

NORTHERN
INSTITUTIONAL
FUNDS

TAX
FACTS

2014

Northern Institutional Funds: Tax Facts 2014 contains specific information about investment income related to Northern Institutional Funds. It includes the percentages that clients will need to calculate possible tax exemptions.

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

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

As always, we appreciate your confidence in selecting Northern Institutional Funds as your investment partner. We hope you find this material useful as you prepare your tax filings for 2014.

TRUST NORTHERN FOR WHAT REALLY MATTERS



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DIRECT U.S. GOVERNMENT & AGENCY OBLIGATIONS

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

In some states, mutual fund dividends derived from certain direct U.S. government and agency obligations may be exempt from state income taxes. A portion of the dividend income paid by Northern Institutional Funds during 2014 may qualify for this exemption. This table shows the percentage of dividends (the amount reported in box 1a of Form 1099-DIV) attributable to direct U.S. government and agency obligations for each of the Northern Institutional Portfolios during 2014.

PORTFOLIOS	U.S. Government	Federal Farm Credit Bank	Federal Home Loan Bank	Student Loan Marketing Association	Tennessee Valley Authority
Diversified Assets	2.56%	1.54%	6.54%	—	0.01%
Liquid Assets	1.69%	0.88%	5.83%	—	0.02%
Municipal	—	—	—	—	—
Prime Obligations	2.07%	1.70%	6.22%	—	0.01%
Tax-Exempt	—	—	—	—	—
Treasury	50.17%	—	—	—	—
U.S. Government	2.16%	14.39%	37.19%	—	—
U.S. Government Select	4.47%	38.41%	41.98%	—	0.38%

ALTERNATIVE MINIMUM TAX

The Tax Reform Act of 1986 requires that interest income from certain municipal obligations called “private activity bonds” be included as a tax preference item for the Alternative Minimum Tax (AMT) computation on your federal tax return. Form 1099-DIV (Box 11) reports the tax-exempt income that is subject to the AMT. The table below reports the percentage of tax-exempt income subject to the AMT.

PORTFOLIOS	AMT Percentage
Municipal	15.55%
Tax-Exempt	5.84%

TAX-EXEMPT INCOME EARNED BY STATE

Generally, the U.S. government does not impose income tax on interest income derived from municipal obligations. In addition, most states do not impose income tax on interest income derived from their own municipal obligations. This table shows the portion of dividends derived from interest income on state and local obligations on a state-by-state basis during 2014 for the Municipal and the Tax-Exempt Portfolios. Because tax laws vary among localities and states, we urge you to consult with your tax advisor about the specific rules in your respective state.

STATE	Municipal Portfolio	Tax-Exempt Portfolio
Alabama	0.87%	1.26%
Alaska	0.21%	0.20%
Arizona	1.25%	0.11%
Arkansas	0.26%	—
California	8.24%	12.57%
Colorado	3.69%	0.69%
Connecticut	0.08%	0.09%
Delaware	—	—
District of Columbia	2.47%	0.55%
Florida	6.62%	1.85%
Georgia	2.01%	0.85%
Guam	0.01%	—
Hawaii	0.10%	0.11%
Idaho	1.75%	1.56%
Illinois	6.44%	4.74%
Indiana	3.80%	4.01%
Iowa	1.21%	2.16%
Kansas	0.70%	0.52%
Kentucky	1.05%	5.62%
Louisiana	2.54%	0.34%
Maine	0.01%	0.03%
Maryland	1.58%	1.18%
Massachusetts	1.64%	0.46%
Michigan	3.09%	1.47%
Minnesota	1.64%	2.18%
Mississippi	0.60%	1.68%
Missouri	0.67%	0.85%

STATE	Municipal Portfolio	Tax-Exempt Portfolio
Montana	0.04%	—
Nebraska	0.08%	—
Nevada	0.89%	—
New Hampshire	0.04%	0.20%
New Jersey	1.93%	4.59%
New Mexico	0.11%	—
New York	8.40%	10.53%
North Carolina	2.40%	2.71%
North Dakota	0.01%	—
Ohio	0.99%	2.26%
Oklahoma	0.29%	0.12%
Oregon	2.35%	2.53%
Pennsylvania	3.05%	4.02%
Puerto Rico	1.31%	1.99%
Rhode Island	0.08%	—
South Carolina	0.63%	0.77%
South Dakota	0.22%	0.08%
Tennessee	1.70%	1.50%
Texas	16.68%	14.24%
Utah	0.81%	2.23%
Vermont	0.09%	0.15%
Virgin Islands	—	—
Virginia	0.39%	0.52%
Washington	1.43%	—
West Virginia	0.26%	—
Wisconsin	3.26%	6.45%
Wyoming	0.03%	0.03%
TOTAL	100%	100%

PERCENTAGE OF EXEMPT INTEREST DIVIDENDS

The following table refers to the amount of dividends paid that may be excluded from gross income for federal income tax purposes. To determine the portion that may be excluded, multiply the percentage below by your total dividends received in 2014 as shown on your year-end statement.

PORTFOLIOS	Tax-Exempt Percentage	Taxable Percentage
Municipal	92.97%	7.03%
Tax-Exempt	99.74%	0.26%

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