



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

DIVISION OF  
INVESTMENT MANAGEMENT

March 2, 2009

Diana E. McCarthy  
Drinker Biddle & Reath LLP  
One Logan Square  
18<sup>th</sup> and Cherry Streets  
Philadelphia, PA 19103-6996

Re: Northern Institutional Funds— Diversified Assets Portfolio, Liquid Assets Portfolio and Prime Obligations Portfolio (File No. 811-03605) and Northern Funds— Money Market Fund (File No. 811-08236)

Dear Ms. McCarthy:

Your letter of February 24, 2009 requests our assurance that we would not recommend that the Securities and Exchange Commission (the “Commission”) take any enforcement action under Sections 17(a)(1)<sup>1</sup>, 17(d)<sup>2</sup> and 12(d)(3)<sup>3</sup> of the Investment Company Act of 1940 (the “Act”), and the rules thereunder, if Northern Institutional Funds and Northern Funds (each, a “Trust,” and collectively, the “Trusts”), each of which is a Delaware statutory trust registered with the Commission as an open-end investment company under the Act, and Northern Trust Corporation (“NTC”), amend the agreements summarized below and more fully described in the letter. NTC is the indirect parent of the Trusts’ investment adviser, Northern Trust Investments, N.A. (the “Adviser”), and thus is an “affiliated person” or an “affiliated person of an affiliated person” of the Fund as defined in Section 2(a)(3) of the Act.

---

<sup>1</sup> Section 17(a)(1) generally makes it unlawful for any affiliated person of a registered investment company, or an affiliated person of such person, acting as principal, to knowingly sell any security or other property to the registered investment company.

<sup>2</sup> Section 17(d) generally makes it unlawful for any affiliated person of a registered investment company, or any affiliated person of such a person, acting as principal, to effect any transaction in which the registered investment company is a joint or joint and several participant with such person in contravention of rules and regulations adopted by the Commission.

<sup>3</sup> Section 12(d)(3) generally makes it unlawful for any registered investment company to acquire any security issued by, or any interest in the business of, any broker-dealer, any person engaged in the business of underwriting, or an investment adviser of an investment company, or an investment adviser registered under the Investment Advisers Act of 1940.

The Diversified Assets Portfolio, Liquid Assets Portfolio and Prime Obligations Portfolio are series of the Northern Institutional Funds, and the Money Market Fund is a series of the Northern Funds (each a "Fund," and collectively, the "Funds"). The Funds are money market funds that seek to maintain a stable net asset value per share of \$1.00 and use the amortized cost method of valuation in valuing their portfolio securities as permitted by rule 2a-7 under the Act.

In February 2008, the Trusts and NTC entered into four capital support agreements (as amended in July 2008 and September 2008, the "Original Agreements") for the benefit of the Funds. The Original Agreements obligate NTC to make a cash contribution (up to a specified maximum amount) to each of the Liquid Assets Portfolio and the Money Market Fund sufficient to restore each Fund's net asset value ("NAV") to a specified minimum permissible NAV if certain triggering events occurred. The Original Agreements also obligate NTC to make a cash contribution (up to a specified maximum amount) to each of the Diversified Assets Portfolio and the Prime Obligations Portfolio sufficient to prevent each Fund from realizing any loss on the Notes if certain triggering events occurred. You state that the Funds hold notes (the "Notes") issued by Whistlejacket Capital LLC and White Pine Finance LLC (the "Issuers"), and that the Original Agreements were intended to limit the potential losses that the Funds may incur upon the ultimate disposition of the Notes. The Original Agreements were entered into after the staff of the Division of Investment Management informed the Trusts and NTC that it would not recommend enforcement action to the Commission if the arrangement was effected.<sup>4</sup>

The Trust and NTC now seek to amend the Original Agreements (the "Amendments"), and a form of the Amendments was provided to the staff. The principal changes the Trust and NTC propose to make to the Original Agreements are to extend the termination date from February 28, 2009 to November 6, 2009 ("New Termination Date") and to amend the provisions stating which events trigger a required capital contribution.

You represent the following with respect to the Amendments and the extension:

- (i) The Issuers are structured investment vehicles and are currently engaged in restructuring efforts. Although the timeframe for completing the restructuring is unknown, it is unlikely that the restructuring will be complete by February 28, 2009;
- (ii) The Adviser has informed each Trust's Board of Trustees (the "Board") of its belief that greater value could be realized on the Notes if the Original Agreements were amended and extended until the restructuring of the Issuers is finalized;
- (iii) The Amendments include as a contribution event the Funds receiving notes replacing the Notes with a value less than the then-current amortized cost value (plus accrued and unpaid interest) of the Notes in connection with any

---

<sup>4</sup> See Northern Institutional Funds, SEC Staff No-Action Letter (Feb. 28, 2008); Northern Institutional Funds, SEC Staff No-Action Letter (July 16, 2008).

restructuring of the issuer of the Notes occurring on or after April 1, 2009, subject to certain fiduciary determinations of the Board as further specified in the Amendments; and

- (iv) The Board, including all the trustees who are not “interested persons” as that term is defined in section 2(a)(19) of the Act, has approved the changes in the Amendments and has determined that it would be in the best interests of the Fund and its shareholders to continue to hold the Notes and has approved the New Termination Date.

On the basis of the facts and representations above, we will not recommend enforcement action under Sections 12(d)(3), 17(a)(1) or 17(d) of the Act if the Trusts and NTC enter into the Amendments.<sup>5</sup> You should note that any different facts or representations might require a different conclusion. Moreover, this response expresses the Division’s position on enforcement action only and does not express any legal conclusions on the issues presented.<sup>6</sup>

Very truly yours,



Sarah G. ten Siethoff  
Senior Counsel

---

<sup>5</sup> This letter confirms the position of the staff that was provided orally by the undersigned to Diana E. McCarthy on February 24, 2009.

<sup>6</sup> The Division of Investment Management generally permits third parties to rely on no-action or interpretive letters to the extent that the third party’s facts and circumstances are substantially similar to those described in the underlying request for a no-action or interpretive letter. Investment Company Act Release No. 22587 (Mar. 27, 1997), n.20. In light of the very fact-specific nature of the Trust’s request, however, the position expressed in this letter applies only to the entities seeking relief, and no other entity may rely on this position. Other funds facing similar legal issues should contact the staff of the Division about the availability of no-action relief.

*Law Offices*

One Logan Square  
18TH and Cherry Streets  
Philadelphia, PA  
19103-6996

215-988-2700 phone  
215-988-2757 fax  
www.drinkerbiddle.com

CALIFORNIA

DELAWARE

ILLINOIS

NEW JERSEY

NEW YORK

PENNSYLVANIA

WASHINGTON DC

WISCONSIN

February 24, 2009

**Investment Company Act of 1940  
– Sections 12(d)(3), 17(a)(1), and  
17(d)**

Mr. Robert E. Plaze  
Associate Director  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549

Re: Northern Institutional Funds and Northern Funds – Money Market Funds

Dear Mr. Plaze:

We are counsel to the Northern Institutional Funds and Northern Funds (each, a “Trust,” and collectively, the “Trusts”), each of which is a Delaware statutory trust registered with the Securities and Exchange Commission (the “Commission”) as an open-end investment company under the Investment Company Act of 1940 (the “1940 Act”). We are writing to seek assurance from the staff of the Division of Investment Management (the “Division”) that it will not recommend enforcement action to the Commission under Sections 12(d)(3), 17(a)(1) or 17(d) of the 1940 Act, or the rules thereunder, if each Trust and Northern Trust Corporation (“NTC”), the indirect parent of the Trusts’ investment adviser, Northern Trust Investments, N.A. (the “Adviser”), amend the arrangements previously considered by the Division in no-action letters dated February 28, 2008 and July 16, 2008 (the “Prior Letters”), as described below.

The Diversified Assets Portfolio, Liquid Assets Portfolio and Prime Obligations Portfolio are series of the Northern Institutional Funds, and the Money Market Fund is a series of the Northern Funds (each a “Fund” and collectively, the “Funds”). As money market funds, each Fund seeks to maintain a stable net asset value per share of \$1.00, and uses the amortized cost method of valuation in valuing its portfolio securities pursuant to Rule 2a-7 under the 1940 Act.

The Current Capital Support Agreements

As described in the Prior Letters, each Fund holds notes (the “Notes”) issued by Whistlejacket Capital LLC and White Pine Finance LLC (collectively, “Whistlejacket”). To limit the potential losses that a Fund may incur upon the ultimate disposition of the Notes, NTC entered into a Capital Support Agreement, on behalf of each Fund, with the applicable Trust (each an “Agreement,” and collectively, the “Agreements”), at no cost to any Trust or Fund, that would prevent any losses realized on the Notes (collectively with any notes received in exchange for the Notes that do not qualify as “Eligible Securities” under Rule 2a-7, “Eligible Notes”) from causing a Fund’s market based net asset value per share (“NAV”) to fall below the minimum permissible NAV (“Minimum Permissible NAV”) specified in the Agreement. Generally, upon a sale or other ultimate disposition of an Eligible Note, the Agreement obligates NTC to make a cash contribution to the applicable Fund (up to the maximum amount specified in the Agreement (“Maximum Contribution Amount”)) sufficient to restore the Fund’s NAV to the Minimum Permissible NAV. NTC would not obtain any shares or other consideration from the Fund for its contribution; and the Fund would agree to retain the contribution and not include it in any dividends or distributions. NTC has a First Tier credit rating.

The Agreement further provides that any securities received in exchange for the Notes that qualify as Eligible Securities under Rule 2a-7 (or any Notes that qualify again as Eligible Securities) will not be subject to the Agreement. The Agreement obligates a Fund to sell the Eligible Notes (i) promptly following any change in NTC’s short term credit ratings such that NTC’s obligations no longer qualify as First Tier Securities as defined in paragraph (a)(12) of Rule 2a-7, or (ii) on the business day immediately prior to February 28, 2009. NTC’s obligations to make a cash contribution under an Agreement with respect to a Fund will terminate upon the earlier of (i) NTC having made cash contributions to that Fund equal to the maximum contribution amount specified in the Agreement; (ii) that Fund no longer holding Eligible Notes; or (iii) 5:00 p.m., Eastern Time on February 28, 2009. The Agreement also contains a provision that permits each Trust’s Board of Trustees to cause the applicable Fund to sell the Eligible Notes and obligate NTC to make a cash contribution to the Fund if the Board determines that the Maximum Contribution Amount would be insufficient to support the Fund at the Minimum Permissible NAV.

To comply with the requirements of Moody’s Investors Service in connection with the ratings for Prime Obligation Portfolio and Diversified Assets Portfolio, NTC and Northern Institutional Funds amended as of September 29, 2008 each Agreement on behalf of these Funds to increase the level of support provided to the Fund by: (i) increasing the Maximum Capital Support specified in the Agreement and (ii) obligating NTC to provide capital support at a level to prevent a Fund from realizing any loss on the Eligible Notes, not just at a level to support a Fund’s NAV at its Minimum Permissible NAV. On the same date, NTC and each Trust also amended each Agreement on behalf

of the Money Market Fund and the Liquid Assets Portfolio to raise the Minimum Permissible NAV to a higher specified net asset value.<sup>1</sup>

Proposed Amendment to the Capital Support Agreements

The Notes went into receivership in mid-February 2008, and are still in receivership. In June 2008, the receiver (Deloitte & Touche LLP) appointed a replacement investment manager and an investment bank to assist in restructuring the Notes and completing the insolvency proceeding. The likely timeframe for completion of the restructuring is unknown, but it is unlikely that it will be completed by February 28, 2009.

In light of the approaching expiration of the Agreements, as well as the continued disruption of the credit markets generally, and the market for the Notes specifically, each Trust and NTC propose to amend the Agreements by executing an amendment to the applicable Agreement (each an “Amended Agreement” and collectively, the “Amended Agreements”) in the form that we have provided to you.<sup>2</sup> The Amended Agreements would change: (i) the latest date by which the Funds would be obligated to sell the Eligible Notes from the business day immediately prior to February 28, 2009 to the business day immediately prior to November 6, 2009; and (ii) the latest date by which NTC’s obligations under the Amended Agreements would terminate from February 28, 2009 to November 6, 2009. The Amended Agreements include an additional event that would require a cash contribution from NTC. A cash contribution would be required if a Fund incurred a loss (as specified in the Agreement) as result of receiving notes replacing the Notes, which had an amortized cost value less than the then-current amortized cost value of the Notes in connection with any restructuring of the issuer of the Notes occurring on or after April 1, 2009. The Amended Agreements also provide that such an event would not require a cash contribution by NTC if the applicable Trust’s Board of Trustees determined that no other option, other than receipt of the replacement notes, would be in the best interests of the applicable Fund, in light of the Board’s fiduciary duties to the Fund under applicable law.

---

<sup>1</sup> The Division staff provided assurance that each Fund could continue to rely on the Prior Letters.

<sup>2</sup> We note that each Amended Agreement may be deemed to be a “security” within the meaning of Section 2(a)(36) of the 1940 Act. If deemed to be a security, we believe that each Amended Agreement would be an “Eligible Security” under Rule 2a-7(a)(10) under the 1940 Act based on the conclusion that NTC has received a rating from Nationally Recognized Statistical Rating Organization (NRSRO) in one of the two highest short-term categories with respect to a class of debt obligations (or any debt obligation within that class) that is comparable in priority and security with the Amended Agreement. In addition, the Adviser has determined, pursuant to delegated authority, that each Amended Agreement presents minimal credit risks in accordance with Rule 2a-7(c)(3)(i) under the 1940 Act.

Each Board held a meeting on February 19, 2009 at which they approved an extension of the termination date of the Agreement from February 28, 2009 to November 6, 2009. At this meeting, the Adviser provided each Board with financial and other information, including among other things, the current status of the capital support provided under the Agreements, analysis of the Notes, conditions affecting the market generally and the Notes specifically, and NTC's financial circumstances. The Board also considered information regarding the Notes that had been provided at prior regular and special meetings of the Board. Finally, the Board considered the Adviser's view that, in light of all of the facts and circumstances, (i) the difficulties in the credit markets affecting money market funds were expected to continue well beyond the termination date of the Agreement; (ii) the capital support provided under the Agreement continues to be the most effective means of providing support to the Funds with respect to the Notes; and (iii) a greater value could be realized on the Notes if the Agreements continued until the restructuring of the Notes was completed than if the Agreements terminated on February 28, 2009.

Based upon such information, each Board, including all of the disinterested Trustees, concluded that it would be in the best interest of the applicable Fund and its shareholders to continue to hold the Notes and extend the termination date of the Agreements to November 6, 2009. Each Board has reviewed the applicable Amended Agreements and has concluded that they are each in the best interest of the respective Funds and their shareholders. As requested, we, as counsel to the disinterested trustees, have provided you with a letter under separate cover with respect to the disinterested trustees' consideration of the extension of the termination date.

#### Need for No-Action Relief

NTC is an "affiliated person" or an "affiliated person of an affiliated person" of each Fund under Section 2(a)(3) of the 1940 Act because it is the parent company of the investment adviser to the Fund. The execution and delivery of an Amended Agreement may be subject to Section 17(a)(1) of the 1940 Act, which makes it unlawful for any affiliated person of a registered investment company (or any affiliated person of such person) acting as principal knowingly to sell any security or other property to the investment company. The proposed arrangement may also fall within Section 17(d) of the 1940 Act, which makes it unlawful for any affiliated person (or any affiliated person of such person) of a registered investment company to effect any transaction in which such registered investment company is a joint, or joint and several participant, with such person in contravention of rules adopted by the Commission.

NTC's operations include subsidiaries that act as broker/dealers and investment advisers registered with the Commission. The execution and delivery of each Amended Agreement may be, therefore, subject to Section 12(d)(3) of the 1940 Act, which makes it unlawful for a registered investment company to purchase or otherwise acquire any

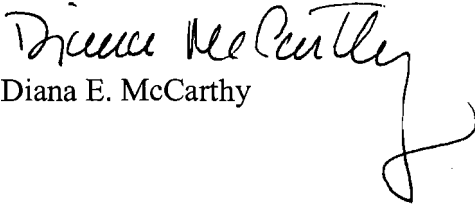
Mr. Robert E. Plaze  
Page 5

security issued by or any other interest in the business of any person who acts as a broker, dealer or registered investment adviser. A Fund could not rely upon the exemption provided under Rule 12d3-1 because the exemption does not extend to affiliated persons of a Fund's investment adviser.

On behalf of each Trust and NTC, we hereby request that the Division staff give its assurance that it will not recommend the Commission take enforcement action under Section 17(a)(1), Section 17(d) or Section 12(d)(3) of the 1940 Act, or rules thereunder, if each Trust and NTC entered into each of the applicable Amended Agreements as described above.

If you have any questions or other communications concerning this matter, please call the undersigned at 215.988.1146 or Veena K. Jain at 312.569.1167.

Very truly yours,

  
Diana E. McCarthy

cc: Lloyd Wennlund  
Richard P. Strubel  
Craig R. Carberry, Esq.