

NORTHERN
INSTITUTIONAL
FUNDS

TAX
FACTS

2016

Northern Institutional Funds: Tax Facts 2016 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 2016.



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 2016 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 2016.

PORTFOLIOS	U.S. Government	Federal Farm Credit Bank	Federal Home Loan Bank	Student Loan Marketing Association	Tennessee Valley Authority
Government Assets (formerly known as Diversified Assets)	13.07%	5.09%	6.48%	—	—
Liquid Assets	11.66%	4.54%	7.38%	—	—
Municipal	1.11%	—	—	—	—
Prime Obligations	4.55%	2.23%	1.63%	—	—
Tax-Exempt	0.71%	—	—	—	—
Treasury	58.80%	—	—	—	—
U.S. Government	16.15%	18.02%	24.71%	—	0.02%
U.S. Government Select	15.43%	27.34%	35.11%	—	0.92%

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	29.80%
Tax-Exempt	3.66%

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 2016 as shown on your year-end statement.

PORTFOLIOS	2016 Calendar Year	Tax-Exempt Percentage	Taxable Percentage
Municipal	January - August	99.23%	0.77%
Municipal	September	98.89%	1.11%
Municipal	October-November	99.23%	0.77%
Municipal	December	75.83%	24.17%
Tax-Exempt	January - December	99.29%	0.71%

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 2016 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	0.70%	1.79%
Alaska	1.60%	0.81%
Arizona	0.89%	0.60%
Arkansas	0.42%	0.02%
California	8.60%	10.47%
Colorado	2.45%	0.66%
Connecticut	0.44%	0.30%
Delaware	0.05%	0.55%
District of Columbia	2.32%	1.26%
Florida	3.72%	1.48%
Georgia	2.25%	3.59%
Guam	—	—
Hawaii	—	0.01%
Idaho	0.54%	—
Illinois	9.29%	4.25%
Indiana	4.17%	4.60%
Iowa	1.92%	3.18%
Kansas	1.63%	2.52%
Kentucky	0.92%	1.90%
Louisiana	1.93%	0.51%
Maine	0.03%	0.18%
Maryland	1.28%	1.92%
Massachusetts	1.42%	1.69%
Michigan	2.28%	1.44%
Minnesota	2.42%	4.25%
Mississippi	3.08%	4.59%
Missouri	1.12%	1.41%

STATE	Municipal Portfolio	Tax-Exempt Portfolio
Montana	0.02%	0.57%
Nebraska	1.21%	0.97%
Nevada	3.34%	0.35%
New Hampshire	0.21%	0.14%
New Jersey	0.58%	3.74%
New Mexico	0.30%	0.03%
New York	13.05%	14.02%
North Carolina	1.70%	2.08%
North Dakota	—	1.05%
Ohio	2.21%	2.43%
Oklahoma	0.03%	0.12%
Oregon	1.67%	1.06%
Pennsylvania	4.09%	1.92%
Puerto Rico	0.01%	0.09%
Rhode Island	0.17%	0.01%
South Carolina	0.22%	1.46%
South Dakota	0.09%	0.20%
Tennessee	1.81%	2.42%
Texas	8.57%	5.32%
Utah	0.69%	0.85%
Vermont	—	—
Virgin Islands	—	—
Virginia	0.65%	2.08%
Washington	1.40%	0.59%
West Virginia	0.51%	0.01%
Wisconsin	1.68%	4.51%
Wyoming	0.32%	—
TOTAL	100%	100%

LONG-TERM CAPITAL GAIN AND INCOME DISTRIBUTIONS

PORTFOLIOS	Ex-Date	Long-Term Gain Factor
Government Assets (formerly known as Diversified Assets)	12/15/16	\$0.000001
Municipal	9/23/16	\$0.000277
Municipal	12/15/16	\$0.000019
Prime Obligations	12/15/16	\$0.000024

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
Government Assets (formerly known as Diversified Assets)	100%	—
Municipal	100%	—
Prime Obligations	100%	—

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.

You could lose money by investing in the Portfolios. Although each of the Portfolios, except for the Municipal Portfolio and Prime Obligations Portfolio, seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. The share price of each of the Municipal Portfolio and Prime Obligations Portfolio will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. The Municipal Portfolio and Prime Obligations Portfolio may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the Portfolio's liquidity falls below required minimums because of market conditions or other factors. 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 The Northern Trust Company, its affiliates, subsidiaries or any other bank. The Portfolios' sponsor has no legal obligation to provide financial support to the Portfolios, and you should not expect that the sponsor will provide financial support to the Portfolios at any time.

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