

NORTHERN
INSTITUTIONAL
FUNDS

TAX
FACTS

2015

Northern Institutional Funds: Tax Facts 2015 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 2015.

TRUST NORTHERN FOR WHAT REALLY MATTERS



Managed by
Northern Trust

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 2015 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 2015.

PORTFOLIOS	U.S. Government	Federal Farm Credit Bank	Federal Home Loan Bank	Student Loan Marketing Association	Tennessee Valley Authority
Diversified Assets	4.25%	3.37%	6.85%	—	—
Liquid Assets	2.51%	1.83%	2.98%	—	—
Municipal	—	—	—	—	—
Prime Obligations	4.58%	2.96%	5.14%	—	—
Tax-Exempt	—	—	—	—	—
Treasury	58.02%	—	—	—	—
U.S. Government	4.68%	16.11%	26.45%	—	0.02%
U.S. Government Select	6.41%	34.54%	40.55%	—	0.63%

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	15.57%
Tax-Exempt	5.73%

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 2015 as shown on your year-end statement.

PORTFOLIOS	2015 Calendar Year	Tax-Exempt Percentage	Taxable Percentage
Municipal	January - November	100.00%	—
Municipal	December	65.44%	34.56%
Tax-Exempt	January - December	100.00%	0.00%

TAX-EXEMPT INCOME EARNED BY STATE

Generally, the U.S. government does not impose federal 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 2015 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	1.04%	0.64%
Alaska	0.11%	0.09%
Arizona	0.16%	0.06%
Arkansas	0.19%	—
California	7.06%	13.19%
Colorado	2.55%	1.75%
Connecticut	0.15%	0.04%
Delaware	—	—
District of Columbia	4.75%	1.08%
Florida	2.48%	2.28%
Georgia	1.82%	3.93%
Guam	0.01%	—
Hawaii	0.08%	—
Idaho	1.92%	0.72%
Illinois	8.32%	7.46%
Indiana	11.82%	7.19%
Iowa	0.66%	1.15%
Kansas	0.65%	0.83%
Kentucky	0.70%	6.15%
Louisiana	2.24%	0.11%
Maine	0.01%	0.08%
Maryland	1.27%	0.75%
Massachusetts	2.51%	0.71%
Michigan	2.17%	0.90%
Minnesota	1.73%	5.51%
Mississippi	0.36%	0.59%
Missouri	0.63%	0.47%

STATE	Municipal Portfolio	Tax-Exempt Portfolio
Montana	—	—
Nebraska	0.16%	—
Nevada	1.38%	0.04%
New Hampshire	0.15%	0.42%
New Jersey	5.20%	4.63%
New Mexico	0.12%	—
New York	5.55%	8.34%
North Carolina	1.54%	1.64%
North Dakota	—	—
Ohio	1.66%	2.22%
Oklahoma	0.66%	0.56%
Oregon	1.66%	1.99%
Pennsylvania	4.43%	3.29%
Puerto Rico	0.05%	3.66%
Rhode Island	0.38%	—
South Carolina	2.50%	1.37%
South Dakota	0.07%	0.01%
Tennessee	2.51%	0.62%
Texas	11.23%	9.24%
Utah	0.61%	0.84%
Vermont	—	—
Virgin Islands	—	—
Virginia	1.41%	0.33%
Washington	1.01%	0.08%
West Virginia	0.21%	—
Wisconsin	2.01%	5.00%
Wyoming	0.11%	0.04%
TOTAL	100%	100%

LONG-TERM CAPITAL GAIN AND INCOME DISTRIBUTIONS

Listed in the table below are the long-term capital gain distributions and ordinary income distributions per share made by each money market fund, as applicable. Please be advised that the Liquid Assets paid its long-term distribution as ordinary income in December and the Municipal paid its long-term distribution on December 17, 2015.

PORTFOLIOS	December Distributions	Long-Term Capital Gains	Tax-Exempt Distributions	Ordinary Income
Liquid Assets	0.000268083	0.000000241	—	0.000267842
Municipal-Shares	0.000048830	0.000036000	0.000008396	0.000004434
Municipal-Service	0.000048829	0.000036000	0.000008395	0.000004434

CAPITAL GAIN INFORMATION FOR RESIDENTS OF RHODE ISLAND

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

PORTFOLIOS	Assets held more than 1 year and up to 5 years	Assets held more than 5 years
Liquid Assets	100.00%	—
Municipal	57.67%	42.33%

Legal, Investment and Tax Notice: This information is not intended to be and should not be treated as legal advice, investment advice or tax advice. Readers, including professionals, should under no circumstances rely upon this information as a substitute for their own research or for obtaining specific legal or tax advice from their own counsel.

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