

## Exhibit 10.4

**CONFIDENTIAL TREATMENT REQUESTED BY NORTHERN FUNDS  
AND NORTHERN INSTITUTIONAL FUNDS  
UNDER RULE 81(b), 17 C.F.R. 81(b)**

**CAPITAL SUPPORT AGREEMENT**

THIS CAPITAL SUPPORT AGREEMENT (this "Agreement") is made as of February 21, 2008, by and between Northern Trust Corporation (the "Support Provider") and Northern Funds (the "Trust") on behalf of its series the Money Market Fund (the "Fund").

WITNESSETH:

WHEREAS, the Trust is an investment company registered with the Securities and Exchange Commission in accordance with the Investment Company Act of 1940 (as amended, the "1940 Act");

WHEREAS, the Fund is a money market fund that seeks to maintain a stable net asset value of \$1.00 per share using the Amortized Cost Method as defined in and in accordance with Rule 2a-7 promulgated under the 1940 Act (as amended, "Rule 2a-7");

WHEREAS, the Fund holds notes ("Notes") issued by Whistlejacket Capital LLC and/or White Pine Finance LLC (together the "Issuer"), which no longer are "Eligible Securities" as defined in paragraph (a)(10) of Rule 2a-7;

WHEREAS, a sale of the Notes under current market conditions is unlikely to result in the full recovery of the Fund's investments, and may cause the Fund to realize losses to the extent that it could no longer maintain a stable net asset value of \$1.00 per share;

WHEREAS, it is in the interest of the Support Provider and certain of its affiliates for the Fund to maintain a stable net asset value of \$1.00 per share;

NOW, THEREFORE, in consideration of the above premises, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Support Provider and Trust hereby agree as follows:

1. Definitions. In addition to the terms defined elsewhere in this Agreement, the following terms have the meanings indicated:

(a) "Amortized Cost Value" means, with respect to any Eligible Note held by the Fund, the value of that Eligible Note as determined using the Amortized Cost Method in accordance with Rule 2a-7 on the relevant date.

(b) "Capital Contribution" means a cash contribution by the Support Provider to the Fund pursuant to this Agreement for which the Support Provider does not receive any shares or other consideration from the Fund.

(c) "Contribution Event" means, with respect to any Eligible Note held by the Fund, any of the following occurrences:

(i) Any sale of the Eligible Note by the Fund for cash in an amount, after deduction of any commissions or similar transaction costs, less than the

Amortized Cost Value of the Eligible Note sold as of the date of settlement;

- (ii) Receipt of final payment on the Eligible Note in an amount less than the Amortized Cost Value of that Eligible Note as of the date such payment is received; or
- (iii) Issuance of orders by a court having jurisdiction over the matter discharging the Issuer from liability for the Eligible Note and providing for payments on that Eligible Note in an amount less than the Amortized Cost Value of that Eligible Note as of the date such payment is received.

The excess of the Amortized Cost Value of the Eligible Notes subject to a Contribution Event over the amount received by the Fund in connection with such Contribution Event shall constitute the "Loss" on such Eligible Notes.

(d) "Eligible Notes" means the Notes held by the Fund as portfolio securities on the date hereof or any securities or other instruments received in exchange for, or as a replacement of, the Notes as a result of an exchange offer, debt restructuring, reorganization or similar transaction pursuant to which the Notes are exchanged for, or replaced with, new securities of the Issuer or a third party, other than Notes or securities which are or become "Eligible Securities," as defined in paragraph (a)(10) of Rule 2a-7.

(e) "Maximum Contribution Amount" means forty-two million and five hundred thousand dollars (\$42,500,000). The Maximum Contribution Amount may be increased at any time as agreed by the Trust and the Support Provider.

(f) "Required Capital Contribution" means for the Fund on the date of any Contribution Event, a Capital Contribution in an amount sufficient for the Fund to maintain its net asset value per share at no less than the Minimum Permissible NAV, after giving effect to the Contribution Event and all payments received by the Fund in respect of the Eligible Notes. The net asset value for purposes of calculating the amount of Required Capital Contribution shall exclude any account receivable or other asset representing the Support Provider's obligations under this Agreement. Minimum Permissible NAV means \$0.995 for so long as the Fund is not rated by Standard & Poor's, and \$0.9975 if the Fund is rated by Standard & Poor's.

2. Covenants of the Fund. The Fund agrees that:

(a) To the extent consistent with the Fund's interest, the Board of Trustees of the Trust (the "Board") shall consult with the Support Provider with respect to all decisions regarding each Eligible Note (including, but not limited to, any decision to sell the Eligible Note or to forgo the right to any payment) prior to the occurrence of a Contribution Event with respect to that Eligible Note. Nothing in this Agreement shall be construed to cause the delegation by the Board to any person any authority which is not permitted to be delegated under Rule 2a-7.

(b) The Fund will retain any Capital Contribution and not include the Capital Contribution in any dividend or other distribution to the Fund's shareholders. For the avoidance of doubt, for purposes of this subparagraph, the redemption of the Fund's shares shall not constitute a "distribution" to shareholders.

(c) The Fund will promptly sell the Eligible Notes upon the earlier of (i) any change in the Support Provider's short term credit ratings such that the Support Provider'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 the date set forth in subparagraph 3(c)(iii).

3. Contributions to the Fund.

(a) If a Contribution Event occurs prior to the occurrence of a Termination Event (defined below), the Support Provider will make a Capital Contribution to the Fund in the amount equal to the least of (i) the Loss incurred as a result of Contribution Event, (ii) the Required Capital Contribution, or (iii) the Maximum Contribution Amount reduced by the amount of any Capital Contribution previously made by the Support Provider to the Fund.

(b) The Support Provider shall make the Capital Contribution to the Fund not later than one business day after the occurrence of a Contribution Event, by 12:00 noon, Eastern Time. Each Capital Contribution made hereunder shall be made in immediately available funds, without deduction, set-off or counterclaim, to the Fund.

(c) The obligation of the Support Provider to make Capital Contributions pursuant to this Agreement shall terminate upon the earlier of (such occurrence, the "Termination Event"): (i) the Support Provider has made Capital Contributions equal to the Maximum Contribution Amount, (ii) the Fund no longer holds Eligible Notes, or (iii) 5:00 p.m. Eastern Time on July 31, 2008.

4. Reliance by the Fund and the Board. The Support Provider acknowledges and consents to:

(a) The Board's reliance on the Support Provider's obligations under this Agreement in making any determination required under Rule 2a-7; and

(b) For purposes of calculating the Fund's daily net asset value calculated in accordance with procedures adopted by the Board in compliance with Rule 2a-7(c)(7)(ii)(A), the inclusion of the Capital Contribution that would be payable to the Fund under this Agreement if all of the Eligible Notes were sold on the date of such net asset value calculation; and

(c) The inclusion of the Capital Contribution that would be payable to the Fund under this Agreement if all of the Eligible Notes were sold on the date of such net asset value calculation in the Fund's audited or unaudited financial statements, to the extent required by generally accepted accounting principles.

5. Representations and Warranties. The Support Provider hereby represents and warrants that:

(a) It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing;

(b) It has the power to execute this Agreement, to deliver this Agreement and to perform its obligations under this Agreement and has taken all necessary action to authorize such execution, delivery and performance;

(c) Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(d) All governmental and other consents that are required to have been obtained by it with respect to this Agreement to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with;

(e) Its obligations under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)); and

(f) It has obtained short-term credit ratings of A-1 from Standard & Poor's, P-1 from Moody's Investors Services and F-1 from Fitch Ratings.

#### 6. General.

(a) Neither party may assign its rights under this Agreement to any person or entity, in whole or in part, without the prior written consent of the other party.

(b) No waiver of any provision hereof or of any right or remedy hereunder shall be effective unless in writing and signed by the party against whom such waiver is sought to be enforced. No delay in exercising, no course of dealing with respect to or no partial exercise of any right or remedy hereunder shall constitute a waiver of any other right or remedy, or future exercise thereof.

(c) If any provision of this Agreement is determined to be invalid under any applicable statute or rule of law, it is to that extent to be deemed omitted, and the balance of the Agreement shall remain enforceable.

(d) Subject to the next sentence, all notices shall be in writing and shall be deemed to be delivered when received by certified mail, postage prepaid, return receipt requested, or when sent by facsimile or e-mail confirmed by call back. All notices shall be directed to the address set forth under the party's signature or to such other address as either party may, from time to time, designate by notice to the other party.

(e) No amendment, change, waiver or discharge hereof shall be valid unless in writing and signed by the Support Provider and the Trust, on behalf of the Fund; provided that, in no event shall any amendment, change, waiver or discharge hereof extend the date set forth in Section 3(c)(iii), unless the parties hereto have obtained the prior approval of the staff of the U.S. Securities and Exchange Commission.

(f) This Agreement shall be governed in all respects by the laws of the State of Illinois without regard to its conflict of laws provisions.

(g) This Agreement constitutes the complete and exclusive statement of all mutual understandings between the parties with respect to the subject matter hereof, superseding all prior or contemporaneous proposals, communications and understandings, oral or written.

(h) This Agreement is solely for the benefit of the Fund, and no other person shall acquire or have any rights under or by virtue of this Agreement.

IN WITNESS WHEREOF, the Support Provider has caused this Capital Support Agreement to be executed this 21<sup>st</sup> day of February 2008.

NORTHERN TRUST CORPORATION

By: /s/ William R. Dodds

Name: William R. Dodds

Title Treasurer

ADDRESS FOR NOTICES:

50 S. LaSalle St.

Chicago, IL 60603

Attn: William R. Dodds

NORTHERN FUNDS FOR AND ON BEHALF  
OF ITS MONEY MARKET FUND

By: /s/ Lloyd A. Wennlund

Name: Lloyd A. Wennlund

Title President

ADDRESS FOR NOTICES:

50 S. LaSalle St.

Chicago, IL 60603

Attn: Lloyd A. Wennlund

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# **Northern Funds**

## **Cash Investment Management**

### **1. Overview**

This document outlines the process and philosophy Northern Trust employs in managing money market funds within the Northern Funds family of mutual funds. These funds are valued at amortized cost, rather than market value, and seek to maintain a constant \$1.00 net asset value (NAV). They are open-end investment management companies regulated by the U.S. Securities and Exchange Commission (SEC). (See Table I on page 2 for a list of funds.)

### **2. Investing Philosophy**

At Northern Trust, our approach to managing money market funds considers protection of principal as the clear, primary objective, followed by maintaining liquidity, and generating income. Our Fixed Income Research Division conducts a thorough credit analysis before authorizing any investments for our money market funds in a debt issuer. Our analysts monitor all authorized issuers and review these analyses regularly. Our investment limits are based entirely on their independent research. Credit ratings and opinions from external rating agencies are secondary to our own analysis.

### **3. Recent Market Conditions/Fund Performance**

Since midyear 2007 the financial markets have been roiled by a crisis often reported in the press as caused by the decline in real estate markets in general, and in particular, by defaults on sub-prime mortgage loans. This weakness in real estate is only one example of a broader reassessment of risk affecting all financial markets, and many investment vehicles, including money market mutual funds and similar products that investors consider to be very conservative. Several high profile investments that offer varying degrees of risk, have drawn investors' attention. These include:

- Mortgage-backed securities with sub-prime mortgage loan collateral,
- Instruments issued by structured investment vehicles (SIVs),
- Asset-backed commercial paper,
- Investments guaranteed by monoline insurance companies, and
- Collateralized debt obligations (CDOs).

Table I on the following page lists these investment types along with an indication of exposure to each for the money market funds in the Northern Funds family. Most funds have no exposures to these investments, but where there is exposure, the impact thus far has been minimal because the quality of our investments is high. Our credit review process has screened our portfolios from the investments that have been under the most credit stress in recent months.