

NORTHERN FUNDS

TAX
GUIDE

2009

TRUST NORTHERN FOR WHAT REALLY MATTERS



Managed by
Northern Trust

2009 NORTHERN FUNDS TAX MATERIALS*

	WHAT IT REPORTS	WHO RECEIVES IT
YEAR-END ACCOUNT STATEMENT	All 2009 account activity	All shareholders
FORM 1042-S	Foreign person's U.S. source income subject to withholding	Nonresident alien individual, nonresident alien fiduciary, and foreign corporation with United States income, including income that is effectively connected with the conduct of a trade or business in the United States, required to file a United States income tax return.
FORM 1099-DIV	Taxable distributions and backup withholding	All shareholders in nonretirement accounts who received taxable distributions in 2009
FORM 1099-INT	Tax-exempt income dividends from nonretirement accounts	All shareholders who received tax-exempt dividend income from nonretirement accounts in 2009
FORM 1099-B/ AVERAGE COST STATEMENT	Redemptions, exchanges and backup withholding, and your average cost basis for the 2009 tax year on all shares redeemed	All shareholders in non-money market, nonretirement accounts who redeemed or exchanged shares in 2009
FORM 1099-R	Distributions from retirement plan accounts and applicable withholding	IRA shareholders who received distributions in 2009
FORM 1099-Q	Distributions from education savings accounts (ESA)	ESA shareholders who received distributions in 2009
FORM 5498/ FORM 5498-ESA	Contributions to traditional or Roth IRAs, or Education Savings Accounts	IRA and Education Savings Account shareholders who made contributions for 2009
2009 NORTHERN FUNDS TAX GUIDE	Information about tax issues related to mutual funds	Available to all shareholders
2009 NORTHERN FUNDS TAX FACTS	Information for preparing your 2009 federal and state tax returns	Available to all shareholders

**All tax-related materials are mailed in January except Form 1042-S which will be mailed in March, and Forms 5498 and 5498-ESA which will be mailed in April. Shareholders in the Global Real Estate Index Fund and the Multi-Manager Global Real Estate Fund will not receive tax information for those Funds until February as Real Estate Investment Trusts (REITs) often don't provide complete tax information until after year-end.*

WELCOME TO YOUR NORTHERN FUNDS TAX GUIDE FOR 2009

To help you prepare your tax returns, Northern Funds offers this 2009 Tax Guide. It includes explanations of tax forms that you may receive as a Northern Funds investor.

The 2009 Tax Guide is intended as a reference tool for year-end tax preparation. Please do not rely upon it as a source for tax advice. For specific tax questions, we encourage you to consult your tax advisor. Or you can contact the Internal Revenue Service (IRS) at 800-829-1040 or visit the IRS Web site at www.irs.gov.

If you have questions about the tax forms provided by Northern Funds, please contact your Relationship Manager or call the Northern Funds Center at **800-595-9111**, weekdays from 7:00 a.m. to 7:00 p.m. Central Time.

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MUTUAL FUND DISTRIBUTIONS

You may receive two types of distributions from the mutual funds you owned in 2009: dividends and interest earned by the fund on its investments and gains realized by the fund from selling investments at a profit. Mutual funds generally distribute all of their taxable income and capital gains.

Fund investors must report these distributions on their federal income tax returns, regardless of whether the distributions were paid out in cash or reinvested in shares of the fund. There are four types of income you can receive from distributions:

- Ordinary income distributions
- Qualified dividend income distributions
- Long-term capital gain distributions
- Tax-exempt dividends

Ordinary Income Distributions

A mutual fund earns dividends, interest and other investment income on the securities in which it invests. After a fund deducts its expenses from investment income, it distributes the remainder to investors as a dividend. Ordinary income distributions include any short-term capital gains realized and distributed by the fund. Short-term capital gains are gains on securities the fund held for one year or less.

Qualified Dividend Income Distributions

Qualified dividends are primarily dividends paid on stock investments, and are taxed at long-term capital gain rates (maximum 15%). More information about this type of distribution can be found in Special Tax Topics on page 22.

Long-Term Capital Gain Distributions

When a mutual fund realizes a profit from selling investments that have been held more than one year, it is allowed to pass the profit on to its investors. Long-term capital gains are subject to a maximum rate of 15%.

Tax-Exempt Dividends

Interest from state and local municipal bonds is exempt from federal taxes and also is generally exempt from state taxes in the state in which the bond was issued. Mutual funds that invest in these securities generally distribute tax-exempt dividends to their investors. Some income from tax-exempt municipal bonds may be subject to the Alternative Minimum Tax (see page 22 for more information).

2009 Tax Rates

Realized capital gains from investments are taxed according to a rate schedule ranging from a minimum of 0% to a maximum of 35%. The lower rates generally apply to investments that have been held longer.

Short-term capital gains, which are realized from the sale of investments held one year or less, are taxed at your ordinary income tax rate. These rates are indicated in the table below.

2009 Tax Rate Schedules

	INDIVIDUAL	MARRIED FILING JOINTLY	MARRIED FILING SEPARATELY	HEAD OF HOUSEHOLD
10%	\$0 - 8,350	\$0 - 16,700	\$0 - 8,350	\$0 - 11,950
15%	\$8,350 - 33,950	\$16,700 - 67,900	\$8,350 - 33,950	\$11,950 - 45,500
25%	\$33,950 - 82,250	\$67,900 - 137,050	\$33,950 - 68,525	\$45,500 - 117,450
28%	\$82,250 - 171,550	\$137,050 - 208,850	\$68,525 - 104,425	\$117,450 - 190,200
33%	\$171,550 - 372,950	\$208,850 - 372,950	\$104,425 - 186,475	\$190,200 - 372,950
35%	More Than \$372,950	More Than \$372,950	More Than \$186,475	More Than \$372,950

Note: The dollar ranges above represent taxable income. This table is for illustrative purposes only. While your income may place you within a particular tax bracket, a portion of your regular income may be taxed at a lower rate.

FORMS & STATEMENTS

Mutual fund transactions are reported on five types of 1099 Forms, two types of 5498 Forms, and a 1042-S Form, which are described in this section. You'll receive one or more of these forms, depending on the types of funds and accounts you owned in 2009. (If you have not received the forms or statements you need from Northern Funds, please call the Northern Funds Center at **800-595-9111**.) We also are required to report this information to the IRS.

You'll need 1099 Forms to prepare your federal and state income tax returns. We encourage you to keep them in a safe place, with your year-end account statement and your federal and state tax documents.

FORM 1099-DIV

You will receive this form if you received taxable ordinary income dividends and/or capital gain distributions from nonretirement accounts during the year. Distributions are taxable whether you receive them in cash or have them reinvested in additional shares.

FORM 1099-INT

You will receive this form if you received tax-exempt income dividends from nonretirement accounts during the year.

FORM 1099-B

You will receive this form if you exchanged or redeemed shares from non-money market, nonretirement accounts during 2009. You'll need this information to complete Schedule D of your federal tax return.

FORM 1099-R

You will receive this form if you received a distribution from a retirement account during the past year.

FORM 1099-Q

You will receive this form if you received a distribution from an Education Savings Account (ESA) during the year.

FORM 5498 (IRA and ESA)

You will receive this form if you made contributions (or rollover contributions) to your Northern Funds retirement accounts or Education Savings Accounts during the year. Transfers between trustees or custodians are not reported on this or any form. Because you may make contributions for a given tax year to your retirement account until the tax filing deadline (April 15, 2010), therefore, this form will be mailed in April. Form 5498 for Education Savings Accounts will also be mailed in April. If you've completed your tax filing, simply verify from Form 5498 that your 1040 reporting is consistent with the contribution recorded for your Northern Funds account.

FORM 1042-S

You will receive this form if you are a nonresident alien individual, nonresident alien fiduciary, or a foreign corporation with United States income.

Check the table opposite to find out what information you'll receive, if applicable, from Northern Funds.

	FORM 1099-DIV	FORM 1099-INT	FORM 1099-B/ AVERAGE COST STATEMENT	% OF DIVIDENDS FROM DIRECT U.S. GOV'T & AGENCY OBLIGATIONS	TAX- EXEMPT EARNED BY STATE	FOREIGN TAX CREDIT
NORTHERN FUNDS						
MONEY MARKET FUNDS						
California Municipal	■	■			■	
Money Market	■					
Municipal	■	■			■	
U.S. Government	■			■		
U.S. Government Select	■			■		
FIXED INCOME FUNDS						
Arizona Tax-Exempt	■	■	■		■	
Bond Index	■		■	■		
California Intermediate Tax-Exempt	■	■			■	
California Tax-Exempt	■	■	■		■	
Fixed Income	■		■	■		
Global Fixed Income	■		■	■		
High Yield Fixed Income	■		■			
High Yield Municipal	■	■	■		■	
Intermediate Tax-Exempt	■	■	■		■	
Multi-Manager High Yield Opportunity	■		■			
Short-Intermediate Tax-Exempt	■	■	■		■	
Short-Intermediate U.S. Government	■		■	■		
Tax-Advantaged Ultra-Short Fixed Income	■		■	■		
Tax-Exempt	■	■	■		■	
Ultra-Short Fixed Income	■		■	■		
U.S. Government	■		■	■		
EQUITY FUNDS						
Emerging Markets Equity	■		■			■
Enhanced Large Cap	■		■			
Global Real Estate Index	■		■			■
Global Sustainability Index	■		■			■
Growth Equity	■		■			
Income Equity	■		■			
International Equity Index	■		■			■
International Growth Equity	■		■			■
Large Cap Value	■		■			
Mid Cap Growth	■		■			
Mid Cap Index	■		■			
Multi-Manager Emerging Markets Equity	■		■			■
Multi-Manager Global Real Estate	■		■			■
Multi-Manager International Equity	■		■			■
Multi-Manager Large Cap	■		■			
Multi-Manager Mid Cap	■		■			
Multi-Manager Small Cap	■		■			
Select Equity	■		■			
Small Cap Growth	■		■			
Small Cap Index	■		■			
Small Cap Value	■		■			
Stock Index	■		■			
Technology	■		■			

FORM 1099-DIV

This form reports all taxable dividends and capital gains earned from your Northern Funds accounts during 2009. The amount includes the following:

- Ordinary income dividends, including short-term capital gain distributions, and/or
- Capital gain distributions from long-term capital gains.

You will not receive a 1099-DIV form for a tax-free income fund unless it has paid taxable investment income or short- and/or long-term capital gains.

This information is reported to the IRS and must be reported on your federal income tax return, regardless of whether you received the dividends or distributions in cash or as reinvestments.

Form 1099-DIV consolidates information for all accounts you owned during 2009 that were registered with the same address and same taxpayer identification number.

A Recipient

Account owner's registration and mailing address.

B Recipient's Identification Number

Taxpayer identification number under which the amounts have been reported to the IRS. For individuals, this is your Social Security number.

C Fund

Name of the fund for which dividends and/or distributions are reported.

D Account Number

Recipient's account number for which the dividends and/or distributions are reported.

E Total Ordinary Dividends (1a)

Dividends and short-term capital gains that are taxable. Report this amount on Form 1040, line 9a. Also report it on Schedule B, if required.

F Qualified Dividends (1b)

The portion of the dividends in box 1a that may be eligible for the 0% and 15% capital gains tax rates. Report the eligible amount on Form 1040, line 9b.

G Total Capital Gain Distributions (2a)

Total long-term capital gain distributions. Report the amount shown in box 2a of Form 1099-DIV on Schedule D, line 13, column f.

H Unrecaptured Section 1250 Gain (2B)

Amount of your long-term capital gain distributions representing unrecaptured section 1250 capital gains. Report this amount on line 19 of Schedule D.

I Nondividend Distributions (3)

Amount of your distribution that is nontaxable because it is a return of your cost (or other basis).

J Federal Income Tax Withheld (4)

Federal income tax withheld by the fund if you have not furnished a Social Security number or taxpayer identification number (TIN), and in certain other circumstances. Include this amount on Form 1040, line 61.

K Foreign Tax Paid (6)

Your share of the total foreign taxes paid by the fund. This amount may be claimed as a deduction or a credit. It is included in box 1a and 1b and, therefore, is reported as dividend income on your tax return. See page 24 for instructions on how to report this amount properly.

L CUSIP Number

The CUSIP number of the security redeemed or exchanged.

M Fund Tax ID

Federal tax ID number for the fund from which proceeds were paid and are reported.

A

STEPHEN NORTHERN
50 SOUTH LASALLE
CHICAGO IL 60603

Recipient's Identification Number: 123-45-6789

B

Corrected (if checked)

(OMB No. 1545-0110)

Form 1099-DIV • DIVIDENDS AND DISTRIBUTIONS • 2009

(1a) Total Ordinary Dividends	(1b) Qualified Dividends	(2a) Total Capital Gain Distributions	(2b) Unrecap. Sec. 1250 gain	(3) Nondividend Distributions	(4) Federal Income Tax Withheld	(6) Foreign Tax Paid
Fund: TECHNOLOGY			Cusip Number: 665162798			
Account Number: 6171111125			Fund Tax ID: 39-1819955			
250.90	218.92	1,421.65	0.00	0.00	0.00	0.00

C-D

L-M

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FORM 1099-B/ AVERAGE COST STATEMENT

This form reports proceeds from redemptions and exchanges you made from your non-money market, nonretirement accounts during 2009, as well as your average cost basis. The IRS considers an exchange from one fund to another fund to be a taxable redemption of shares. These redemption proceeds must match the sales proceeds you report on Schedule D, "Capital Gains and Losses."

This information is reported to the IRS. Form 1099-B consolidates information for all Northern Funds accounts you owned during 2009 that were registered with the same address and same taxpayer identification number.

A Recipient

Account owner's registration and mailing address.

B Recipient's Identification Number

Taxpayer identification number under which the amounts have been reported to the IRS. For individuals, this is your social security number.

C Fund

Name of the fund for which proceeds are reported.

D Fund Tax ID

Federal tax ID number for the fund from which proceeds were paid and are reported.

E Date of Sale (1a)

Date on which the redemption or exchange occurred.

F CUSIP Number (1b)

The CUSIP number of the security redeemed or exchanged.

A

STEPHEN NORTHERN
50 SOUTH LASALLE
CHICAGO IL 60603

Recipient's Identification Number: 123-45-6789

B

E G H I

Corrected (if checked)

(OMB No. 1545-0719)

Form 1099-B - PROCEEDS FROM BROKER & BARTER EXCHANGE TRANSACTIONS - 2009

(1a) Date of Sale	(2) Gross Proceeds	(4) Federal Income Tax Withheld	(7) Description Transaction	Share Price	Shares This Transaction	The Cost Basis and Gain (Loss) information below is not being reported to the IRS		
						Average Cost Basis	Gain (Loss)	Holding Period
Fund: TECHNOLOGY Account Number: 6170932426				Cusip Number (1b): 665162798 Fund Tax ID: 39-1819955				
11/02/09	2,937.43	0.00	Redemption	9.67	303.767	2,500.00	437.43	Short
Fund: STOCK INDEX Account Number: 6180485318				Cusip Number (1b): 665162772 Fund Tax ID: 39-1856202				
05/28/09	3,076.99	0.00	Redemption	16.17	190.290	5,658.04	(2,581.05)	Long

C

D & F

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G Gross Proceeds (2)

The dollar amount of redemption proceeds paid in cash or exchanges to another fund.

H Federal Income Tax Withheld (4)

Amount represents backup withholding, if any. For example, if you have not furnished your taxpayer identification number to Northern Funds, you are subject to backup withholding. (See IRS Form W-9 for information on backup withholding.) Include this amount on Form 1040, line 61, as tax withheld.

I Description (7)

Provides the details of each transaction, including the type of transaction, share price and number of shares redeemed or exchanged.

J Average Cost Basis

This is the average cost of the shares you redeemed, calculated using the average cost/single category method of accounting. "Basis" is a way of determining the purchase price of your investment, so that you may calculate your gains or losses. The basis for stocks, bonds and mutual fund shares includes the original amount you paid, plus any reinvested distributions. The average cost method simply averages the cost of the shares you own. See page 10 for additional details.

K Gain (Loss)

Amount of reportable gain or loss resulting from your share redemption, which is the difference between the redemption proceeds from the sale and the basis of the shares sold.

Wash Sale

A loss that is noted with # has been adjusted because of a "wash sale" transaction. If you purchase shares of a fund (including reinvested dividends) within 30 days before or after you redeem shares at a loss, the redemption is considered a "wash sale." Any loss resulting from that sale is disallowed by the IRS and must be added to the cost basis of the repurchased shares. A loss noted with # is considered your allowable loss after the wash sale adjustment.

L Holding Period

The designation of the gain/loss is provided in this column, using the first-in, first-out method. Shares held for one year or less are considered short-term and are designated as "short" on the form. Shares held for more than one year are long-term and are designated as "long" on the form. Please enter each redemption in the appropriate section of Schedule D. If you're using the average cost method for calculating cost basis, when filling out Schedule D, please write "Various" in the box for "Date Acquired" for each individual redemption.

How to Calculate Gains & Losses

Capital gains and losses, which occur when you redeem or exchange your mutual fund shares, must be reported to the IRS. To do so, you first must determine the purchase price for your funds and then calculate your cost basis.

You may save significantly on your taxes, depending on the method you choose to compute your gains and losses. We strongly recommend that you work with your tax advisor to determine the best method for you, based upon your personal situation.

Gather Your Records

To calculate a capital gain or loss on a particular redemption, you must determine which shares were sold (if only a portion were redeemed) and how much you paid for those shares (the cost basis). This can be a complicated aspect of mutual fund tax reporting, because extensive record keeping and complex calculations are required.

You can use your annual account statements to identify every purchase you have made for a specific account. Once you've determined the purchase price for the different shares you own, you can calculate your cost basis using one of the three alternatives allowed by the IRS.

Three Methods of Calculating Cost Basis

The IRS currently allows you to calculate your mutual fund cost basis using any one of these three methods:

- Average cost (single-category or double-category) method
- First-in, first-out (FIFO) method
- Specific share identification method.

Before you choose a method, keep this in mind: Your cost basis must reflect the price of all your purchases, including any reinvested dividends and capital gain distributions. Over a period of time, reinvested distributions can account for a substantial portion of your purchases. If you omit these transactions from your cost basis, you will report a larger capital gain or smaller capital loss than you actually have.

Average Cost Method

Both average cost methods (single-category and double-category) have special requirements that you need to consider carefully:

You must state on your tax return, or on an attachment to your tax return, which method you've chosen to use.

If you choose either of the average cost methods, the IRS requires you to use that method for all accounts registered with your taxpayer identification number in that particular mutual fund. You may use different methods for other mutual funds, however. For example, if you used the average cost/single-category method for an account in the ABC Fund, you must use this method for all your ABC Fund accounts. You may use a different method for your other funds.

Important Points to Remember

Once you have chosen to use average cost, you cannot change methods for any accounts in the fund without requesting and receiving permission from the IRS.

Average cost may be used only for mutual funds. You cannot use it for any other investments, such as individual stocks and bonds.

Northern Funds provides you with an Average Cost Statement if you redeemed or exchanged shares during the year from a non-money market, nonretirement account. The statement calculates the average cost using the single-category method.

FIFO Method

The FIFO (first-in, first-out) method assumes that the first shares you redeem are the first ones you bought. If you don't specify another method, the IRS will assume that you have used FIFO.

Specific Share Identification Method

This method allows you to choose which shares are redeemed, so long as you identify the shares at the time of your redemption. For each redemption or exchange, you must provide written confirmation identifying the shares that were redeemed. The confirmation should specify the number of shares redeemed, the date the shares were purchased and the purchase price of the shares.

This method allows you to minimize or maximize capital gains and losses, but it also requires you to keep written records confirming which shares were redeemed on any given date. You should keep a copy of all your confirmations, in case the IRS should request them. Your tax advisor can give you more information about record keeping requirements.

FORM 1099-R

This form summarizes all reportable distributions made during 2009 from retirement plan accounts, including pensions, annuities and Individual Retirement Arrangements (IRAs). Attach Copy B of Form 1099-R to your tax return if you had any federal income tax withheld, as shown in box 4 of this form. Copy C is for your records.

The tax consequences of receiving a distribution vary, depending on the type of retirement plan or account and the circumstances surrounding the distribution. Please consult your tax advisor about how to report this information correctly.

A Recipient

Account owner's registration and mailing address.

B Payer's Federal Identification Number

Federal tax ID number for the custodian (Northern Trust) for the fund from which proceeds were paid and are reported.

C Recipient's Identification Number

Taxpayer identification number under which the amounts have been reported to the IRS. For individuals, this is your Social Security number.

D Account Number

Recipient's account number for which the distributions are reported.

E Gross Distribution (1)

Amount of your distribution before income tax or other deductions. Report this amount — in addition to amounts from any other Forms 1099-R — on Form 1040. If your account is an IRA, report the amount on line 15a. For other types of retirement plan accounts, use line 16a.

F Taxable Amount (2a)

Amount of the distributions from your retirement plan accounts that is taxable. For distributions from a Roth IRA, you may need to compute the taxable amount. If this situation applies to you, please consult IRS Publication 590, Individual Retirement Arrangements (IRAs), the IRS or your tax advisor for guidance.

G Federal Income Tax Withheld (4)

If you had some of your income tax withheld, you should attach Copy B of this form with your tax return.

H Distribution Code (7)

This code provides valuable information regarding the type of distribution. Check your 2009 IRS tax return instruction booklet or 1099-R detail for more information.

FORM 1099-R • Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs Insurance, Contracts etc • 2009					
Form 1099-R <input type="checkbox"/> Corrected (if checked) (OMB No. 1545-0119)					
NORTHERN FUNDS P.O. BOX 75986 CHICAGO IL 60675-5986		1 Gross Distribution \$400.00	2a Taxable Amount \$400.00	2009	
STEPHEN NORTHERN 50 SOUTH LASALLE CHICAGO IL 60603		2b Taxable amount not determined <input checked="" type="checkbox"/>	Total Distribution <input type="checkbox"/>		
		3 Capital Gain (included in box 2a)	4 Federal Income Tax withheld \$0.00	COPY B Report this income on your Federal Tax Return. If this Form shows Federal income tax withheld in Box 4, attach this copy to your return. <small>This information is being furnished to the Internal Revenue Service.</small>	
5 Employee contributions/ Designated Roth contributions	6 Net unrealized appreciation in employer's securities				
7 Distribution code 7	8 Other <input type="checkbox"/>				
9a Total percentage of total distribution	9b Total employee contributions				
Northern Funds Center 800-595-9111		10 State tax withheld	11 State/Payer's state no.	12 State distribution	
PAYER'S Federal ID# 34-1234567	RECIPIENT'S ID# 123-45-6789	Account Number 6020156523	13 Local tax withheld	14 Name of locality	15 Local distribution

E & F
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B C D H

FORM 1099-Q

This form summarizes all distributions and rollovers made from a Coverdell Education Savings Account (Coverdell ESA) and/or a qualified tuition program, more commonly referred to as a section 529 plan.

A Recipient

Account owner's registration and mailing address (including custodial accounts for minors).

B Account Number

Recipient's account number for which the distributions are being reported.

C Recipient's Social Security Number

Taxpayer identification number under which the amounts have been reported to the IRS. For individuals, this is a Social Security number.

A

STEPHEN NORTHERN
50 SOUTH LASALLE
CHICAGO IL 60603

Recipient's Identification Number: 123-45-6789

C

Corrected (if checked)

(OMB No. 1545-1769)

Form 1099-Q • PAYMENTS FROM QUALIFIED EDUCATION PROGRAMS (UNDER SECTIONS 529 AND 530) • 2009

Account Number	(1) Gross Distribution	(2) Earnings	(3) Basis	(4) Trustee to Trustee Rollover	(5) Program Type	(6) If this box is checked the recipient is not the designated beneficiary	Coverdell ESA Fair Market Value as of 12-31-09
Fund: INCOME EQUITY		PAYER's/TRUSTEE's Federal Identification No.: 39-1777347					
6020156523	210.50	0.00	0.00	<input type="checkbox"/>	Coverdell ESA	<input type="checkbox"/>	5,000.00
Fund: STOCK INDEX		PAYER's/TRUSTEE's Federal Identification No.: 39-1856202					
6180485318	100.00	0.00	0.00	<input type="checkbox"/>	Coverdell ESA	<input type="checkbox"/>	5,000.00

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D Payer's/Trustee's Federal Identification Number

Federal tax ID number for the fund from which proceeds were paid and are reported.

E Gross Distribution (1)

Amount of your distribution from a Coverdell ESA, including a refund, payment upon death or disability or a withdrawal of excess contributions plus earnings.

F Program Type (5)

Identifies the type of qualified tuition program from which the distribution is taken, i.e., Coverdell ESA.

G Designated Beneficiary Checkbox (6)

A checked box indicates that the recipient is not the designated beneficiary.

H Fair Market Value

The Fair Market Value of a Coverdell ESA as of 12/31/09. To determine the amount of earnings to report, see IRS Publication 970, Tax Benefits for Education.

FORM 1099-INT

All amounts of tax-exempt interest must be reported on Form 1099-INT.

A Recipient

Account owner's registration and mailing address.

B Recipient's Identification Number

Taxpayer identification number under which the amounts have been reported to the IRS. For individuals, this is your Social Security number.

C Fund Tax ID

Federal tax ID number for the custodian (Northern Trust) for the fund from which proceeds were paid and are reported.

A

STEPHEN NORTHERN
50 SOUTH LASALLE
CHICAGO IL 60603

B

Recipient's Identification Number: 123-45-6789

Corrected (if checked) (OMB No. 1545-0112)

Form 1099-INT • INTEREST INCOME • 2009			
(1) Interest Income	(4) Federal Income Tax Withheld	(6) Tax Exempt Interest	(9) Specified Private Activity Bond Interest
Fund: HIGH YIELD MUNICIPAL		Cusip Number: 665162681	
Account Number: 6260156523		Fund Tax ID: 39-1945717	
0.00	0.00	\$364.31	\$76.51

E
F
C&G
H

D Account Number

Recipient's account number for which the distributions are reported.

E Interest Income (1)

Shows interest income paid to you during the calendar year.

F Federal Income Tax Withheld (4)

If you had some of your income tax withheld, you should attach Copy B of this form with your tax return.

G Tax-Exempt Interest (8)

Shows tax-exempt interest, including exempt-interest dividends paid to you during 2009. This amount may be subject to backup withholding.

H Specified Private Activity Bond Interest (9)

Shows tax-exempt interest subject to the alternative minimum tax.

FORM 5498-IRA

Contributions and changes to IRA accounts are reported to the IRS on Form 5498. You should receive one Form 5498 that includes all of your IRA plans under your Social Security number. Contributions to a spousal IRA are reported on a separate Form 5498 under the spouse's Social Security number.

The information provided on the form includes:

A Payer's Name


The name and address of the issuer or trustee for your IRA.

B Recipient

Account owner's registration and mailing address.

C Recipient's Identification Number

The Social Security number under which the amounts shown have been reported to the IRS.

A	TRUSTEE'S or ISSUER'S name, street address, city, state and ZIP code NORTHERN TRUST COMPANY 801 S. CANAL STREET, C55 CHICAGO IL, 60607 800-595-9111						
	PARTICIPANT'S name, street address (including apt. no.), City, State and ZIP code	TAX YEAR 2009					
		Copy B For Participant - Keep for your Records					
		Department of the Treasury-Internal Revenue Service					
		This information is being furnished to the Internal Revenue Service.					
B	NORTHERN TRUST C/F ROTH IRA OF STEPHEN NORTHERN 50 SOUTH LASALLE CHICAGO, IL 60603	PARTICIPANT'S Social Security Number: 123-45-6789					
		<input type="checkbox"/> CORRECTED (if checked)	(OMB No. 1545-0747)				
Form 5498 - IRA CONTRIBUTION INFORMATION - 2009							
(1) IRA Contributions (other than amounts in boxes 2-4 and 6-10)	(2) Rollover Contributions	(3) Roth IRA Conversion Amount	(4) Recharacterized Contributions	(5) Fair Market Value of Account as of 12/31/2009	(8) SEP Contributions	(10) Roth IRA Contributions	(11) If Checked, required minimum distribution for 2010
Fund: INCOME EQUITY Account Number: 6020100000				TRUSTEE'S/ISSUER'S Identification no.: 36-1561860 Type of IRA (7): ROTH			
0.00	0.00	0.00	0.00	0.00	0.00	250.00	<input type="checkbox"/>
Fund: MULTI-MANAGER LARGE CAP Account Number: 6420100000				TRUSTEE'S/ISSUER'S Identification no.: 36-1561860 Type of IRA (7): ROTH			
0.00	0.00	0.00	0.00	0.00	0.00	250.00	<input type="checkbox"/>
Summary							
0.00	0.00	0.00	0.00	0.00	0.00	500.00	
Form 5498							
D	E	F	G	H&I	J	K	L

D IRA Contributions (1)

The amount of 2009 contributions to Traditional IRAs made during 2009 and through April 15, 2010. If you or your spouse were active in an employer's pension plan, these contributions may not be deductible.

Investors who make non-deductible contributions to Traditional IRAs must report these contributions on Form 8606. This form is also used to report conversions or recharacterizations that balance distributions reported on Form 1099-R. Failure to complete Form 8606 may result in a tax penalty.

E Rollover Contributions (2)

The amount of direct or indirect rollovers into Traditional IRAs, and rollovers from one Roth IRA to another, made during 2009. This does not include amounts converted from Traditional, Simplified Employee Pension (SEP), Savings Incentive Match Plan for Employees (SIMPLE) or Roth IRAs.

F Roth IRA Conversion Amount (3)

The amount converted from Traditional, SEP or SIMPLE IRAs to Roth IRAs during 2009. This includes amounts reconverted back to Roth IRAs after recharacterization to another type of IRA. It does not include rollovers from one Roth IRA to another.

G Recharacterized Contributions (4)

The total amount of contributions and earnings recharacterized from one type of IRA to another.

H Fair Market Value of Account (5)

The fair market value of your IRA as of December 31, 2009.

I IRA, SEP, SIMPLE, Roth IRA (7)

This field designates the type of IRA reported on Form 5498.

J SEP Contributions (8)

The amount of contributions made by employers or self-employed individuals to SEP IRAs during 2009, including contributions made during 2009 for 2008. Contributions for 2009 made during 2010 should not be included. If your employer made the contributions, you should not deduct the amount on your income tax return.

K Roth IRA Contributions (10)

The amount of contributions made to a Roth IRA during 2009 through April 15, 2010. These are not deductible.

L Required Minimum Distribution (11)

If this box is checked, you must take a Required Minimum Distribution (RMD) during 2010. If you fail to take the RMD during 2010, you may be subject to a 50% excise tax on the amount not distributed. If you have questions about RMDs, please contact your tax advisor or the Northern Funds Center at **800-595-9111** weekdays from 7:00 a.m. to 7:00 p.m. Central Time.

FORM 5498-ESA

Contributions to Coverdell Education Savings Accounts (ESAs), including rollovers, are reported to the IRS on Form 5498-ESA. You will receive Form 5498-ESA for each person for whom you maintain a Coverdell ESA. The information reported includes:

A Payer's Name

The name and address of the issuer or trustee for your ESA.

B Beneficiary's Social Security Number

The Social Security number under which the amounts shown have been reported to the IRS.

C Beneficiary's Name

The registration and mailing address for the beneficiary of the ESA. The beneficiary is the person for whom you are maintaining the account.

D Coverdell ESA Contributions (1)

The amount of ESA contributions made during 2009 and through April 15, 2010. If the amount of all contributions to all ESAs for this beneficiary exceeds the maximum allowable contribution of \$2,000 per student then any amount over \$2,000, and any earnings, must be withdrawn by May 31, 2010 or they may be subject to a 6% excise tax for each year that the excess contributions remain in the Coverdell ESA.

E Rollover Contributions (2)

The amount of direct or indirect rollovers into ESAs during 2009. In general, rollovers from one ESA to another for a named beneficiary or a member of the beneficiary's family under age 30 are not subject to taxation.

A

TRUSTEE'S or ISSUER'S name, street address, city, state and ZIP code
 NORTHERN TRUST COMPANY
 801 S. CANAL STREET, C5S
 CHICAGO IL, 60607
 800-595-9111
 BENEFICIARY'S name, street address (including apt. no.), City, State and ZIP code



TAX YEAR 2009

Copy B For Beneficiary - Keep for your Records

C

COVERDELL EDUCATION SAVINGS ACCT OF
 STEPHEN NORTHERN
 CUST STEPHEN NORTHERN JR.
 50 SOUTH LASALLE
 CHICAGO, IL 60603

Department of the Treasury-Internal Revenue Service

The information in boxes 1 and 2 is being furnished to the Internal Revenue Service.

BENEFICIARY'S Social Security Number: 123-45-6789

B

CORRECTED (if checked) (OMB No. 1545-1815)

Form 5498-ESA - COVERDELL ESA CONTRIBUTION INFORMATION - 2009

Account Number	(1) Coverdell ESA Contributions	(2) Rollover Contributions
Fund: TECHNOLOGY	TRUSTEE'S/ISSUER'S Identification no.: 36-1561860	
6170100000	450.00	0.00

Form 5498-ESA

D

E

SPECIAL TAX TOPICS

Alternative Minimum Tax (AMT)

Tax-exempt income from certain private-activity municipal bonds — bonds issued after August 7, 1986, by state and local governments to finance private ventures — may be subject to the Alternative Minimum Tax (AMT).

The AMT was enacted as part of the Tax Reform Act of 1969, to prevent excessive use of tax deductions and credits. It is intended to ensure that individuals who benefit from these deductions pay a minimum amount of federal income tax.

To determine whether your tax-free income fund contains any bonds that generated tax-exempt income that may be subject to the AMT, please see Northern Funds Tax Facts, and your Form 1099-INT (Box 9).

You may want to consult with your tax advisor to determine your exposure to the AMT.

Qualified Dividend Income (QDI)

“Qualified dividends,” are currently taxed at long-term capital gain rates. In order to qualify for these reduced rates, you must hold the stock more than 60 days out of a certain 121-day period. That period begins 60 days before the stock’s ex-dividend date. The same holding period requirement applies to dividends paid to mutual funds and mutual fund shareholders. A mutual fund will pass through to shareholders any qualified dividends it receives from stocks held in its portfolio. As a fund shareholder,

you will be taxed on those dividends at long-term capital gain rates as long as you have held the mutual fund shares for the required period.

Investment Interest Expense

Dividends, that otherwise would be classified as QDI, will not be treated as “investment income” for purposes of determining the limitation on deductibility of investment interest expense, unless the taxpayer elects to treat the dividend as not eligible for the capital gains rates.

Capital Losses

For individual taxpayers, a capital loss on the redemption of mutual fund shares is first used to offset capital gains. If a net capital loss results, the loss can be deducted on a dollar-per-dollar basis against ordinary income (generally up to \$3,000). Any unused capital losses may be carried forward to offset future income.

To discourage loss-oriented selling, the IRS created several rules related to capital losses, which are explained on the following page. Please consult the IRS or your tax advisor for more information.

Wash Sales

If you purchase shares of the same fund (including reinvested dividends) within 30 days before or after you redeem shares at a loss, the redemption is considered a “wash sale” and some or all of your loss is deferred. The shares purchased reduce any realized capital losses on a share-by-share basis. The IRS does allow an increase to the cost basis of the purchased shares. When the purchased shares causing the wash sale are subsequently sold, the deferred loss is recognized.

Long-Term Capital Gain Distributions

If you hold shares in a mutual fund for six months or less and receive a long-term capital gain distribution during that period, any short-term capital loss you realize from the sale of those shares must be treated as a long-term capital loss to the extent of the capital gain distribution.

Losses After Receipt of Tax-Exempt Dividends

If you hold shares in a tax-free mutual fund for six months or less and receive tax-exempt dividends during that period, any loss you realize from the redemption of those shares will be reduced by the amount of the tax-exempt dividends.

Child’s Investment Income

The Small Business Work Opportunity Tax Act of 2007 expanded the reach of the “kiddie tax,” which, under certain circumstances, taxes a child’s income at the parent’s rate. Beginning in 2008, the kiddie tax applies to:

- Children under age 18
- Children under age 19, provided the child’s income does not exceed one-half of total support
- Children between the ages of 18 and 24 who are full-time students, provided the child’s income does not exceed one-half of total support

If the kiddie tax applies in 2009, the child’s investment income exceeding \$1,900 is taxed at the parent’s rate. This includes income received under the Uniform Gifts/Transfers to Minors Act (UGMA/UTMA).

In certain circumstances, you may elect to include your child’s income on your tax return. In some cases, however, filing separate returns for each child may be more advantageous, depending on the amount of income the child has, your state tax situation and whether you are subject to the Alternative Minimum Tax (AMT). We encourage you to discuss your specific situation with your tax advisor.

Direct U.S. Government & Agency Obligations

In most 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 Funds during 2009 may qualify for this exemption. Please refer to Northern Funds Tax Facts, which provides the specific percentages of dividends attributable to direct U.S. government and agency obligations for Northern Funds during 2009.

Short-term capital gain distributions are treated as ordinary income for federal tax purposes, but generally are not exempt from state income tax. Because state tax laws change frequently, you should consult your state tax authority for current information related to the pass-through of tax-exempt income in your state.

Foreign Taxes

To avoid double taxation, you are entitled to claim a foreign tax credit or take an itemized deduction, as applicable, on your federal income tax return for any foreign taxes paid by the Emerging Markets Equity Fund, Global Real Estate Index Fund, Global Sustainability Index Fund, International Equity Index Fund, International Growth Equity Fund, Multi-Manager Emerging Markets Equity Fund, Multi-Manager Global Real Estate Fund, and Multi-Manager International Equity Fund during 2009.

In order to be eligible to claim a foreign tax credit passed through from a mutual fund, you must have owned your fund shares for more than 15 days before or after the fund's ex-date of December 21, 2009.

The amount in box 6 on Form 1099-DIV represents your share of the total foreign taxes paid by Northern Funds. Any foreign taxes not claimed as a credit may be included as itemized deductions on Schedule A, line 8.

If the total amount of your foreign taxes is not more than \$300 (\$600 for married persons filing jointly) and you meet other requirements listed in the instructions for Form 1116, Foreign Tax Credit for Individual, Estate or Trust, you may be able to claim the credit directly on Form 1040 without completing Form 1116.

We recommend that you consult your tax advisor to determine whether the deduction or credit is best for you.

Inheritances or Gifts

In order to compute the gain or loss on inherited or gifted shares, you will need to know their cost basis. The cost basis of inherited shares is generally the value of the shares on the date that the decedent passed away or, if elected by the executor, the "alternate valuation date."

For gifted shares, gain is generally computed based on the donor's cost basis on the gift date, while loss is computed based on the fair market value of the shares on the gift date.

In some cases, cost basis will be increased to reflect gift or generation-skipping tax paid with respect to the transfer. Additional rules may apply, so please check with your tax advisor.

State Intangibles or Personal Property Tax Information

Some states apply an intangibles tax or personal property tax to mutual fund holdings. This tax is based on the value of your mutual fund assets at a specified point in time (usually December 31), not on the income derived from the assets. Some states allow exemptions for certain types of securities. Other states permit exemptions depending on whether a fund is organized as a corporation or a business trust. Please refer to Northern Funds Tax Facts for detailed information about the percentage of a particular fund's net asset value invested in obligations of specific states and municipalities.

Tax-Exempt Income 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. Please refer to Northern Funds Tax Facts for detailed

information about the portion of dividends derived from interest income on state and local obligations on a state-by-state basis during 2009.

Special Reporting for U.S. Armed Forces

U.S. Armed Forces personnel serving in designated combat zones will be allowed additional time past April 15 to make contributions to their IRA accounts. Additionally, the deadline for filing tax returns, paying taxes, filing claims for refunds and certain other actions with the IRS will be extended under this designation. For further information, see IRS Publication 3, Armed Forces' Tax Guide, for a list of the locations within the designated combat zones and qualified hazardous duty areas.

IRS CIRCULAR 230 NOTICE: The information in this guide is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law. For more information about this notice, see northerntrust.com/circular230.

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