, project/industrial development bond, tax and municipal market volatility risks. See page 9 for a discussion of these risks.

*More information on the Portfolio's investment strategies and techniques is provided in "Risks, Securities and Techniques" beginning on page 34 of this Prospectus.*

## PRINCIPAL INVESTMENT RISKS

All investments carry some degree of risk that will affect the value of a Portfolio, its yield and investment performance and the price of its shares.

**AN INVESTMENT IN EACH OF THE PORTFOLIOS IS NOT A DEPOSIT OF ANY BANK AND IS NOT INSURED OR GUARANTEED BY THE FDIC, ANY OTHER GOVERNMENT AGENCY OR NORTHERN TRUST. ALTHOUGH EACH OF THE PORTFOLIOS SEEKS TO PRESERVE THE VALUE OF YOUR INVESTMENT AT \$1.00 PER SHARE, IT IS POSSIBLE TO LOSE MONEY BY INVESTING IN THE PORTFOLIOS.**

The following summarizes the principal risks that apply to the Portfolios.

### RISKS THAT APPLY TO ALL PORTFOLIOS

**STABLE NAV RISK** is the risk that a Portfolio will not be able to maintain an NAV per share of \$1.00 at all times. A significant enough market disruption or drop in market prices of securities held by a Portfolio, especially at a time when the Portfolio needs to sell securities to meet shareholder redemption requests, could cause the value of the Portfolio's shares to decrease to a price less than \$1.00 per share. The U.S. government has taken numerous steps to alleviate these market concerns, including without limitation, acquiring ownership interests in distressed institutions. However, there is no assurance that such actions will be successful. Continuing market problems and government intervention in the economy may adversely affect the Portfolios. Notwithstanding the preceding discussion, shareholders of the Diversified Assets, Government, Government Select, Tax-Exempt and Municipal Portfolios will be guaranteed to receive \$1.00 NAV for amounts that they held in the Portfolios as of September 19, 2008, subject to the terms of the U.S. Department of the Treasury's Temporary Guarantee Program for Money Market Funds (as discussed on page 3).

**INTEREST RATE RISK** is the risk that during periods of rising interest rates, a Portfolio's yield (and the market value of its securities) will tend to be lower than prevailing market rates; in periods of falling interest rates, a Portfolio's yield (and the market value of its securities) will tend to be higher.

**GUARANTOR (OR CREDIT ENHANCEMENT) RISK** is the risk that changes in credit quality of a U.S. or foreign bank, insurance company or other financial institution or such entity's failure to fulfill its obligations could cause a Portfolio's investments in securities backed by guarantees, letters of credit, insurance or other credit enhancements issued by such bank or institution to decline in value. Guarantees, letters of credit, insurance or other credit enhancements do not protect a Portfolio or its shareholders from losses caused by declines in a security's market value. In addition, having multiple securities' credit enhanced by the same enhancement provider will increase the adverse effects on a Portfolio that are likely to result from a

downgrading of, or a default by, such an enhancement provider. Adverse developments in the banking or bond insurance industries also may negatively affect a Portfolio.

**PREPAYMENT (OR CALL) RISK** is the risk that an issuer will exercise its right to pay principal on an obligation held by a Portfolio (such as an asset-backed security) sooner than expected. This may happen during a period of falling interest rates. Accordingly, a Portfolio's ability to maintain positions in such securities will be affected by reductions in the principal amount of such securities resulting from prepayments, and its ability to reinvest the returns of principal at comparable yields is subject to generally prevailing interest rates at that time.

**DEBT EXTENSION RISK** is the risk that an issuer will exercise its right to pay principal on an obligation held by a Portfolio (such as an asset-backed security) later than expected. This may happen during a period of rising interest rates. Under these circumstances, the value of the obligation will decrease and the Portfolio will suffer from the inability to invest in higher yielding securities.

**COUNTERPARTY FAILURE RISK** is the risk that a bank or other financial institution that has entered into a repurchase agreement or other transaction may default on its payment obligations. The Portfolios intend to enter into financial transactions with counterparties that are creditworthy at the time of the transactions. There is always the risk that the Investment Adviser's analysis of creditworthiness is incorrect or may change due to market conditions. To the extent that a Portfolio focuses its transactions with a limited number of counterparties, it will be more susceptible to the risks associated with one or more counterparties.

**MANAGEMENT RISK** is the risk that a strategy used by the investment management team may fail to produce the intended results.

**LIQUIDITY RISK** is the risk that a Portfolio will not be able to pay redemption proceeds within the time periods described in this Prospectus because of unusual market conditions, an

unusually high volume of redemption requests or other reasons. Certain portfolio securities may be less liquid than others, which may make them difficult or impossible to sell at the time and the price that a Portfolio would like. A Portfolio may have to lower the price, sell other securities instead or forgo an investment opportunity. Any of these events could have a negative effect on portfolio management or performance.

#### RISK THAT APPLIES PRIMARILY TO THE DIVERSIFIED ASSETS, TAX-EXEMPT AND MUNICIPAL PORTFOLIOS

**CREDIT (OR DEFAULT) RISK** is the risk that an issuer of fixed-income securities held by a Portfolio may default on its obligation to pay interest and repay principal. Generally, the lower the credit rating of a security, the greater the risk that the issuer of the security will default on its obligation. High quality securities are generally believed to have relatively low degrees of credit risk.

#### RISK THAT APPLIES TO THE DIVERSIFIED ASSETS, GOVERNMENT, GOVERNMENT SELECT, TAX-EXEMPT AND MUNICIPAL PORTFOLIOS

**STRUCTURED SECURITIES RISK** is the risk that loss may result from a Portfolio's investments in structured securities, which are considered to be derivative instruments because their value is based on changes in specific securities, indices or similar financial indicators. For these reasons, structured securities present additional risk that the interest paid to the Portfolio on a structured security will be less than expected, and that the principal amount invested will not be returned to the Portfolio. Structured securities also may be more volatile, less liquid and more difficult to price accurately than less complex securities due to their derivative nature. As a result, investments in structured securities may adversely affect the Portfolio's NAV. In some cases it is possible that a Portfolio may suffer a total loss on its investment in a structured security.

#### RISKS THAT APPLY TO THE DIVERSIFIED ASSETS PORTFOLIO

**FINANCIAL SERVICES SECTOR RISK** is the risk that an economic downturn or other market event could have a significant negative effect on issuers in the financial services sector. A Portfolio may focus its investments in this sector, which increases the risk of your investment. With respect to collateral received in repurchase transactions or other investments, a Portfolio may have significant exposure to the financial services and mortgage markets. Such exposure, depending on market conditions, could have a negative impact on the Portfolio, including minimizing the value of any collateral.

**FOREIGN SECURITIES RISK** is the risk that a foreign security, even if it is a U.S. dollar-denominated foreign security, could lose value as a result of political, financial and economic events in foreign countries, less stringent foreign securities regulations and accounting and disclosure standards, or other factors.

#### RISK THAT APPLIES PRIMARILY TO THE GOVERNMENT AND GOVERNMENT SELECT PORTFOLIOS

**U.S. GOVERNMENT SECURITIES RISK** is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Although many U.S. government securities purchased by the Portfolios, such as those issued by the Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") and Federal Home Loan Banks may be chartered or sponsored by Acts of Congress, their securities are neither issued nor guaranteed by the United States Treasury and, therefore, are not backed by the full faith and credit of the United States. The maximum potential liability of the issuers of some U.S. government securities held by a Portfolio may greatly exceed their current resources, including their legal right to support from the U.S. Treasury. It is possible that these issuers will not have the funds to meet their payment obligations in the future.

#### RISKS THAT APPLY TO THE TAX-EXEMPT AND MUNICIPAL PORTFOLIOS

**PROJECT/INDUSTRIAL DEVELOPMENT BOND RISK** is the risk that a Portfolio may be more sensitive to an adverse economic, business or political development if it invests more than 25% of its assets in municipal instruments, the interest upon which is paid solely from revenues of similar projects, or in industrial development bonds.

**TAX RISK** is the risk that future legislative or administrative changes or court decisions may materially affect the ability of a Portfolio to pay tax-exempt dividends or the value of municipal instruments.

**MUNICIPAL MARKET VOLATILITY RISK** is the risk that the volatile municipal market can be significantly affected by adverse tax, legislative, or political changes and the financial condition of the issuers of municipal securities.

*More information about the Portfolios' investment strategies and techniques is provided in "Risks, Securities and Techniques" beginning on page 34. You should carefully consider the risks discussed in this section and in "Risks, Securities and Techniques" before investing in a Portfolio.*

## PORTFOLIO PERFORMANCE

THE BAR CHARTS AND TABLES THAT FOLLOW PROVIDE AN INDICATION OF THE RISKS OF INVESTING IN A PORTFOLIO BY SHOWING CHANGES IN THE PERFORMANCE OF A PORTFOLIO'S SERVICE SHARES FROM YEAR TO YEAR.

The bar charts and tables assume reinvestment of dividends and distributions. A Portfolio's past performance is not necessarily an indication of how the Portfolio will perform in the future. Performance reflects fee reductions and expense limitations that were in effect during the periods presented. If fee reductions and expense limitations were not in place, a Portfolio's performance would have been reduced.

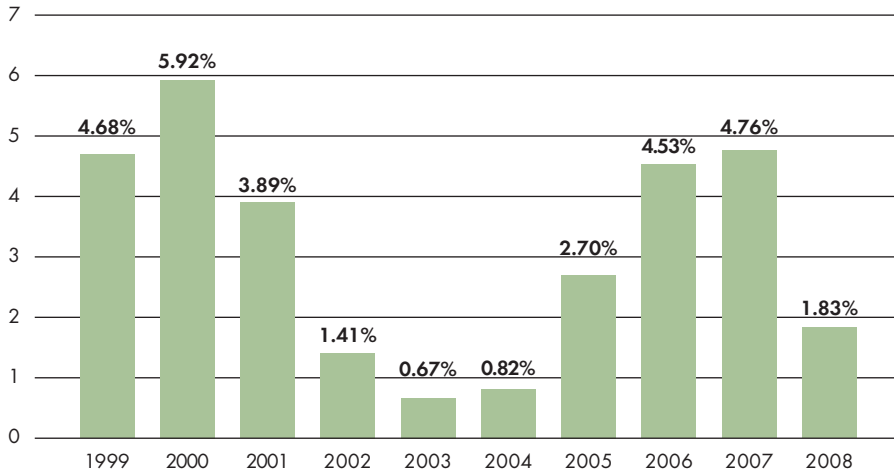
There are no Premier Shares currently outstanding for the Diversified Assets, Government, Government Select, Tax-Exempt or Municipal Portfolios.\* For this reason, the performance information shown below for these Portfolios is only for Service Shares. Service Shares, Premier Shares and Shares are all invested in the same portfolio of securities. IN REVIEWING THIS PERFORMANCE INFORMATION, HOWEVER, YOU SHOULD BE AWARE THAT SERVICE SHARES HAVE ANNUALIZED SERVICE AGENT FEES OF 0.25% AND A 0.01% ANNUALIZED TRANSFER AGENCY FEE, AND PREMIER SHARES HAVE ANNUALIZED SERVICE AGENT FEES OF 0.50% AND A 0.02% ANNUALIZED TRANSFER AGENCY FEE.

The bar chart and performance table have been omitted for the Treasury Portfolio because the Portfolio has not been in operation for one full calendar year.

\* Premier Shares for the Diversified Assets, Government, Government Select and Municipal Portfolios were initially issued on April 1, 1999, December 15, 1998, November 23, 1998 and November 9, 2005, respectively, and all Premier Shares for these Portfolios were redeemed as of November 25, 2008, December 10, 2008, November 25, 2008 and November 19, 2008, respectively. Premier Shares for the Tax-Exempt Portfolio were initially issued on July 11, 2001 and all Premier Shares for this Portfolio were redeemed on September 26, 2001. Premier Shares are not currently offered.

**DIVERSIFIED ASSETS PORTFOLIO**

**CALENDAR YEAR TOTAL RETURN: SERVICE SHARES**



**BEST AND WORST QUARTERLY PERFORMANCE**

(For the periods shown in the bar chart)

Best Quarter Return	
Q4	2000
<b>1.53%</b>	

Worst Quarter Return	
Q4	2008
<b>0.10%</b>	

**AVERAGE ANNUAL TOTAL RETURN**

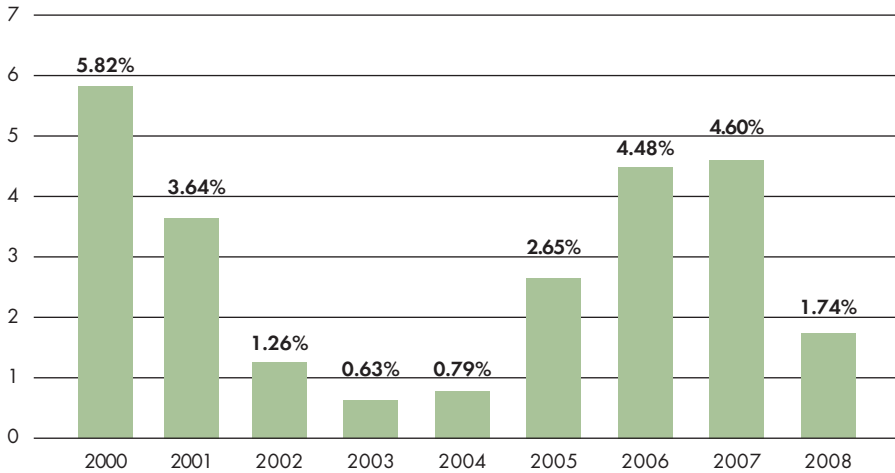
(For the periods ended December 31, 2008)

	Inception Date	1-Year	5-Year	10-Year	Since Inception
<b>Diversified Assets Portfolio</b>					
Service Shares	7/1/98	1.83%	2.92%	3.11%	3.19%

The 7-day yield for Service Shares of the Portfolio as of December 31, 2008: 0.26%.  
For the current 7-day yield, call 800-637-1380 or visit [northerninstitutionalfunds.com](http://northerninstitutionalfunds.com).

**GOVERNMENT PORTFOLIO**

**CALENDAR YEAR TOTAL RETURN: SERVICE SHARES \***



\* The Calendar Year Total Returns are shown for the Service Shares class because there were no Premier Shares outstanding as of December 31, 2008. Premier Shares are not currently offered.

**BEST AND WORST QUARTERLY PERFORMANCE**

(For the periods shown in the bar chart)

Best Quarter Return	
Q4	2000
<b>1.51%</b>	

Worst Quarter Return	
Q1	2004
<b>0.12%</b>	

**AVERAGE ANNUAL TOTAL RETURN**

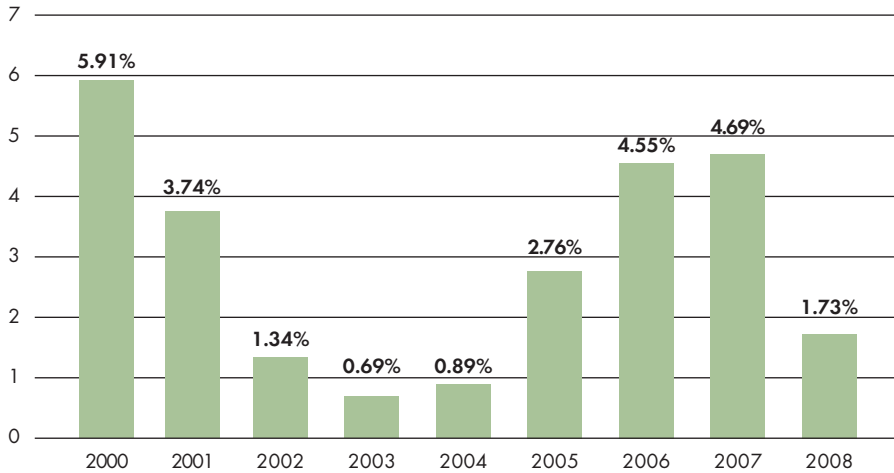
(For the periods ended December 31, 2008)

	Inception Date	1-Year	5-Year	Since Inception
<b>Government Portfolio</b>				
Service Shares	4/1/99	1.74%	2.84%	2.97%

The 7-day yield for Service Shares of the Portfolio as of December 31, 2008: 0.39%.  
For the current 7-day yield, call 800-637-1380 or visit [northerninstitutionalfunds.com](http://northerninstitutionalfunds.com).

GOVERNMENT SELECT PORTFOLIO

CALENDAR YEAR TOTAL RETURN: SERVICE SHARES \*



\* The Calendar Year Total Returns are shown for the Service Shares class because there were no Premier Shares outstanding as of December 31, 2008. Premier Shares are not currently offered.

BEST AND WORST QUARTERLY PERFORMANCE

(For the periods shown in the bar chart)

Best Quarter Return	
Q4	2000
1.53%	

Worst Quarter Return	
Q4	2008
0.15%	

AVERAGE ANNUAL TOTAL RETURN

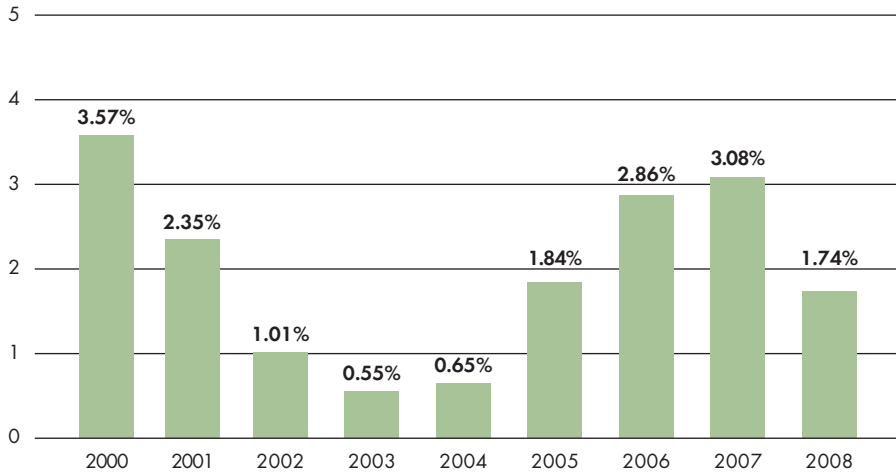
(For the periods ended December 31, 2008)

	Inception Date	1-Year	5-Year	Since Inception
<b>Government Select Portfolio</b>				
Service Shares	5/28/99	1.73%	2.91%	3.02%

The 7-day yield for Service Shares of the Portfolio as of December 31, 2008: 0.28%.  
For the current 7-day yield, call 800-637-1380 or visit [northerninstitutionalfunds.com](http://northerninstitutionalfunds.com).

**TAX-EXEMPT PORTFOLIO**

**CALENDAR YEAR TOTAL RETURN: SERVICE SHARES**



**BEST AND WORST QUARTERLY PERFORMANCE**

(For the periods shown in the bar chart)

Best Quarter Return	
Q4	2000
<b>0.93%</b>	

Worst Quarter Return	
Q3	2003
<b>0.09%</b>	

**AVERAGE ANNUAL TOTAL RETURN**

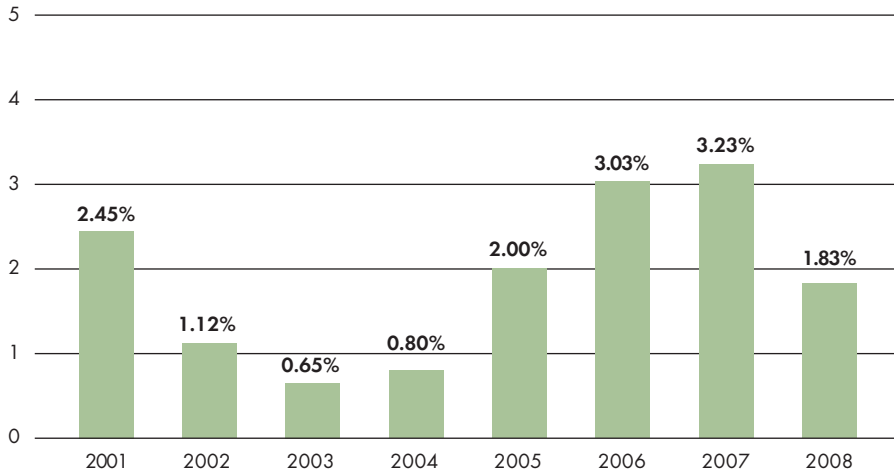
(For the periods ended December 31, 2008)

	Inception Date	1-Year	5-Year	Since Inception
<b>Tax-Exempt Portfolio</b>				
Service Shares	5/13/99	1.74%	2.03%	2.01%

The 7-day yield for Service Shares of the Portfolio as of December 31, 2008: 0.80%.  
 For the current 7-day yield, call 800-637-1380 or visit [northerninstitutionalfunds.com](http://northerninstitutionalfunds.com).

MUNICIPAL PORTFOLIO

CALENDAR YEAR TOTAL RETURN: SERVICE SHARES



BEST AND WORST QUARTERLY PERFORMANCE

(For the periods shown in the bar chart)

Best Quarter Return	
Q3	2007
<b>0.83%</b>	

Worst Quarter Return	
Q3	2003
<b>0.12%</b>	

AVERAGE ANNUAL TOTAL RETURN

(For the periods ended December 31, 2008)

	Inception Date	1-Year	5-Year	Since Inception
<b>Municipal Portfolio</b>				
Service Shares	2/11/00	1.83%	2.17%	2.07%

The 7-day yield for Service Shares of the Portfolio as of December 31, 2008: 0.87%.  
 For the current 7-day yield, call 800-637-1380 or visit [northerninstitutionalfunds.com](http://northerninstitutionalfunds.com).

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## PORTFOLIO FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold Service Shares and Premier Shares of the Portfolios. Please note that the following information does not reflect any charges that may be imposed by The Northern Trust

Company (“TNTC”), its affiliates, correspondent banks and other institutions on their Customers (as defined on page 25). (For more information, please see “Account Policies and Other Information – Financial Intermediaries” on page 29.)

SHAREHOLDER FEES (fees paid directly from your investment)					
Portfolio	Maximum Sales Charge (Load) Imposed on Purchases	Maximum Deferred Sales Charge (Load)	Maximum Sales Charge (Load) Imposed on Reinvested Distributions	Redemption Fees	Exchange Fees
DIVERSIFIED ASSETS					
Service Shares	None	None	None	None	None
Premier Shares*	None	None	None	None	None
GOVERNMENT					
Service Shares	None	None	None	None	None
Premier Shares*	None	None	None	None	None
GOVERNMENT SELECT					
Service Shares	None	None	None	None	None
Premier Shares*	None	None	None	None	None
TREASURY					
Service Shares*	None	None	None	None	None
Premier Shares*	None	None	None	None	None
TAX-EXEMPT					
Service Shares	None	None	None	None	None
Premier Shares*	None	None	None	None	None
MUNICIPAL					
Service Shares	None	None	None	None	None
Premier Shares*	None	None	None	None	None

\* As of the date of the Prospectus, no shares of these classes are issued and outstanding.

## FOOTNOTES

- (1) “Other Expenses” are comprised of three sub-categories: “Service Agent Fees,” “Transfer Agency Fees” and “Other Operating Expenses.” “Other Operating Expenses” include administration fees and all other ordinary operating expenses of the Portfolios not listed above. The Administrator is entitled to an administration fee from the Portfolios at the annual rate of 0.10% of the average daily net assets of each Portfolio. Under the Administration Agreement with the Trust, which may be amended by the Trust’s Board of Trustees without shareholder approval, Northern Trust Investments, N.A. (“NTI”), as Administrator, has agreed to reimburse expenses (including fees payable to NTI for its services as Administrator, but excluding management fees, transfer agency fees, service agent fees, taxes, interest and other extraordinary expenses), that exceed on an annualized basis 0.10% of each Portfolio’s average daily net assets.
- (2) “Other Expenses” include expenses borne by the Portfolio for its participation in the U.S. Department of the Treasury’s Temporary Guarantee Program for Money Market Funds of 0.01% of the Portfolio’s average daily net assets.
- (3) “Other Expenses” of the Treasury Portfolio are estimated for the current fiscal year since the Portfolio commenced operations on November 5, 2008.
- (4) For certain Portfolios, the Investment Adviser has voluntarily agreed to waive a portion of its management fees and/or reimburse expenses, as shown on page 20. Also, set forth are the distribution (12b-1) fees, other expenses and total annual portfolio operating expenses that are actually incurred by the Portfolios, or expect to be incurred in the case of the Treasury Portfolio, as a result of the contractual expense reimbursements discussed in footnote 1. The Investment Adviser’s voluntary fee waivers and/or expense reimbursements may be modified, terminated or implemented at any time at the option of the Investment Adviser to the Portfolios. When this occurs, “Total Annual Portfolio Operating Expenses” may increase (or decrease) without shareholder approval.
- (5) In order to avoid a negative yield, the Investment Adviser may reimburse expenses or waive advisory fees of a Portfolio. Any such expense reimbursement or waiver would be voluntary and could be implemented or discontinued at any time. There is no guarantee that a Portfolio will be able to avoid a negative yield.

**ANNUAL PORTFOLIO OPERATING EXPENSES**  
(expenses that are deducted from Portfolio assets)

Management Fees	Distribution (12b-1) Fees	Service Agent Fees	Transfer Agency Fees	Other Operating Expenses	Other Expenses <sup>(1)</sup>	Total Annual Portfolio Operating Expenses <sup>(4)</sup>
0.25%	None	0.25%	0.01%	0.13%	0.39% <sup>(2)</sup>	0.64% <sup>(5)</sup>
0.25%	None	0.50%	0.02%	0.13%	0.65% <sup>(2)</sup>	0.90% <sup>(5)</sup>
0.25%	None	0.25%	0.01%	0.13%	0.39% <sup>(2)</sup>	0.64% <sup>(5)</sup>
0.25%	None	0.50%	0.02%	0.13%	0.65% <sup>(2)</sup>	0.90% <sup>(5)</sup>
0.20%	None	0.25%	0.01%	0.13%	0.39% <sup>(2)</sup>	0.59% <sup>(5)</sup>
0.20%	None	0.50%	0.02%	0.13%	0.65% <sup>(2)</sup>	0.85% <sup>(5)</sup>
0.20%	None	0.25%	0.01%	0.37%	0.63% <sup>(3)</sup>	0.83% <sup>(5)</sup>
0.20%	None	0.50%	0.02%	0.37%	0.89% <sup>(3)</sup>	1.09% <sup>(5)</sup>
0.25%	None	0.25%	0.01%	0.13%	0.39% <sup>(2)</sup>	0.64% <sup>(5)</sup>
0.25%	None	0.50%	0.02%	0.13%	0.65% <sup>(2)</sup>	0.90% <sup>(5)</sup>
0.20%	None	0.25%	0.01%	0.13%	0.39% <sup>(2)</sup>	0.59% <sup>(5)</sup>
0.20%	None	0.50%	0.02%	0.13%	0.65% <sup>(2)</sup>	0.85% <sup>(5)</sup>

**TOTAL ANNUAL PORTFOLIO OPERATING EXPENSES –  
AFTER VOLUNTARY FEE WAIVERS AND VOLUNTARY AND CONTRACTUAL REIMBURSEMENTS**  
*(see footnote 4 on page 18)*

Portfolio	Management Fees	Distribution (12b-1) Fees	Other Expenses	Total Annual Portfolio Operating Expenses
<b>DIVERSIFIED ASSETS</b>				
Service Shares	0.25%	None	0.37%	0.62%
Premier Shares*	0.25%	None	0.63%	0.88%
<b>GOVERNMENT</b>				
Service Shares	0.25%	None	0.37%	0.62%
Premier Shares*	0.25%	None	0.63%	0.88%
<b>GOVERNMENT SELECT</b>				
Service Shares	0.10%	None	0.37%	0.47%
Premier Shares*	0.10%	None	0.63%	0.73%
<b>TREASURY</b>				
Service Shares*	0.10%	None	0.36%	0.46%
Premier Shares*	0.10%	None	0.62%	0.72%
<b>TAX-EXEMPT</b>				
Service Shares	0.25%	None	0.37%	0.62%
Premier Shares*	0.25%	None	0.63%	0.88%
<b>MUNICIPAL</b>				
Service Shares	0.10%	None	0.37%	0.47%
Premier Shares*	0.10%	None	0.63%	0.73%

\* As of the date of the Prospectus, no shares of these classes are issued and outstanding.

**EXAMPLE**

The following Example is intended to help you compare the cost of investing in Service Shares or Premier Shares of a Portfolio (without fee waivers and expense reimbursements) with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in a Portfolio for the time periods indicated (with reinvestment of all dividends and distributions) and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that a Portfolio's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

Portfolio	1 Year	3 Years	5 Years	10 Years
<b>DIVERSIFIED ASSETS</b>				
Service Shares	\$65	\$205	\$357	\$798
Premier Shares*	\$92	\$287	\$498	\$1,108
<b>GOVERNMENT</b>				
Service Shares	\$65	\$205	\$357	\$798
Premier Shares*	\$92	\$287	\$498	\$1,108
<b>GOVERNMENT SELECT</b>				
Service Shares	\$60	\$189	\$329	\$738
Premier Shares*	\$87	\$271	\$471	\$1,049
<b>TREASURY</b>				
Service Shares*	\$85	\$265	N/A	N/A
Premier Shares*	\$111	\$347	N/A	N/A
<b>TAX-EXEMPT</b>				
Service Shares	\$65	\$205	\$357	\$798
Premier Shares*	\$92	\$287	\$498	\$1,108
<b>MUNICIPAL</b>				
Service Shares	\$60	\$189	\$329	\$738
Premier Shares*	\$87	\$271	\$471	\$1,049

\* As of the date of the Prospectus, no shares of these classes are issued and outstanding.

## INVESTMENT ADVISER

Northern Trust Investments, N.A. (“NTI” or the “Investment Adviser”) is a subsidiary of TNTC and serves as the Investment Adviser of each of the Portfolios. NTI is located at 50 South LaSalle Street, Chicago, IL 60603. Unless otherwise indicated, NTI and TNTC are referred to collectively in this Prospectus as “Northern Trust.”

NTI is an investment adviser registered under the Investment Advisers Act of 1940, as amended. It primarily manages assets for defined contribution and benefit plans, investment companies and other institutional investors.

TNTC is an Illinois state chartered banking organization and a member of the Federal Reserve System. Formed in 1889, TNTC administers and manages assets for individuals, personal trusts, defined contribution and benefit plans and other institutional and corporate clients. TNTC is the principal subsidiary of Northern Trust Corporation, a company that is regulated by the Board of Governors of the Federal Reserve System as a financial holding company under the U.S. Bank Holding Company Act of 1956, as amended.

Northern Trust Corporation, through its subsidiaries, has for more than 100 years managed the assets of individuals, charitable organizations, foundations and large corporate investors. As of December 31, 2008, it had assets under custody of \$3.0 trillion, and assets under investment management of \$558.8 billion.

Under its Advisory Agreement with the Trust, the Investment Adviser, subject to the general supervision of the Trust’s Board of Trustees, is responsible for making investment decisions for the Portfolios and for placing purchase and sale orders for portfolio securities.

## ADVISORY FEES

As compensation for its advisory services and its assumption of related expenses, the Investment Adviser is entitled to an advisory fee from the Portfolios, computed daily and payable monthly, at annual rates set forth in the table below (expressed as a percentage of each Portfolio's respective average daily net assets). The table also reflects the advisory fees (after voluntary fee waivers) paid by the Portfolios as a percentage of net assets for the fiscal year ended November 30, 2008.

The difference, if any, between the contractual advisory fee and the actual advisory fee paid by the Portfolios reflects the fact that the Investment Adviser did not charge the full amount of the advisory fees to which it was entitled. The Investment Adviser may discontinue or modify its voluntary fee waivers in the future at its discretion.

A discussion regarding the Board of Trustees' basis for approving the Diversified Assets, Government, Government Select, Tax-Exempt and Municipal Portfolios' Advisory Agreement is available in the Portfolios' semiannual report to shareholders for the six-month period ending May 31. A discussion regarding the Board of Trustees' basis for the initial approval of the Treasury Portfolio's Advisory Agreement is available in the Portfolio's annual report to shareholders for the twelve-month period ending November 30.

Portfolio	Contractual Rate	Advisory Fee Paid for Fiscal Year Ended 11/30/2008
DIVERSIFIED ASSETS	0.25%	0.25%
GOVERNMENT	0.25%	0.25%
GOVERNMENT SELECT	0.20%	0.10%
TREASURY	0.20%	0.00%
TAX-EXEMPT	0.25%	0.25%
MUNICIPAL	0.20%	0.10%

## OTHER PORTFOLIO SERVICES

TNTC serves as Transfer Agent and Custodian for each Portfolio. The Transfer Agent performs various shareholder servicing functions, and any shareholder inquiries should be directed to it. In addition, NTI serves as Administrator for the Portfolios. TNTC also performs certain administrative services for the Portfolios pursuant to a sub-administration agreement with NTI. The fees that NTI receives for its services are described under “Portfolio Fees and Expenses” and in the Additional Statement. NTI pays TNTC for its sub-administration services out of its administration fees and TNTC’s fees do not represent additional expenses to the Portfolios.

TNTC, NTI and other Northern Trust affiliates may provide other services to the Portfolios and receive compensation for such services if consistent with the 1940 Act and the rules, exemptive orders and no-action letters issued by the SEC thereunder. Unless required, investors in a Portfolio may or may not receive specific notice of such additional services and fees.

## PURCHASING AND SELLING SERVICE SHARES AND PREMIER SHARES

## INVESTORS

Institutional investors, acting on their own behalf or on behalf of customers and other beneficial owners (“Customers”) and entering into servicing agreements with the Trust (“Servicing Agreement”), may invest in the Service Shares and Premier Shares of each Portfolio through their institutional accounts at Northern Trust or an affiliate. They also may establish accounts directly with the Trust.

There is no sales charge imposed on investments. Institutional investors (“Institutions”) include:

- Defined contribution plans having at least \$30 million in assets or annual contributions of at least \$5 million;
- Corporations, partnerships, business trusts and other institutions and organizations; and
- Northern Trust personal financial services clients having at least \$500 million in total assets at Northern Trust.

## SHARE CLASSES

Each Portfolio is authorized to offer three classes of shares: Shares, Service Shares and Premier Shares. The Shares class is described in a separate prospectus.

- Shares do not provide for payments by the Portfolio to Institutions for administrative support or shareholder liaison services.
- Service Shares are designed for Institutions that agree with the Portfolio to provide (or arrange for the provision of) administrative support services to Customers.
- Premier Shares are designed for Institutions that agree with the Portfolio to provide (or arrange for the provision of) administrative support and shareholder liaison services to Customers. Premier Shares are not currently offered to investors.

Shares of each class bear their pro rata portion of all operating expenses paid by a Portfolio, except amounts payable under the Service Plan that has been adopted for the Portfolio’s Service Shares and Premier Shares and transfer agency fees. The Service Plan provides for payments at an annual rate of up to 0.25% and 0.50% of the average daily NAV of Service Shares and Premier Shares, respectively. Because of these class-specific expenses, the performance of the Shares of a Portfolio is expected to be higher than the performance of both the Service Shares and Premier Shares of the same Portfolio and the performance of a Portfolio’s Service Shares is expected to be higher than the performance of the same Portfolio’s Premier Shares.

## OPENING AN ACCOUNT

You may purchase Service Shares and Premier Shares of each Portfolio through your institutional account at Northern Trust (or an affiliate) or you may open an account directly with the Trust with a minimum initial investment of \$5 million in one or more Portfolios. This minimum does not apply, however, to Service Shares and Premier Shares purchased through a Northern Trust cash sweep program. There is no minimum for subsequent investments. Northern Trust personal financial services client assets to be invested in a Portfolio must be in a custody and/or investment management account(s) on Northern Trust’s trust/custody account platform.

**THROUGH AN INSTITUTIONAL ACCOUNT.** If you are opening an institutional account at Northern Trust, a Northern Trust representative can assist you with all phases of your investment. To purchase Service Shares or Premier Shares through your account, contact your Northern Trust representative for further information.

**DIRECTLY FROM THE TRUST.** An Institution may open a shareholder account and purchase Service Shares and Premier Shares directly from the Trust as described in the “Opening An Account” section of this Prospectus.

## BY MAIL

- Read this Prospectus carefully.
- Complete and sign the New Account Application.
- Include a Northern Institutional Funds Certification Form or other acceptable evidence of authority (if applicable).
- Enclose a check or Federal Reserve draft payable to Northern Institutional Funds.
- Mail your check, Northern Institutional Funds Certification Form or other acceptable evidence of authority (if applicable) and completed New Account Application to:

Northern Institutional Funds  
P.O. Box 75986  
Chicago, Illinois 60675-5986

All checks must be payable in U.S. dollars and drawn on a bank located in the United States. Cash and third party checks are not acceptable.

**BY TELEPHONE**

- Read this Prospectus carefully.
- Call the Northern Institutional Funds Center at 800-637-1380.

**TO OPEN A NEW ACCOUNT PLEASE PROVIDE:**

- The name of the Portfolio in which you would like to invest
- The number of Service Shares or Premier Shares or dollar amount to be invested
- The method of payment

**TO ADD TO AN EXISTING ACCOUNT, PLEASE PROVIDE:**

- The Institution's name
- Your account number

**BY WIRE OR AUTOMATED CLEARING HOUSE ("ACH") TRANSFER****TO OPEN A NEW ACCOUNT:**

- For more information or instructions regarding the purchase of Service Shares or Premier Shares, call the Northern Institutional Funds Center at 800-637-1380.

**TO ADD TO AN EXISTING ACCOUNT:**

- Have your bank wire federal funds or effect an ACH transfer to:

The Northern Trust Company  
Chicago, Illinois  
ABA Routing No. 0710-00152  
(Reference 1030 followed by your 10-Digit Portfolio account number, with no spaces (e.g., 1030#####))  
(Reference Shareholder's Name)

**SELLING SERVICE SHARES AND PREMIER SHARES**

**THROUGH AN INSTITUTIONAL ACCOUNT.** Institutions may sell (redeem) Service Shares and Premier Shares through their institutional account by contacting their Northern Trust account representative.

**DIRECTLY THROUGH THE TRUST.** Institutions that purchase Service Shares and Premier Shares directly from the Trust may redeem their Service Shares and Premier Shares through the Transfer Agent in one of the following ways:

**BY MAIL****SEND A WRITTEN REQUEST TO:**

Northern Institutional Funds  
P.O. Box 75986  
Chicago, Illinois 60675-5986

**THE LETTER OF INSTRUCTION MUST INCLUDE:**

- The signature of a duly authorized person
- Your account number
- The name of the Portfolio
- The number of Service Shares or Premier Shares or the dollar amount to be redeemed

**BY TELEPHONE**

- Call the Northern Institutional Funds Center at 800-637-1380 for instructions.
- During periods of unusual economic or market activity, telephone redemptions may be difficult to implement. In such event, shareholders should follow the procedures outlined above under "Selling Service Shares and Premier Shares—By Mail."

**BY WIRE**

If you authorize wire redemptions on your New Account Application, you can redeem shares and have the proceeds sent by federal wire transfer to a previously designated bank account.

- Call the Northern Institutional Funds Center at 800-637-1380 for instructions.
- The minimum amount that may be redeemed by this method is \$10,000.

## ACCOUNT POLICIES AND OTHER INFORMATION

**PURCHASE AND REDEMPTION MINIMUMS.** There is a minimum initial investment of \$5 million in one or more Portfolios. This minimum does not apply, however, to Service Shares or Premier Shares purchased through a Northern Trust cash sweep program. There is no minimum for subsequent investments. A \$10,000 minimum applies for redemptions by wire. The Trust reserves the right to waive purchase and redemption minimums and to determine the manner in which a minimum is satisfied.

**CALCULATING SHARE PRICE.** The Trust issues and redeems Service Shares and Premier Shares at NAV. The NAV for each class of shares of a Portfolio is calculated by dividing the value of the Portfolio's net assets attributed to that class by the number of the Portfolio's outstanding shares of the class. For each class of shares of the Government Select, Treasury, Tax-Exempt and Municipal Portfolios, the NAV is calculated on each Business Day as of 1:00 p.m. Central time. For each class of shares of the Diversified Assets and Government Portfolios, the NAV is calculated on each Business Day as of 2:00 p.m. Central time. Portfolio shares may be priced on days when the New York Stock Exchange (the "Exchange") is closed if the Securities Industry and Financial Markets Association ("SIFMA") recommends that the bond markets remain open for all or part of the day. The NAV used in determining the price of your shares is the one calculated after your purchase, exchange or redemption order is received in good order as described on page 29.

Each Portfolio seeks to maintain an NAV of \$1.00 per share by valuing the obligations held by it at amortized cost in accordance with SEC regulations. Amortized cost will normally approximate market value.

**TIMING OF PURCHASE REQUESTS.** Purchase requests received in good order and accepted by the Transfer Agent or other authorized intermediary on any Business Day by 1:00 p.m. Central time with respect to the Government Select, Treasury, Tax-Exempt and Municipal Portfolios, and by 2:00 p.m. Central time with respect to the Diversified Assets and Government Portfolios, will be executed the day they are received by either the Transfer Agent or other authorized intermediary, at that day's closing share price for the applicable Portfolio(s), provided that one of the following occurs:

- The Transfer Agent receives the payment in federal or other immediately available funds on the same Business Day by 1:00 p.m. Central time with respect to the Government Select, Treasury, Tax-Exempt and Municipal Portfolios, and by 2:00 p.m. Central time with respect to the Diversified Assets and Government Portfolios;
- The requests are placed by a financial or authorized intermediary that has entered into a Servicing Agreement

with the Trust and payment in federal or other immediately available funds is received by the Transfer Agent by the close of the same Business Day in accordance with the terms of the Trust's agreement with the intermediary; or

- Payment in federal or other immediately available funds is received by the close of the same Business Day in an institutional account maintained with Northern Trust or an affiliate.

Purchase requests received in good order by the Transfer Agent or other authorized intermediary on a non-Business Day or after the deadlines described above on a Business Day will be executed on the next Business Day, at that day's closing share price for the applicable Portfolio(s), provided that payment is made as noted above.

**IN-KIND PURCHASES AND REDEMPTIONS.** The Trust reserves the right to accept payment for Service Shares and Premier Shares in the form of securities that are permissible investments for a Portfolio. The Trust also reserves the right to pay redemptions by a distribution "in-kind" of securities (instead of cash) from a Portfolio. See the Additional Statement for further information about the terms of these purchases and redemptions.

#### MISCELLANEOUS PURCHASE INFORMATION.

- Institutions are responsible for transmitting purchase orders and delivering required funds on a timely basis.
- Institutions are responsible for all losses and expenses of a Portfolio, and purchase orders may be cancelled, in the event of any failure to make payment according to the procedures outlined in this Prospectus. In addition, a \$20 charge will be imposed if a check does not clear.
- Exchanges into the Portfolios from another investment portfolio in the Trust may be subject to any redemption fee imposed by the other investment portfolio.
- Service Shares and Premier Shares of a Portfolio are entitled to the dividends declared by the Portfolio beginning on the Business Day the purchase order is executed, provided payment in federal or other immediately available funds is received by the Transfer Agent by the time designated in "Timing of Purchase Requests" above.
- The Trust reserves the right to reject any purchase order. The Trust also reserves the right to change or discontinue any of its purchase procedures.
- In certain circumstances, the Trust may advance the time by which purchase orders must be received. See "Early Closings" on page 29.

**TIMING OF REDEMPTION AND EXCHANGE REQUESTS.**

Redemption and exchange requests received in good order by the Transfer Agent or other authorized intermediary on any Business Day by 1:00 p.m. Central time with respect to the Government Select, Treasury, Tax-Exempt and Municipal Portfolios, and by 2:00 p.m. Central time with respect to the Diversified Assets and Government Portfolios will be executed on the same day at that day's closing share price for the applicable Portfolio(s).

Redemption and exchange requests received in good order by the Transfer Agent or other authorized intermediary on a non-Business Day or after the deadline described above on a Business Day will be executed the next Business Day at that day's closing share price for the applicable Portfolio(s).

**PAYMENT OF REDEMPTION PROCEEDS.** Redemption proceeds normally will be sent or credited on the next Business Day following the Business Day on which such redemption request is received in good order by the deadline noted above, unless payment in immediately available funds on the same Business Day is requested. However, if you have recently purchased Service Shares or Premier Shares with a check or through an electronic transaction, payment may be delayed as discussed below under "Miscellaneous Redemption Information."

**MISCELLANEOUS REDEMPTION INFORMATION.** All redemption proceeds will be sent by check unless the Transfer Agent is directed otherwise. Redemption proceeds also may be wired. Redemptions are subject to the following restrictions:

- The Trust reserves the right to defer crediting, sending or wiring redemption proceeds for up to 7 days (or such longer period permitted by the SEC) after receiving the redemption order if, in its judgment, an earlier payment could adversely affect a Portfolio.
- If you are redeeming recently purchased Service Shares or Premier Shares by check or electronic transaction, your redemption request may not be paid until your check or electronic transaction has cleared. This may delay your payment for up to 10 days.
- Institutions are responsible for transmitting redemption orders and crediting their Customers' accounts with redemption proceeds on a timely basis.
- Redemption requests made to the Transfer Agent by mail must be signed by a person authorized by acceptable documentation on file with the Transfer Agent.
- Dividends on Service Shares and Premier Shares are earned through and including the day prior to the day on which they are redeemed.

- The Trust and the Transfer Agent reserve the right to redeem shares held by any shareholder who provides incorrect or incomplete account information or when such involuntary redemptions are necessary to avoid adverse consequences to the Trust and its shareholders or the Transfer Agent.
- The Trust may require any information from the shareholder reasonably necessary to ensure that a redemption request has been duly authorized.
- The Trust reserves the right to change or discontinue any of its redemption procedures.
- In certain circumstances, the Trust may advance the time by which redemption and exchange orders must be received. See "Early Closings" on page 29.

**EXCHANGE PRIVILEGES.** Institutions and their Customers (to the extent permitted by their account agreements) may exchange shares of a Portfolio for the same class of shares of another investment portfolio of the Trust only if the registration of both accounts is identical. Both accounts must have the same owner's name and title, if applicable. A \$1,000 minimum applies to exchanges. An exchange is a redemption of shares of one Portfolio and the purchase of the same class of shares of another investment portfolio in the Trust. If the shares redeemed are held in a taxable account, an exchange is considered a taxable event and may result in a gain or loss. The Trust reserves the right to waive or modify minimum investment requirements in connection with exchanges.

The Trust reserves the right to change or discontinue the exchange privilege at any time upon 60 days' written notice to shareholders and to reject any exchange request. Exchanges are only available in states where an exchange can legally be made. Before making an exchange, you should read the Prospectus for the shares you are acquiring.

**EXCESSIVE TRADING IN PORTFOLIO SHARES.** The Board of Trustees of the Trust has not adopted, on behalf of its Money Market Portfolios, policies and procedures with respect to frequent purchases and redemptions of Portfolio shares in light of the nature and high quality of the Portfolios' investments. Each Portfolio reserves the right to refuse a purchase order if management of the Portfolio determines that the purchase may not be in the best interests of the Portfolio.

**TELEPHONE TRANSACTIONS.** All calls may be recorded or monitored. The Transfer Agent has adopted procedures in an effort to establish reasonable safeguards against fraudulent telephone transactions. If reasonable measures are taken to verify that telephone instructions are genuine, the Trust and its service providers will not be responsible for any loss resulting from fraudulent or unauthorized instructions received over the telephone. In these circumstances, shareholders will bear the

risk of loss. During periods of unusual market activity, you may have trouble placing a request by telephone. In this event, consider sending your request in writing.

The proceeds of redemption orders received by telephone will be sent by check, wire or transfer according to proper instructions. All checks will be made payable to the shareholder of record and mailed only to the shareholder's address of record.

The Trust reserves the right to refuse a telephone redemption.

**ADVANCE NOTIFICATION OF LARGE TRANSACTIONS.** The Trust requests that an Institution give advance notice to the Transfer Agent by 11:00 a.m. Central time if it intends to place a purchase or redemption order of \$5 million or more on a Business Day.

**MAKING CHANGES TO YOUR ACCOUNT INFORMATION.** You may make changes to wiring instructions, address of record, or other account information only in writing. These instructions must be accompanied by a completed Northern Institutional Funds Certification Form, signature guarantee from an institution participating in the Stock Transfer Agency Medallion Program ("STAMP"), or other acceptable evidence of authority (if applicable). Additional requirements may be imposed. In accordance with SEC regulations, the Trust and Transfer Agent may charge a shareholder reasonable costs in locating a shareholder's current address.

**BUSINESS DAY.** A "Business Day" is each Monday through Friday when the Transfer Agent or the Exchange is open for business. For any given calendar year, the Portfolios will be closed on the following holidays or as observed: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

**GOOD ORDER.** A purchase, redemption or exchange request is considered to be "in good order" when all necessary information is provided and all required documents are properly completed, signed and delivered, including a completed Northern Institutional Funds Certification Form or other acceptable evidence of authority (if applicable). Additionally, a purchase order initiating the opening of an account will not be considered to be "in good order" unless the investor has provided all information required by the Trust's "Customer Identification Program" described below.

**CUSTOMER IDENTIFICATION PROGRAM.** Federal law requires the Trust to obtain, verify and record identifying information, which may include the name, business street address, taxpayer identification number or other identifying information for each investor who opens or reopens an account with the Trust. Applications without this information, or without an

indication that a taxpayer identification number has been applied for, may not be accepted. After acceptance, to the extent permitted by applicable law or the Trust's customer identification program, the Trust reserves the right to: (a) place limits on account transactions until an Institution's identity is verified; (b) refuse an investment in the Trust; or (c) involuntarily redeem an investor's shares and close an account in the event that an investor's identity is not verified. The Trust and its agents will not be responsible for any loss in an investor's account resulting from an investor's delay in providing all required identifying information or from closing an account and redeeming an investor's shares when an investor's identity is not verified.

**EARLY CLOSINGS.** The Portfolios reserve the right to advance the time for accepting purchase, redemption or exchange orders for same Business Day credit when the Exchange and/or the bond market close early, trading on the Exchange is restricted, an emergency arises or as otherwise permitted by the SEC. In addition, on any Business Day when SIFMA recommends that the bond markets close early, each Portfolio reserves the right to close at or prior to the SIFMA recommended closing time. If a Portfolio does so, it will cease granting same Business Day credit for purchase and redemption orders received at the Portfolio's closing time and credit will be given on the next Business Day. The Board of Trustees of the Portfolios may also, for any Business Day, decide to change the time as of which a Portfolio's NAV is calculated in response to new developments such as altered trading hours, or as otherwise permitted by the SEC.

**EMERGENCY OR UNUSUAL EVENTS.** In the event the Exchange does not open for business because of an emergency or unusual event, the Trust may, but is not required to, open one or more Portfolios for purchase, redemption and exchange transactions if the Federal Reserve wire payment system is open. To learn whether a Portfolio is open for business during an emergency situation or unusual event, please call 800-637-1380 or visit [northerninstitutionalfunds.com](http://northerninstitutionalfunds.com).

**FINANCIAL INTERMEDIARIES.** The Trust may authorize certain Institutions acting as financial intermediaries (including banks, trust companies, brokers and investment advisers) to accept purchase, redemption and exchange orders from their Customers on behalf of the Portfolios. These authorized intermediaries also may designate other intermediaries to accept such orders, if approved by the Trust. A Portfolio will be deemed to have received an order when the order is accepted by the authorized intermediary, and the order will be priced at the Portfolio's per share NAV next determined, provided that the authorized intermediary forwards the order (and payment for any purchase order) to the Transfer Agent on behalf of the Trust within agreed-upon time periods. If the order (or

payment for any purchase order) is not received by the Transfer Agent within such time periods, the authorized intermediary may be liable for fees and losses and the transaction may be cancelled.

Certain financial intermediaries, including affiliates of Northern Trust, may perform (or arrange to have performed) various administrative support services for Customers who are the beneficial owners of either Service Shares or Premier Shares through Servicing Agreements with the Trust (“Service Organizations”). In addition, Service Organizations perform (or arrange to have performed) personal and account maintenance services under their Servicing Agreements for Premier Shares. These Servicing Agreements are permitted under the Trust’s Service Plan (“Service Plan”). For both Service Shares and Premier Shares, administrative support services may include:

- acting, directly or through another, as shareholder of record;
- establishing and maintaining individual accounts and records;
- processing purchase, redemption and exchange orders; and
- placing net purchase and redemption orders with the Trust’s Transfer Agent.

Service Organizations will receive fees from the Portfolios for these services at an annual rate of up to 0.25% of the average daily NAV of the Service Shares and Premier Shares beneficially owned by their Customers.

Personal and account maintenance services provided under the Service Plan for Premier Shares may include:

- providing information to investors regarding the Portfolios or relating to the status of their accounts; and
- acting as liaison between investors and the Trust.

Service Organizations will receive additional fees from the Portfolios for these services at an annual rate of up to 0.25% of the average daily NAV of Premier Shares beneficially owned by their Customers. All fees payable under the Service Plan are borne solely by the classes of shares to which the services are provided and not by the Portfolios’ other classes of shares.

Northern Trust also may provide compensation to certain dealers and other financial intermediaries, including affiliates of Northern Trust, for marketing and distribution in connection with the Northern Institutional Funds. Northern Trust may also sponsor informational meetings, seminars and other similar programs designed to market the Northern Institutional Funds. The amount of such compensation and payments may be made on a one-time and/or periodic basis, and may represent all or a portion of the annual fees earned by the Investment Adviser (after adjustments). The additional

compensation and payments will be paid by Northern Trust or its affiliates and will not represent an additional expense to the Trust or its shareholders. Such payments may provide incentives for financial intermediaries to make shares of the Portfolios available to their Customers, and may allow the Portfolios greater access to such parties and their Customers than would be the case if no payments were paid.

Customers purchasing Service Shares or Premier Shares of a Portfolio through a financial intermediary should read their account agreements with the financial intermediary carefully. A financial intermediary’s requirements may differ from those listed in this Prospectus. A financial intermediary also may impose account charges, such as asset allocation fees, account maintenance fees, and other charges that will reduce the net return on an investment in a Portfolio. If a Customer has agreed with a particular financial intermediary to maintain a minimum balance and the balance falls below this minimum, the Customer may be required to redeem all or a portion of the Customer’s investment in a Portfolio.

Conflict of interest restrictions may apply to the receipt of compensation by a Service Organization or other financial intermediary in connection with the investment of fiduciary funds in Service Shares or Premier Shares of a Portfolio. Institutions, including banks regulated by the Comptroller of the Currency, Federal Reserve Board and state banking commissions, and investment advisers and other money managers subject to the jurisdiction of the SEC, the Department of Labor or state securities commissions, are urged to consult their legal counsel.

State securities laws regarding the registration of dealers may differ from federal law. As a result, Service Organizations and other financial intermediaries investing in the Portfolios on behalf of their Customers may be required to register as dealers.

**PORTFOLIO HOLDINGS.** The Portfolios, or their duly authorized service providers, may publicly disclose holdings of all Northern Institutional Funds in accordance with regulatory requirements, such as periodic portfolio disclosure in filings with the SEC.

A complete schedule of each Portfolio’s holdings, current as of calendar quarter-end will be available on the Portfolios’ Web site at [northerninstitutionalfunds.com](http://northerninstitutionalfunds.com) no earlier than ten (10) calendar days after the end of the respective period. This information will remain available on the Web site at least until the Portfolios file with the SEC their semiannual/annual shareholder report or quarterly portfolio holdings report that includes such period. The Portfolios may terminate or modify this policy at any time without further notice to shareholders.

A further description of the Trust’s Policy on Disclosure of Portfolio Holdings is available in the Additional Statement.

**SHAREHOLDER COMMUNICATIONS.** Shareholders of record will be provided each year with a semiannual report showing portfolio investments and other information as of May 31 and with an annual report containing audited financial statements as of November 30. If you have consented to the delivery of a single copy of shareholder reports, prospectuses, proxy statements or information statements to all shareholders who share the same mailing address with your account, you may revoke your consent at any time by contacting the Northern Institutional Funds Center by telephone at 800-637-1380 or by mail at Northern Institutional Funds, P.O. Box 75986, Chicago, IL 60675-5986. You also may send an e-mail to [northern-funds@ntrs.com](mailto:northern-funds@ntrs.com). The Portfolios will begin sending individual copies to you within 30 days after receipt of your revocation.

Northern Institutional Funds may reproduce this Prospectus in electronic format that may be available on the Internet. If you have received this Prospectus in electronic format you, or your representative, may contact the Transfer Agent for a free paper copy of this Prospectus by writing to the Northern Institutional Funds Center at P.O. Box 75986, Chicago, IL 60675-5986, calling 800-637-1380 or by sending an e-mail to: [northern-funds@ntrs.com](mailto:northern-funds@ntrs.com).

## DISTRIBUTIONS AND TAX CONSIDERATIONS

## DISTRIBUTIONS

Dividends from net income are declared daily and paid monthly by each Portfolio to its shareholders. Net income includes the interest accrued on a Portfolio's assets less estimated expenses. Each Portfolio's net realized short-term capital gains, if any, are distributed at least annually. The Portfolios do not expect to realize net long-term capital gains.

Dividends are paid as soon as practicable following the end of each month, except in the case of a total redemption of Service Shares or Premier Shares in an account that is not subject to a standing order for the purchase of additional shares of the same class. In that event, dividends will be paid promptly along with the redemption proceeds.

All distributions are reinvested automatically (without any sales charge) in additional Service Shares or Premier Shares of the same Portfolio, unless you elect to receive distributions in cash by notifying the Transfer Agent in writing. You may make arrangements to credit these distributions to your account with Northern Trust, its affiliates or its correspondent banks.

There are no fees or sales charges on reinvestments.

## TAX CONSIDERATIONS

The following is a summary of certain tax considerations that may be relevant to a shareholder in a Portfolio. The discussions of the federal tax consequences in this Prospectus and the Additional Statement are based on the Internal Revenue Code of 1986, as amended and the regulations issued under it, and court decisions and administrative interpretations, as in effect on the date of this Prospectus. Future legislative or administrative changes or court decisions may significantly alter the statements included herein, and any such changes or decisions may be retroactive. Except where otherwise indicated, the discussion relates to shareholders who are individual United States citizens or residents and is based on current tax law. You should consult your tax adviser for further information regarding federal, state, local and/or foreign tax consequences relevant to your specific situation.

**DISTRIBUTIONS.** Each Portfolio intends to qualify as a regulated investment company for federal tax purposes and to distribute to shareholders substantially all of its net investment income each year. Except as otherwise noted below, you will generally be subject to federal income tax at ordinary rates on a Portfolio's distributions to you, regardless of whether they are paid in cash or reinvested in Service Shares or Premier Shares.

The Portfolios generally will be invested in debt instruments and not in shares of stock on which dividend income will be received. As a result, the Portfolios do not expect to pay

dividends that are eligible for the reduced tax rate on corporate dividends or that will qualify for the dividends-received deduction for corporations.

**IRAS AND OTHER TAX-QUALIFIED PLANS.** One major exception to the preceding tax principles is that distributions on shares held in an IRA (or other tax-qualified plan) will not be currently taxable unless shares are acquired with borrowed funds.

**TAX-EXEMPT PORTFOLIOS.** The Tax-Exempt and Municipal Portfolios intend to pay substantially all of their dividends as "exempt-interest dividends," which are exempt from federal income taxes. Shareholders who are recipients of Social Security Act or Railroad Retirement Act benefits should note that exempt-interest dividends will be taken into account in determining the taxability of their benefit payments.

Interest on indebtedness incurred by a shareholder to purchase or carry shares of either the Tax-Exempt or Municipal Portfolios generally will not be deductible for federal income tax purposes. In certain instances, dividends paid by the Tax-Exempt and Municipal Portfolios, while exempt from regular federal income tax, may be subject to the AMT. In addition, the Tax-Exempt and Municipal Portfolios may invest a portion of their assets in securities that generate income that is not exempt from federal tax. Any dividends paid by the Tax-Exempt or Municipal Portfolios that are derived from taxable interest or from capital gains will be subject to federal income tax.

The Tax-Exempt and Municipal Portfolios will each determine annually the percentages of their net investment income that are exempt from the regular federal income tax, which constitute an item of tax preference for purposes of the AMT, and which are fully taxable. The Tax-Exempt and Municipal Portfolios will apply these percentages uniformly to all distributions declared from net investment income during that year.

Tax-exempt institutions, IRAs and other tax advantaged retirement accounts will not gain an additional benefit through investment in the Tax-Exempt and Municipal Portfolios because such investors are already tax-exempt. Non-U.S. shareholders similarly will not gain an additional benefit because currently they are generally exempt from tax on portfolio interest.

**BACKUP WITHHOLDING.** The Trust will be required in certain cases to withhold and remit to the U.S. Treasury 28% of the dividends and gross sales proceeds paid to any shareholder (i) who had provided either an incorrect tax identification number or no number at all, (ii) who is subject to backup withholding by the Internal Revenue Service for failure to report the receipt of taxable interest or dividend income

properly, or (iii) who has failed to certify to the Trust, when required to do so, that he or she is not subject to backup withholding or that he or she is an “exempt recipient.”

**U.S. TAX TREATMENT OF FOREIGN SHAREHOLDERS.** For distributions attributable to each Portfolio’s taxable years ending on or before November 30, 2010, nonresident aliens, foreign corporations and other foreign investors in a Portfolio will generally be exempt from U.S. federal income tax on Portfolio distributions attributable to and properly designated by a Portfolio as U.S.-source interest income and capital gains of the Portfolio. The exemption may not apply, however, if the recipient’s investment in a Portfolio is connected to a trade or business of the recipient in the United States or if the recipient is present in the United States for 183 days or more in a year and certain other conditions are met.

All foreign investors should consult their own tax advisors regarding the tax consequences in their country of residence of an investment in a Portfolio.

**STATE AND LOCAL TAXES.** You may also be subject to state and local taxes on income attributable to your ownership of Portfolio shares. State taxes may apply to all or a portion of the exempt-interest dividends paid by the Tax-Exempt and Municipal Portfolios. State income taxes may not apply, however, to the portions of a Portfolio’s distributions, if any, that are attributable to interest on U.S. government securities. You should consult your tax adviser regarding the tax status of distributions in your state and locality.

Your investment in the Portfolios could have additional tax consequences. This short summary is not intended as a substitute for careful tax planning. You should consult your tax professional for information regarding all tax consequences applicable to your investments in a Portfolio. More information about taxes is contained in the Additional Statement.

## RISKS, SECURITIES AND TECHNIQUES

**THIS SECTION TAKES A CLOSER LOOK AT SOME OF THE PORTFOLIOS' PRINCIPAL INVESTMENT STRATEGIES AND RELATED RISKS, WHICH ARE SUMMARIZED IN THE RISK/RETURN SUMMARIES FOR EACH PORTFOLIO.** It also explores various other investment securities and techniques that the investment management team may use. The Portfolios may invest in other securities and are subject to further restrictions and risks that are described in the Additional Statement. Additionally, the Portfolios may purchase other types of securities or instruments similar to those described in this section if otherwise consistent with the Portfolios' investment objectives and strategies.

**INVESTMENT OBJECTIVES.** The investment objective of the Municipal Portfolio may be changed by the Trust's Board of Trustees without shareholder approval. Shareholders will, however, be notified of any changes. Any such change may result in the Portfolio having an investment objective different from the objective that the shareholder considered appropriate at the time of investment in the Portfolio. The investment objectives of the other Portfolios may not be changed without shareholder approval.

**ASSET-BACKED SECURITIES.** Asset-backed securities are sponsored by entities such as government agencies, banks, financial companies and commercial or industrial companies. Asset-backed securities represent participations in, or are secured by and payable from, pools of assets such as mortgages, motor vehicle installment sale contracts, installment loan contracts, leases of various types of real and personal property, receivables from revolving credit (credit card) agreements, municipal securities and other financial assets.

Such asset pools are securitized through the use of privately-formed trusts or special purpose corporations. Payments or distributions of principal and interest may be guaranteed up to certain amounts and for a certain time period by a letter of credit or a pooled insurance policy issued by a financial institution, or by other credit enhancements.

**INVESTMENT STRATEGY.** The Diversified Assets Portfolio, Tax-Exempt Portfolio and Municipal Portfolio may purchase various types of asset-backed securities that are "Eligible Securities" as defined by the SEC. The Government Portfolio and Government Select Portfolio may purchase asset-backed securities (such as mortgage-backed securities) that are issued or guaranteed by the U.S. government or by its agencies, instrumentalities or sponsored enterprises.

**SPECIAL RISKS** In addition to credit and market risk, asset-backed securities may involve prepayment risk because the underlying assets (loans) may be prepaid at any time. The value of these securities also may change because of actual or perceived changes in the creditworthiness of the originator, the service agent, the financial institution providing the credit

support, or the counterparty. Credit supports generally apply only to a fraction of a security's value. Like other fixed-income securities, when interest rates rise, the value of an asset-backed security generally will decline. However, when interest rates decline, the value of an asset-backed security with prepayment features may not increase as much as that of other fixed-income securities. In addition, non-mortgage asset-backed securities involve certain risks not presented by mortgage-backed securities. Primarily, these securities do not have the benefit of the same security interest in the underlying collateral. Credit card receivables generally are unsecured, and the debtors are entitled to the protection of a number of state and federal consumer credit laws. Automobile receivables are subject to the risk that the trustee for the holders of the automobile receivables may not have an effective security interest in all of the obligations backing the receivables. If the issuer of the security has no security interest in the related collateral, there is the risk that a Portfolio could lose money if the issuer defaults. As a result of the economic recession that commenced in the United States in 2008, there is a heightened risk that the receivables and loans underlying the asset-backed securities purchased by the Portfolios may suffer greater levels of default than were historically experienced. In addition to prepayment risk, investments in mortgage-backed securities comprised of subprime mortgages and investments in other asset-backed securities of underperforming assets may be subject to a higher degree of credit risk, valuation risk and liquidity risk.

**BORROWINGS AND REVERSE REPURCHASE AGREEMENTS.** The Portfolios may borrow money from banks and may enter into reverse repurchase agreements with banks and other financial institutions. Reverse repurchase agreements involve the sale of money market securities held by a Portfolio subject to the Portfolio's agreement to repurchase them at a mutually agreed upon date and price (including interest).

**INVESTMENT STRATEGY.** Each Portfolio may borrow and enter into reverse repurchase agreements in amounts not exceeding one-fourth of its total assets (including the amount borrowed). The Portfolios may enter into reverse repurchase agreements

when the investment management team expects that the interest income to be earned from the investment of the transaction proceeds will be greater than the related interest expense.

**SPECIAL RISKS.** Borrowings and reverse repurchase agreements involve leveraging. If the securities held by the Portfolios decline in value while these transactions are outstanding, the NAV of the Portfolios' outstanding shares will decline in value by proportionately more than the decline in value of the securities. In addition, reverse repurchase agreements involve the risks that (a) the interest income earned by a Portfolio (from the investment of the proceeds) will be less than the interest expense of the transaction; (b) the market value of the securities sold by a Portfolio will decline below the price the Portfolio is obligated to pay to repurchase the securities; and (c) the securities may not be returned to the Portfolio.

**CAPITAL SUPPORT AGREEMENT.** On February 21, 2008, Northern Trust entered into a capital support agreement with the Diversified Assets Portfolio under which it agreed to make a capital contribution to the Portfolio equal to any loss caused by certain defaulted notes held by the Portfolio. The agreement expires upon the earlier of November 6, 2009, the disposal of the notes or payment of the maximum contribution amount.

**CUSTODIAL RECEIPTS FOR TREASURY SECURITIES.** Custodial receipts are participations in trusts that hold U.S. Treasury securities and are sold under names such as TIGRs and CATS. Like other stripped obligations, they entitle the holder to future interest payments or principal payments on the U.S. Treasury securities.

**INVESTMENT STRATEGY.** To the extent consistent with their respective investment objectives and strategies, the Diversified Assets, Government, Tax-Exempt and Municipal Portfolios may invest a portion of their assets in custodial receipts. Investments by the Government Portfolio in custodial receipts, if any, are expected to be minimal, and will not exceed 20% of the value of the Portfolio's net assets.

**SPECIAL RISKS.** Like other stripped obligations (which are described below), stripped custodial receipts may be subject to greater price volatility than ordinary debt obligations because of the way in which their principal and interest are returned to investors.

**DERIVATIVES.** Each Portfolio may purchase certain "derivative" instruments. A derivative is a financial instrument whose value is derived from, or based upon, the performance of underlying assets, interest rates, or other indices. Derivatives include structured securities such as collateralized mortgage obligations and other types of asset-backed securities, "stripped" securities and various floating rate instruments.

**INVESTMENT STRATEGY.** A Portfolio may invest in derivatives when the Investment Adviser believes the potential risks and rewards are consistent with the Portfolio's objective, strategies and overall risk profile.

**SPECIAL RISKS.** Engaging in derivative transactions involves special risks, including (a) market risk that the Portfolio's derivatives position will lose value; (b) credit risk that the counterparty to the transaction will default; (c) leveraging risk that the value of the derivative instrument will decline more than the value of the assets on which it is based; (d) illiquidity risk that a Portfolio will be unable to sell its position because of lack of market depth or disruption; (e) pricing risk that the value of a derivative instrument will be difficult to determine; and (f) operations risk that loss will occur as a result of inadequate systems or human error. Many types of derivatives have been developed recently and have not been tested over complete market cycles. For these reasons, a Portfolio may suffer a loss whether or not the analysis of the investment management team is accurate.

**FOREIGN INVESTMENTS.** The Diversified Assets Portfolio, and to the extent permitted below, the Government Portfolio, may invest in the U.S. dollar-denominated obligations issued or guaranteed by one or more foreign governments or any of their political subdivisions, agencies or instrumentalities, foreign commercial banks and foreign branches of U.S. banks. The Diversified Assets Portfolio also may invest in U.S. dollar-denominated commercial paper and other obligations of foreign issuers. Foreign government obligations may include debt obligations of supranational entities, including international organizations (such as the European Coal and Steel Community and the International Bank for Reconstruction and Development (also known as the World Bank)) and international banking institutions and related government agencies.

**INVESTMENT STRATEGY.** Investments by the Diversified Assets Portfolio in foreign issuer obligations will not exceed 50% of the Portfolio's total assets measured at the time of purchase. The Government Portfolio may make limited investments (but in no event more than 20% of its net assets) in debt obligations of supranational entities.

**SPECIAL RISKS.** Foreign securities involve special risks and costs, which are considered by the Investment Adviser in evaluating the creditworthiness of issuers and making investment decisions for the Portfolios. Foreign securities, and in particular foreign debt securities, are sensitive to changes in interest rates. In addition, investment in the securities of foreign governments involves the risk that foreign governments may default on their obligations or may otherwise not respect the integrity of their debt.

Investment in foreign securities may involve higher costs than investment in U.S. securities, including higher transaction and custody costs as well as the imposition of additional taxes by foreign governments. Foreign investments also may involve risks associated with the level of currency exchange rates, less complete financial information about the issuers, less market liquidity, more market volatility and political instability. Future political and economic developments, the possible imposition of withholding taxes on dividend income, the possible seizure or nationalization of foreign holdings, the possible establishment of exchange controls or freezes on the convertibility of currency, or the adoption of other governmental restrictions might adversely affect an investment in foreign securities. Additionally, foreign banks and foreign branches of domestic banks may be subject to less stringent reserve requirements and to different accounting, auditing and recordkeeping requirements.

**ILLIQUID OR RESTRICTED SECURITIES.** Illiquid securities include repurchase agreements and time deposits with notice/termination dates of more than seven days, certain variable amount master demand notes that cannot be called within seven days, certain insurance funding agreements (see “Insurance Funding Agreements” below), and other securities that are traded in the U.S. but are subject to trading restrictions because they are not registered under the Securities Act of 1933, as amended (the “1933 Act”), and both foreign and domestic securities that are not readily marketable.

**INVESTMENT STRATEGY.** Each Portfolio may invest up to 10% of its net assets in securities that are illiquid. A domestically traded security that is not registered under the 1933 Act will not be considered illiquid if the Investment Adviser determines that an adequate trading market exists for that security. If otherwise consistent with their investment objectives and strategies, the Portfolios may purchase commercial paper issued pursuant to Section 4(2) of the 1933 Act and securities that are not registered under the 1933 Act but can be sold to “qualified institutional buyers” in accordance with Rule 144A under the 1933 Act (“Rule 144A Securities”). These securities will not be considered illiquid so long as the Investment Adviser determines, under guidelines approved by the Trust’s Board of Trustees, that an adequate trading market exists.

**SPECIAL RISKS.** Because illiquid and restricted securities may be difficult to sell at an acceptable price, they may be subject to greater volatility and may result in a loss to a Portfolio. The practice of investing in Rule 144A Securities and commercial paper available to qualified institutional buyers could increase the level of illiquidity during any period that qualified institutional buyers become uninterested in purchasing these securities. Securities purchased by a Portfolio that are liquid at

the time of purchase may subsequently become illiquid due to events relating to the issuer of the securities, market events, economic conditions and/or investor perception.

**INSURANCE FUNDING AGREEMENTS.** An insurance funding agreement (“IFA”) is an agreement that requires a Portfolio to make cash contributions to a deposit fund of an insurance company’s general account. The insurance company then credits interest to the Portfolio for a set time period.

**INVESTMENT STRATEGY.** The Diversified Assets Portfolio may invest in IFAs issued by insurance companies that meet quality and credit standards established by the Investment Adviser.

**SPECIAL RISKS.** IFAs are not insured by a government agency—they are backed only by the insurance company that issues them. As a result, they are subject to default risk of the non-governmental issuer. In addition, the transfer of IFAs may be restricted and an active secondary market in IFAs currently does not exist. This means that it may be difficult or impossible to sell an IFA at an appropriate price.

**INTEREST RATES.** A Portfolio’s yield will vary with changes in interest rates. In a rising interest rate environment, a Portfolio’s yield may not rise as quickly as the yields of certain other short-term investments. Investments held by a Portfolio with longer maturities will tend to be more sensitive to interest rate changes than investments with shorter maturities.

**INVESTMENT COMPANIES.** To the extent consistent with their respective investment objectives and strategies, the Portfolios may invest in securities issued by other investment companies.

**INVESTMENT STRATEGY.** Investments by a Portfolio in other money market funds will be subject to the limitations of the 1940 Act and SEC orders. Although the Portfolios do not expect to do so in the foreseeable future, each Portfolio is authorized to invest substantially all of its assets in an open-end investment company or a series thereof that has substantially the same investment objective, strategies and fundamental restrictions as the Portfolio.

**SPECIAL RISKS.** As a shareholder of another investment company, a Portfolio would be subject to the same risks as any other investor in that company. It would also bear a proportionate share of any fees or expenses paid by that company. These expenses would be in addition to the advisory fees and other expenses the Portfolio bears directly in connection with its own operations.

**MUNICIPAL AND RELATED INSTRUMENTS.** Municipal instruments include debt obligations issued by or on behalf of states, territories and possessions of the United States and their political subdivisions, agencies, authorities and instrumentalities.

Municipal instruments include both “general” and “revenue” bonds and may be issued to obtain funds for various public purposes. General obligations are secured by the issuer’s pledge of its full faith, credit and taxing power. Revenue obligations are payable only from the revenues derived from a particular facility or class of facilities. In some cases, revenue bonds also are payable from the proceeds of a special excise or other specific revenue source such as lease payments from the user of a facility being financed. Some municipal instruments, known as private activity bonds, are issued to finance projects for private companies. Private activity bonds are usually revenue obligations since they typically are payable by the private user of the facilities financed by the bonds.

Municipal instruments also include “moral obligation” bonds, municipal leases, certificates of participation and asset-backed securities such as custodial receipts. Moral obligation bonds are supported by a moral commitment but not a legal obligation of a state or municipality. Municipal leases and participation certificates present the risk that the state or municipality involved will not appropriate the monies to meet scheduled payments on an annual basis. Custodial receipts represent interests in municipal instruments held by a trustee or custodian.

The Tax-Exempt Portfolio and Municipal Portfolio may each acquire “stand-by commitments” relating to the municipal instruments it holds. Under a stand-by commitment, a dealer agrees to purchase, at the Portfolio’s option, specified municipal instruments at a specified price. A stand-by commitment may increase the cost, and thereby reduce the yield, of the municipal instruments to which the commitment relates. A Portfolio will acquire stand-by commitments solely to facilitate portfolio liquidity and does not intend to exercise its rights for trading purposes.

**INVESTMENT STRATEGY.** Although it is not their current policy to do so on a regular basis, each of the Tax-Exempt and Municipal Portfolios may invest more than 25% of its total assets in municipal instruments the interest upon which is paid solely from revenues of similar projects. However, neither Portfolio intends to invest more than 25% of the value of its total assets in industrial development bonds or similar obligations where the non-governmental entities supplying the revenues to be paid are in the same industry.

Portfolios in addition to the Tax-Exempt and Municipal Portfolios may invest from time to time in municipal instruments or other securities issued by state and local governmental bodies. Generally, this will occur when the yield of municipal instruments, on a pre-tax basis, is comparable to that of other permitted short-term taxable investments. Dividends paid by the Portfolios on such investments will be taxable to shareholders.

**SPECIAL RISKS.** Municipal instruments may be backed by letters of credit, insurance or other forms of credit enhancement issued by foreign (as well as domestic) banks, insurance companies and other financial institutions. If the credit quality of these banks and financial institutions declines, a Portfolio could suffer a loss to the extent that the Portfolio is relying upon this credit support.

In addition, a single enhancement provider may provide credit enhancement to more than one of a Portfolio’s investments. Having multiple securities credit enhanced by the same enhancement provider will increase the adverse effects on the Portfolio that are likely to result from a downgrading of, or a default by, such an enhancement provider. Adverse developments in the banking or bond insurance industries also may negatively affect a Portfolio. Bond insurers that provide credit enhancement for large segments of the fixed-income markets, particularly the municipal bond market, may be more susceptible to being downgraded or defaulting during recessions or similar periods of economic stress. Municipal bonds may be covered by insurance that guarantees timely interest payments and repayment of principal on maturity. If a bond’s insurer fails to fulfill its obligations or loses its credit rating, the value of the bond could drop. Insurance does not protect a Portfolio or its shareholders from losses caused by declines in a bond’s market value.

Also, an insurance company’s exposure to securities involving subprime mortgages may cause a municipal bond insurer’s rating to be downgraded or may cause the bond insurer to become insolvent, which may affect the prices and liquidity of municipal obligations insured by the insurance company.

Foreign institutions can present special risks relating to higher transaction and custody costs, the imposition of additional taxes by foreign governments, less complete financial information, less market liquidity, more market volatility and political instability. Foreign banks, insurance companies and financial institutions may be subject to less stringent reserve requirements, and to different accounting, auditing and recordkeeping requirements than U.S. banks.

In addition, when a substantial portion of a Portfolio’s assets is invested in instruments which are used to finance facilities involving a particular industry, whose issuers are in the same state or which otherwise are related, there is a possibility that an economic, business or political development affecting one instrument would likewise affect the related instrument.

Also, the United States has recently experienced significant disruption to its financial markets impacting the liquidity and volatility of municipal securities, including municipal securities in which the Tax-Exempt and Municipal Portfolios may invest. Such disruptions to the financial markets may reduce the

number of municipal instruments available for purchase by the Portfolios and could adversely affect the Portfolios' shareholders by subjecting the income from the Portfolios to tax. Any of these effects could have a significant impact on the prices of some or all of the municipal instruments held by the Tax-Exempt and Municipal Portfolios.

**REPURCHASE AGREEMENTS.** Repurchase agreements involve the purchase of securities by a Portfolio subject to the seller's agreement to repurchase them at a mutually agreed upon date and price.

**INVESTMENT STRATEGY.** Each Portfolio may enter into repurchase agreements with financial institutions such as banks and broker-dealers that are deemed to be creditworthy by the Investment Adviser. Although the securities subject to a repurchase agreement may have maturities exceeding one year, settlement of the agreement will never occur more than one year after a Portfolio acquires the securities.

**SPECIAL RISKS.** In the event of a default, a Portfolio will suffer a loss to the extent that the proceeds from the sale of the underlying securities and other collateral are less than the repurchase price and the Portfolio's costs associated with delay and enforcement of the repurchase agreement. In addition, in the event of bankruptcy, a Portfolio could suffer additional losses if a court determines that the Portfolio's interest in the collateral is unenforceable by the Portfolio.

With respect to collateral received in repurchase transactions or other investments, a Portfolio may have significant exposure to the financial services and mortgage markets. Such exposure, depending on market conditions, could have a negative impact on the Portfolio, including minimizing the value of any collateral.

**STRIPPED SECURITIES.** These securities are issued by the U.S. government (or an agency, instrumentality or a sponsored enterprise), foreign governments, banks and other issuers. They entitle the holder to receive either interest payments or principal payments that have been "stripped" from a debt obligation. These obligations include stripped mortgage-backed securities, which are derivative multi-class mortgage securities.

The Treasury Department has facilitated transfers of ownership of zero coupon securities by accounting separately for the beneficial ownership of particular interest coupon and principal payments on Treasury securities through the Federal Reserve book-entry record-keeping system. The Federal Reserve program as established by the Treasury Department is known as "Separate Trading of Registered Interest and Principal of Securities" or "STRIPS." Under the STRIPS program, a Portfolio will be able to have its beneficial ownership of zero coupon securities recorded directly in the book-entry record-keeping system in lieu of having to hold certificates or other

evidences of ownership of the underlying U.S. Treasury securities.

**INVESTMENT STRATEGY.** To the extent consistent with their respective investment objectives and strategies, the Portfolios may purchase stripped securities, including securities registered in the STRIPS program.

**SPECIAL RISKS.** Stripped securities are very sensitive to changes in interest rates and to the rate of principal prepayments. A rapid or unexpected change in either interest rates or principal prepayments could depress the price of stripped securities held by the Portfolios and adversely affect a Portfolio's investment performance.

**STRUCTURED SECURITIES.** The value of such securities is determined by reference to changes in the value of specific currencies, interest rates, commodities, securities, indices or other financial indicators (the "Reference") or the relative change in two or more References. The interest rate or the principal amount payable upon maturity or redemption may be increased or decreased depending upon changes in the applicable Reference. Examples of structured securities include, but are not limited to, debt obligations, where the principal repayment at maturity is determined by the value of a specified security or securities index.

**INVESTMENT STRATEGY.** Each Portfolio, except the Treasury Portfolio, may invest in structured securities to the extent consistent with its investment objective and strategies.

**SPECIAL RISKS.** The terms of some structured securities may provide that in certain circumstances no principal is due at maturity and, therefore, a Portfolio could suffer a total loss of its investment. Structured securities may be positively or negatively indexed, so that appreciation of the Reference may produce an increase or decrease in the interest rate or value of the security at maturity. In addition, changes in the interest rates or the value of the security at maturity may be a multiple of changes in the value of the Reference. Consequently, structured securities may entail a greater degree of market risk than other types of securities. Structured securities also may be more volatile, less liquid and more difficult to accurately price than less complex securities due to their derivative nature.

**TAXABLE INVESTMENTS.** Taxable investments include U.S. dollar-denominated obligations of U.S. banks, foreign commercial banks and securities issued or guaranteed by foreign governments; high quality commercial paper and other obligations; high quality corporate bonds and notes; asset-backed securities; securities issued or guaranteed by the U.S. government or by its agencies or instrumentalities and related custodial receipts; and repurchase agreements relating to the above instruments.

**INVESTMENT STRATEGY.** The Tax-Exempt and Municipal Portfolios each may invest from time to time, on a temporary basis or for temporary defensive purposes, in short-term taxable instruments that are “Eligible Securities” as defined by the SEC for money market funds.

**SPECIAL RISKS.** Dividends paid by the Tax-Exempt and Municipal Portfolios that are derived from interest paid on taxable investments generally will be taxable to each Portfolio’s shareholders as ordinary income for federal income tax purposes. The Tax-Exempt and Municipal Portfolios may not achieve their investment objectives when their assets are invested in taxable obligations.

**TEMPORARY INVESTMENTS.** For capital preservation and liquidity, each Portfolio may have a greater concentration in short-term securities, including investing up to all of its assets in overnight securities, which may result in a reduction of a Portfolio’s yield.

**UNITED STATES GOVERNMENT OBLIGATIONS.** These instruments include U.S. Treasury obligations, such as bills, notes and bonds, which generally differ only in terms of their interest rates, maturities and time of issuance. They also include obligations issued or guaranteed by the U.S. government or by its agencies, instrumentalities or sponsored enterprises. Securities guaranteed as to principal and interest by the U.S. government or by its agencies, instrumentalities or sponsored enterprises are deemed to include (a) securities for which the payment of principal and interest is backed by an irrevocable letter of credit issued by the U.S. government or by an agency, instrumentality or sponsored enterprise thereof, (b) securities of private issuers guaranteed as to principal and interest by the U.S. government, its agencies and instrumentalities pursuant to the FDIC Debt Guarantee Program, and (c) participations in loans made to foreign governments or their agencies that are so guaranteed.

**INVESTMENT STRATEGY.** To the extent consistent with its investment objective and strategies, each Portfolio may invest in a variety of U.S. Treasury obligations and in obligations issued or guaranteed by the U.S. government or by its agencies, instrumentalities or sponsored enterprises.

**SPECIAL RISKS.** Not all U.S. government obligations carry the same credit support. Some, such as those of the Government National Mortgage Association (“Ginnie Mae”), are supported by the full faith and credit of the United States Treasury. Other obligations, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the United States Treasury; and others are supported by the discretionary authority of the U.S. government to purchase the agency’s obligations. Still others are supported only by the credit of the instrumentality or sponsored enterprise. No assurance can be

given that the U.S. government would provide financial support to its agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. In addition, the secondary market for certain participations in loans made to foreign governments or their agencies may be limited.

An agency of the U.S. government has placed Fannie Mae and Freddie Mac into conservatorship, a statutory process with the objective of returning the entities to normal business operations. It is unclear what effect this conservatorship will have on the securities issued or guaranteed by Fannie Mae or Freddie Mac.

To the extent a Portfolio invests in debt instruments or securities of non-U.S. government entities that are backed by the full faith and credit of the United States, pursuant to the FDIC Debt Guarantee Program or other similar programs, there is a possibility that the guarantee provided under the Debt Guarantee Program or other similar programs may be discontinued or modified at a later date.

**VARIABLE AND FLOATING RATE INSTRUMENTS.** Variable and floating rate instruments have interest rates that periodically are adjusted either at set intervals or that float at a margin tied to a specified index rate. These instruments include variable amount master demand notes and long-term variable and floating rate bonds (sometimes referred to as “Put Bonds”) where a Portfolio obtains at the time of purchase the right to put the bond back to the issuer or a third party at par at a specified date.

**INVESTMENT STRATEGY.** Each Portfolio, except the Treasury Portfolio, may invest in variable and floating rate instruments to the extent consistent with its investment objective and strategies.

**SPECIAL RISKS.** Variable and floating rate instruments are subject to many of the same risks as fixed rate instruments, particularly credit risk. Because there is no active secondary market for certain variable and floating rate instruments, they may be more difficult to sell if the issuer defaults on its payment obligations or during periods when the Portfolios are not entitled to exercise their demand rights. As a result, the Portfolios could suffer a loss with respect to these instruments. In addition, variable and floating rate instruments are subject to changes in value based on changes in market interest rates or changes in the issuer’s or guarantor’s creditworthiness.

**WHEN-ISSUED SECURITIES, DELAYED DELIVERY TRANSACTIONS AND FORWARD COMMITMENTS.** A purchase of “when-issued” securities refers to a transaction made conditionally because the securities, although authorized, have not yet been issued. A delayed delivery or forward commitment transaction involves a contract to purchase or sell securities for a fixed price at a future date beyond the customary settlement period.

**INVESTMENT STRATEGY.** Each Portfolio may purchase or sell securities on a when-issued, delayed delivery or forward commitment basis. Although the Portfolios generally would purchase securities in these transactions with the intention of acquiring the securities, the Portfolios may dispose of such securities prior to settlement if the investment management team deems it appropriate to do so.

**SPECIAL RISKS.** Purchasing securities on a when-issued, delayed delivery or forward commitment basis involves the risk that the value of the securities may decrease by the time they actually are issued or delivered. Conversely, selling securities in these transactions involves the risk that the value of the securities may increase by the time they actually are issued or delivered. These transactions also involve the risk that the counterparty may fail to deliver the security or cash on the settlement date.

## FINANCIAL INFORMATION

THE FINANCIAL HIGHLIGHTS TABLES ARE INTENDED TO HELP YOU UNDERSTAND THE FINANCIAL PERFORMANCE OF A PORTFOLIO'S SERVICE SHARES AND PREMIER SHARES FOR THE PAST FIVE YEARS (OR, IF SHORTER, THE PERIOD OF THE PORTFOLIO'S OPERATION).

Certain information reflects the financial results for a single Service Share or Premier Share. The total returns in the tables represent the rate that an investor would have earned or lost on an investment in Service Shares or Premier Shares of a Portfolio held for the entire period (assuming reinvestment of all dividends and distributions). This information has been audited by Ernst & Young LLP, an independent registered public accounting firm, whose report, along with the Portfolios' financial statements, is included in the Portfolios' annual report, which is available upon request and without charge. As of November 30, 2008, no Service Shares of the Treasury Portfolio and no Premier Shares of the Diversified Assets, Government Select, Treasury, Tax-Exempt and Municipal Portfolios were outstanding. Premier Shares are not currently offered to investors.

## FINANCIAL HIGHLIGHTS

DIVERSIFIED ASSETS PORTFOLIO	SERVICE				
Selected per share data	2008	2007	2006	2005	2004
<b>Net Asset Value, Beginning of Year</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>
<b>INCOME FROM INVESTMENT OPERATIONS:</b>					
Net investment income	0.02	0.05	0.04	0.02	0.01
Total from Investment Operations	0.02	0.05	0.04	0.02	0.01
<b>LESS DISTRIBUTIONS PAID:</b>					
From net investment income	(0.02)	(0.05)	(0.04)	(0.02)	(0.01)
Total Distributions Paid	(0.02)	(0.05)	(0.04)	(0.02)	(0.01)
Net Asset Value, End of Year	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Total Return<sup>(1)</sup></b>	<b>2.18%<sup>(4)</sup></b>	<b>4.80%</b>	<b>4.43%</b>	<b>2.51%</b>	<b>0.74%</b>
<b>SUPPLEMENTAL DATA AND RATIOS :</b>					
Net assets, in thousands, end of year	\$112,416	\$209,839	\$131,092	\$123,798	\$109,686
Ratio to average net assets of:					
Expenses, net of reimbursements and credits	0.62% <sup>(2)</sup>	0.61% <sup>(3)</sup>	0.61% <sup>(3)</sup>	0.61%	0.61%
Expenses, before reimbursements and credits	0.64%	0.63%	0.63%	0.63%	0.63%
Net investment income, net of reimbursements and credits	2.34%	4.70%	4.35%	2.49%	0.73%
Net investment income, before reimbursements and credits	2.32%	4.68%	4.33%	2.47%	0.71%

- (1) Assumes investment at net asset value at the beginning of the year, reinvestment of all dividends and distributions, and a complete redemption of the investment at net asset value at the end of the year.
- (2) The net expense ratio includes the fee for participation in the U.S. Department of the Treasury's Temporary Guarantee Program (the "Participation Fee") of approximately \$13,000, which represents 0.01% of average net assets for the fiscal year ended November 30, 2008. Absent the Participation Fee, the net expenses would have been decreased by a corresponding amount.
- (3) The net expense ratio includes custodian credits of approximately \$859,000 and \$806,000, which represents 0.01% of average net assets for the fiscal years ended November 30, 2007 and 2006, respectively. Absent the custodian credit arrangement, expense reimbursement would have been increased by a corresponding amount.
- (4) Without the value of the capital support agreement, the total return would have been 1.95% for Service Shares.

FOR THE FISCAL YEARS ENDED NOVEMBER 30,

GOVERNMENT PORTFOLIO	SERVICE				
Selected per share data	2008	2007	2006	2005	2004
<b>Net Asset Value, Beginning of Year</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>
<b>INCOME FROM INVESTMENT OPERATIONS:</b>					
Net investment income	0.02	0.05	0.04	0.02	0.01
Total from Investment Operations	0.02	0.05	0.04	0.02	0.01
<b>LESS DISTRIBUTIONS PAID:</b>					
From net investment income	(0.02)	(0.05)	(0.04)	(0.02)	(0.01)
Total Distributions Paid	(0.02)	(0.05)	(0.04)	(0.02)	(0.01)
Net Asset Value, End of Year	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Total Return<sup>(1)</sup></b>	<b>2.04%</b>	<b>4.67%</b>	<b>4.38%</b>	<b>2.48%</b>	<b>0.71%</b>
<b>SUPPLEMENTAL DATA AND RATIOS:</b>					
Net assets, in thousands, end of year	\$157,444	\$179,435	\$104,203	\$87,499	\$80,782
Ratio to average net assets of:					
Expenses, net of reimbursements and credits	0.62% <sup>(2)</sup>	0.61% <sup>(3)</sup>	0.61% <sup>(3)</sup>	0.61% <sup>(3)</sup>	0.61%
Expenses, before reimbursements and credits	0.64%	0.63%	0.64%	0.63%	0.64%
Net investment income, net of reimbursements and credits	1.87%	4.61%	4.31%	2.48%	0.69%
Net investment income, before reimbursements and credits	1.85%	4.59%	4.28%	2.46%	0.66%

PREMIER					
Selected per share data	2008	2007	2006	2005	2004 <sup>(4)</sup>
<b>Net Asset Value, Beginning of Year</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>
<b>INCOME FROM INVESTMENT OPERATIONS:</b>					
Net investment income	0.02	0.04	0.04	0.02	—
Total from Investment Operations	0.02	0.04	0.04	0.02	—
<b>LESS DISTRIBUTIONS PAID:</b>					
From net investment income	(0.02)	(0.04)	(0.04)	(0.02)	—
Total Distributions Paid	(0.02)	(0.04)	(0.04)	(0.02)	—
Net Asset Value, End of Year	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Total Return<sup>(1)</sup></b>	<b>1.77%</b>	<b>4.40%</b>	<b>4.10%</b>	<b>2.22%</b>	<b>0.45%</b>
<b>SUPPLEMENTAL DATA AND RATIOS:</b>					
Net assets, in thousands, end of year	\$5,593	\$4,202	\$4,115	\$16,070	\$3,637
Ratio to average net assets of:					
Expenses, net of reimbursements and credits	0.88% <sup>(2)</sup>	0.87% <sup>(3)</sup>	0.87% <sup>(3)</sup>	0.87% <sup>(3)</sup>	0.87%
Expenses, before reimbursements and credits	0.90%	0.89%	0.90%	0.89%	0.90%
Net investment income, net of reimbursements and credits	1.61%	4.35%	4.05%	2.22%	0.43%
Net investment income, before reimbursements and credits	1.59%	4.33%	4.02%	2.20%	0.40%

(1) Assumes investment at net asset value at the beginning of the year, reinvestment of all dividends and distributions, and a complete redemption of the investment at net asset value at the end of the year.

(2) The net expense ratio includes the fee for participation in the U.S. Department of the Treasury's Temporary Guarantee Program (the "Participation Fee") of approximately \$10,000 and \$1,000 for Service Shares and Premier Shares, respectively, which represents 0.01% of average net assets for the fiscal year ended November 30, 2008. Absent the Participation Fee, the net expenses would have been decreased by a corresponding amount.

(3) The net expense ratio includes custodian credits of approximately \$348,000, \$342,000 and \$241,000, which represents 0.01% of average net assets for the fiscal years ended November 30, 2007, 2006 and 2005, respectively. Absent the custodian credit arrangement, expense reimbursement would have been increased by a corresponding amount.

(4) Per share amounts from net investment income and distributions from net investment income were less than \$0.01 per share.

## FINANCIAL HIGHLIGHTS

GOVERNMENT SELECT PORTFOLIO	SERVICE				
Selected per share data	2008	2007	2006	2005	2004
<b>Net Asset Value, Beginning of Year</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>
<b>INCOME FROM INVESTMENT OPERATIONS:</b>					
Net investment income	0.02	0.05	0.04	0.03	0.01
Total from Investment Operations	0.02	0.05	0.04	0.03	0.01
<b>LESS DISTRIBUTIONS PAID:</b>					
From net investment income	(0.02)	(0.05)	(0.04)	(0.03)	(0.01)
Total Distributions Paid	(0.02)	(0.05)	(0.04)	(0.03)	(0.01)
<b>Net Asset Value, End of Year</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>
<b>Total Return<sup>(1)</sup></b>	<b>2.05%</b>	<b>4.75%</b>	<b>4.45%</b>	<b>2.58%</b>	<b>0.80%</b>
<b>SUPPLEMENTAL DATA AND RATIOS:</b>					
Net assets, in thousands, end of year	\$512,081	\$84,905	\$68,295	\$69,519	\$116,841
Ratio to average net assets of:					
Expenses, net of waivers, reimbursements and credits	0.47% <sup>(2)</sup>	0.46% <sup>(3)</sup>	0.46% <sup>(3)</sup>	0.46%	0.46%
Expenses, before waivers, reimbursements and credits	0.59%	0.58%	0.58%	0.59%	0.58%
Net investment income, net of waivers, reimbursements and credits	1.87%	4.64%	4.38%	2.54%	0.78%
Net investment income, before waivers, reimbursements and credits	1.75%	4.52%	4.26%	2.41%	0.66%

- (1) Assumes investment at net asset value at the beginning of the year, reinvestment of all dividends and distributions, and a complete redemption of the investment at net asset value at the end of the year.
- (2) The net expense ratio includes the fee for participation in the U.S. Department of the Treasury's Temporary Guarantee Program (the "Participation Fee") of approximately \$24,000, which represents 0.01% of average net assets for the fiscal year ended November 30, 2008. Absent the Participation Fee, the net expenses would have been decreased by a corresponding amount.
- (3) The net expense ratio includes custodian credits of approximately \$380,000 and \$416,000, which represents 0.01% of average net assets for the fiscal years ended November 30, 2007 and 2006, respectively. Absent the custodian credit arrangement, expense reimbursement would have been increased by a corresponding amount.

FOR THE FISCAL YEARS ENDED NOVEMBER 30,

TAX-EXEMPT PORTFOLIO	SERVICE				
Selected per share data	2008	2007	2006	2005	2004
<b>Net Asset Value, Beginning of Year</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>
<b>INCOME FROM INVESTMENT OPERATIONS:</b>					
Net investment income	0.02	0.03	0.03	0.02	0.01
Total from Investment Operations	0.02	0.03	0.03	0.02	0.01
<b>LESS DISTRIBUTIONS PAID:</b>					
From net investment income	(0.02)	(0.03)	(0.03)	(0.02)	(0.01)
Total Distributions Paid	(0.02)	(0.03)	(0.03)	(0.02)	(0.01)
Net Asset Value, End of Year	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
<b>Total Return<sup>(1)</sup></b>	<b>1.92%</b>	<b>3.10%</b>	<b>2.82%</b>	<b>1.72%</b>	<b>0.60%</b>
<b>SUPPLEMENTAL DATA AND RATIOS:</b>					
Net assets, in thousands, end of year	\$4,613	\$3,848	\$4,023	\$4,769	\$4,347
Ratio to average net assets of:					
Expenses, net of reimbursements and credits	0.62% <sup>(2)</sup>	0.61%	0.61%	0.61%	0.61%
Expenses, before reimbursements and credits	0.64%	0.64%	0.64%	0.64%	0.64%
Net investment income, net of reimbursements and credits	1.88%	3.06%	2.74%	1.70%	0.60%
Net investment income, before reimbursements and credits	1.86%	3.03%	2.71%	1.67%	0.57%

(1) Assumes investment at net asset value at the beginning of the year, reinvestment of all dividends and distributions, and a complete redemption of the investment at net asset value at the end of the year.

(2) The net expense ratio includes the fee for participation in the U.S. Department of the Treasury's Temporary Guarantee Program (the "Participation Fee") of approximately \$1,000, which represents 0.01% of average net assets for the fiscal year ended November 30, 2008. Absent the Participation Fee, the net expenses would have been decreased by a corresponding amount.

## FINANCIAL HIGHLIGHTS

FOR THE FISCAL YEARS ENDED NOVEMBER 30,

MUNICIPAL PORTFOLIO	SERVICE				
Selected per share data	2008	2007	2006	2005	2004
<b>Net Asset Value, Beginning of Year</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>
<b>INCOME FROM INVESTMENT OPERATIONS:</b>					
Net investment income	0.02	0.03	0.03	0.02	0.01
Total from Investment Operations	0.02	0.03	0.03	0.02	0.01
<b>LESS DISTRIBUTIONS PAID:</b>					
From net investment income	(0.02)	(0.03)	(0.03)	(0.02)	(0.01)
Total Distributions Paid	(0.02)	(0.03)	(0.03)	(0.02)	(0.01)
<b>Net Asset Value, End of Year</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>
<b>Total Return<sup>(1)</sup></b>	<b>2.02%</b>	<b>3.26%</b>	<b>2.98%</b>	<b>1.87%</b>	<b>0.75%</b>
<b>SUPPLEMENTAL DATA AND RATIOS:</b>					
Net assets, in thousands, end of year	\$72,258	\$46,658	\$55,183	\$89,445	\$74,568
Ratio to average net assets of:					
Expenses, net of waivers, reimbursements and credits	0.47% <sup>(2)</sup>	0.46%	0.46% <sup>(3)</sup>	0.46%	0.46%
Expenses, before waivers, reimbursements and credits	0.59%	0.58%	0.58%	0.58%	0.59%
Net investment income, net of waivers, reimbursements and credits	1.98%	3.21%	2.97%	1.86%	0.77%
Net investment income, before waivers, reimbursements and credits	1.86%	3.09%	2.85%	1.74%	0.64%

- (1) Assumes investment at net asset value at the beginning of the year, reinvestment of all dividends and distributions, and a complete redemption of the investment at net asset value at the end of the year.
- (2) The net expense ratio includes the fee for participation in the U.S. Department of the Treasury's Temporary Guarantee Program (the "Participation Fee") of approximately \$7,000, which represents 0.01% of average net assets for the fiscal year ended November 30, 2008. Absent the Participation Fee, the net expenses would have been decreased by a corresponding amount.
- (3) The net expense ratio includes custodian credits of approximately \$166,000, which represents 0.01% of average net assets. Absent the custodian credit arrangement, expense reimbursement would have been increased by a corresponding amount.

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## FOR MORE INFORMATION

## ANNUAL/SEMIANNUAL REPORTS

Additional information about the Portfolios' investments is available in the Portfolios' annual and semiannual reports to shareholders. In the Portfolios' annual report, you will find a discussion of the market conditions and investment strategies that significantly affected the Portfolios' performance during their last fiscal year.

## STATEMENT OF ADDITIONAL INFORMATION

Additional information about the Portfolios and their policies also is available in the Portfolios' Additional Statement. The Additional Statement is incorporated by reference into this Prospectus (and is legally considered part of this Prospectus).

The Portfolios' annual and semiannual reports and the Additional Statement are available free upon request by calling the Northern Institutional Funds Center at 800-637-1380.

## TO OBTAIN OTHER INFORMATION AND FOR SHAREHOLDER INQUIRIES:

## BY TELEPHONE

Call 800-637-1380

## BY MAIL

Northern Institutional Funds  
P.O. Box 75986  
Chicago, IL 60675-5986

## ON THE INTERNET

The Portfolios' documents are available online and may be downloaded from:

- The SEC's Web site at [sec.gov](http://sec.gov) (text only)
- Northern Institutional Funds' Web site at [northerninstitutionalfunds.com](http://northerninstitutionalfunds.com)

You may review and obtain copies of Northern Institutional Funds' documents by visiting the SEC's Public Reference Room in Washington, D.C. You also may obtain copies of Northern Institutional Funds' documents by sending your request and a duplicating fee to the SEC's Public Reference Section, Washington, D.C. 20549-1520 or by electronic request to: [publicinfo@sec.gov](mailto:publicinfo@sec.gov). Information on the operation of the Public Reference Room may be obtained by calling the SEC at 202-551-8090.



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