

# **NORTHEAST INVESTORS TRUST**

## **ROTH IRA INVESTOR'S KIT**

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Boston, MA 02110  
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## Table of Contents

NORTHEAST INVESTORS TRUST	
ROTH IRA DISCLOSURE STATEMENT .....	1
INTRODUCTION .....	1
ROTH IRA vs. TRADITIONAL IRA.....	1
ESTABLISHING A ROTH IRA.....	1
How to Open a Roth IRA.....	1
How to Open a Conversion or Rollover Roth IRA .....	2
How to Open a Spousal Roth IRA .....	2
How to Open an “Inherited” Roth IRA.....	2
How to Withdraw From a Roth IRA .....	3
Summary.....	3
GENERAL INFORMATION.....	3
REVOCAION .....	4
THREE IMPORTANT POINTS .....	4
ELIGIBILITY.....	5
Roth IRAs for You and Your Spouse.....	5
Roth IRAs for Divorced Individuals .....	5
CONTRIBUTIONS.....	5
IRA Annual Contribution Limits .....	5
Special Catch-Up Contribution Rules.....	5
Spousal IRA Contribution Limits .....	6
Coordination with Traditional IRA Contributions.....	6
Adjusted Gross Income.....	6
Contribution Limits Based On Modified AGI .....	7
Due Date for Contributions .....	8
CONVERSIONS / ROLLOVERS .....	8
Conversion From a Traditional IRA.....	8
Other Conversions .....	8
Will Conversion of My Traditional IRA Be Advantageous? .....	9
Rollovers of Roth Accounts.....	9
Rollovers by a Surviving Spouse .....	9
Rollovers by a Non-Spouse Beneficiary .....	10
DEDUCTIONS .....	10
No Deductions .....	10
Income Tax Credit for Contributions .....	10
INVESTMENTS.....	11
Investment of Account .....	11

Growth of Your Account .....	11
EXCESS CONTRIBUTIONS .....	11
RECHARACTERIZING YOUR CONTRIBUTION .....	12
WITHDRAWALS.....	12
Withdrawals from Your ROTH IRA .....	12
No Mandatory Withdrawals at Age 70½ .....	15
How to Make Withdrawals .....	16
A Word about Reporting.....	16
DEATH BENEFITS.....	16
SOME THINGS TO AVOID.....	17
MAINTENANCE FEE AND OTHER CHARGES .....	17
Annual Maintenance Fee.....	17
Northeast Investors Trust Fee .....	17
STATE TAX RULES.....	17
IRS REPORTS AND RETURNS.....	18
STATE STREET BANK & TRUST CO. ROTH IRA CUSTODIAL AGREEMENT.....	19
 NORTHEAST INVESTORS TRUST ROTH IRA ADOPTION AGREEMENT.....	 34
 NORTHEAST INVESTORS TRUST ROTH IRA TRANSFER/CONVERSION FORM .....	 40
 NORTHEAST INVESTORS TRUST UNIVERSAL IRA WITHDRAWAL AUTHORIZATION FORM .....	 43
 NORTHEAST INVESTORS TRUST PRIVACY POLICY STATEMENT .....	 47

## **NORTHEAST INVESTORS TRUST**

### **ROTH IRA DISCLOSURE STATEMENT**

#### **INTRODUCTION**

This Northeast Investors Trust Roth IRA Disclosure Statement (the "Disclosure Statement") provides a general, non-technical explanation of the rules governing your Northeast Investors Trust Roth Individual Retirement Account ("Roth IRA") for which State Street Bank and Trust Company serves as Custodian. However, the Northeast Investors Trust Roth IRA Adoption Agreement (the "Adoption Agreement") and the State Street Bank and Trust Company Roth IRA Custodial Agreement (the "Custodial Agreement") are the primary documents controlling the terms and conditions of your Northeast Investors Trust Roth IRA, and these shall govern should there appear to be any inconsistency with the Disclosure Statement.

The Disclosure Statement reflects the provisions of the Internal Revenue Code (the "Code") as in effect as of the date the Disclosure Statement was prepared. Please consult your tax advisor for more complete information and to review any applicable tax law changes. Also, refer to the Internal Revenue Service's (the "IRS") Publication 590 or visit the IRS website at [www.irs.gov](http://www.irs.gov) for additional information.

#### **ROTH IRA vs. TRADITIONAL IRA**

This Disclosure Statement describes the Northeast Investors Trust Roth IRA which became available January 1, 1998. The booklet does not describe our Traditional IRA, which has been available for many years.

The main difference between a Roth IRA and a Traditional IRA is that contributions to a Traditional IRA may be deductible on your federal income tax return. Later, withdrawals are taxable (except for any prior nondeductible contributions).

Contributions to a Roth IRA are not deductible. However, withdrawals that meet certain requirements are not included in your taxable income. This means that income and growth achieved while your contributions were in the Roth IRA can be withdrawn tax-free, a unique benefit. Also, unlike a Traditional IRA, contributions to a Roth IRA may be made after age 70½, and during your lifetime there are no mandatory required minimum distribution rules for Roth IRAs.

Different features of Roth IRAs and Traditional IRAs may make one or the other better for you. Consult your own tax or financial advisor for more information. If you would like materials for a Northeast Investors Trust Traditional IRA, please call us at 1-800-225-6704 or visit our website at [www.northeastinvestors.com](http://www.northeastinvestors.com).

Finally, please note that Roth IRAs are subject to changes in legislation or regulations that can occur at any time. Also, the IRS periodically issues other guidance in the form of notices or other pronouncements relating to specific topics relating to Roth IRAs. The material in this booklet is based on the latest available information. However, if you have a specific question about how the Roth IRA rules apply to your particular situation or about the latest Roth IRA developments or any changes in the rules, consult a qualified professional or the IRS.

#### **ESTABLISHING A ROTH IRA**

##### **How to Open a Roth IRA**

To open a Northeast Investors Trust Roth IRA as a new Roth IRA or as a transfer of an existing Roth IRA, please complete and sign the enclosed Adoption Agreement, and if needed the Northeast Investors Trust Roth IRA Transfer Form (the "Transfer Form"). Please make sure that sections 1 through 4 of the

Adoption Agreement are completed; that you review the Certifications carefully; and that you sign in section 5.

Send the completed and signed Adoption Agreement along with either a check for your initial contribution or the Transfer Form if applicable.

A minimum of \$500 is required to open your Roth IRA. Anytime thereafter you may make contributions of any amount to your Northeast Investors Trust Roth IRA as long as you do not exceed the limits on contributions. For further information regarding the contribution rules, please see the Contribution section herein.

### **How to Open a Conversion or Rollover Roth IRA**

You may convert your existing Northeast Investors Trust Traditional IRA to a Roth IRA at any time. You may also establish a Northeast Investors Trust Roth IRA to receive a rollover distribution or a direct transfer from a Traditional IRA account with another custodian, thus converting it into a Roth IRA. A conversion or rollover from a Traditional IRA will not be subject to a 10% premature withdrawal penalty, but the taxable amount converted or rolled over will be subject to federal income tax at the time of the rollover or conversion. State tax rules may be different. For further information regarding rollovers/conversions, please see the Conversion/Rollovers section herein.

You may elect to open a Roth IRA account to hold both annual contributions and conversion, rollover or transfer amounts by simply completing one Roth IRA Adoption Agreement, and if needed, one Roth IRA Transfer Form. You must complete separate Roth IRA Adoption Agreement (as well as, if necessary, a Roth IRA Transfer Form) if you want to maintain separate Roth IRA accounts to hold annual contribution amounts and amounts converted, rolled over or transferred.

Also, you may rollover a withdrawal from another Roth IRA with a different custodian, or make a direct transfer from the other Roth IRA, to a Northeast Investors Trust Roth IRA.

For a conversion or direct rollover, complete the Roth IRA Adoption Agreement and the Roth IRA Transfer Form.

### **How to Open a Spousal Roth IRA**

For a spousal Roth IRA, your spouse must complete a Roth IRA Adoption Agreement (sections 1 through 4). You may be eligible to contribute up to a combined maximum of twice the individual annual contribution limit to your Roth IRA and the spousal Roth IRA. For further information regarding Roth IRAs for your spouse, please see the Eligibility and Contribution sections herein.

### **How to Open an “Inherited” Roth IRA**

If you will be receiving a distribution as beneficiary of a deceased participant in an employer’s plan that had a Roth account or a deceased Roth IRA owner, you may wish to establish an “Inherited” Roth IRA account. There are differences in how you can take a distribution as a beneficiary from a Roth account from an employer’s plan or Roth IRA. If you are a surviving spouse, you can make a direct or a 60-day rollover and set up a Roth IRA; if you are a non-spouse beneficiary, you can set up a Roth IRA only if you make a direct rollover or transfer to the Roth IRA (a 60-day rollover is not allowed). When you complete the Adoption Agreement to open a Northeast Investors Trust Roth IRA as an “Inherited” IRA, you indicate in Section 2 if you are the surviving spouse or non-spouse beneficiary and, for a surviving spouse, how you wish to treat the Roth IRA – as your own or as an inherited Roth IRA. If you are moving an inherited Roth IRA from another trustee or custodian, you will also need to complete the Transfer/Direct Rollover Form. There are different rules for surviving spouses and non-spouse

beneficiaries when a distribution for an "Inherited" Roth IRA can or must begin. For further information about the differences in distribution requirements for inherited IRAs, please see the Death Benefits section herein.

### **How to Withdraw From a Roth IRA**

A Northeast Investors Trust Universal Withdrawal Authorization Form (the "Withdrawal Form") is enclosed in this booklet and additional forms may be requested from Northeast Investors Trust. You generally must be at least age 59½ and have a Roth IRA account that has been open for five or more years to take a tax-free withdrawal representing earnings or share growth in your account. (You may withdraw the principal amount contributed without incurring additional tax or penalty.) A signature guarantee is required on all withdrawals over \$25,000. For further information on withdrawals, please see the Withdrawals section herein.

If you do not meet the requirements for a tax-free withdrawal, the earnings and appreciation in your Roth IRA account that you withdraw will be taxable. Also, if you are under 59½, the 10% IRS penalty tax for premature withdrawals will apply unless there is an available exception.

### **Summary**

In summary, please send the following: (1) the Roth IRA Adoption Agreement with sections 1 through 4 completed and section 5 signed; (2) a check in the amount of your initial contribution, made payable to Northeast Investors Trust; and (3) the completed Roth IRA Transfer Form for a conversion or direct rollover.

All checks should be payable to Northeast Investors Trust. Send all completed forms, checks and any other correspondence to:

**Northeast Investors Trust**  
125 High Street  
Boston, MA 02110

If you have any questions please call us at 1-800-225-6704. RETAIN A PHOTOCOPY OF THE COMPLETED FORMS, CHECK AND ANY OTHER CORRESPONDENCE FOR YOUR RECORDS.

### **GENERAL INFORMATION**

A Northeast Investors Trust Roth IRA is a convenient and sensible method of saving for retirement or other long-term needs. The Roth IRA is named for Senator William Roth, who pushed for the Roth IRA concept. Roth IRAs became available in 1998.

In a Traditional IRA, you may get a tax deduction when your contributions go in, but you pay income tax on the amount that comes out. With a Roth IRA, there is no deduction for contributions, but qualified withdrawals come out of the Roth IRA tax-free.

In a Traditional IRA, each year you are generally permitted to contribute up to the IRA annual contribution limit in effect for that year. If you meet certain rules, you may deduct your contribution and therefore you are not taxed as a part of your overall federal income tax for that year on the amount you contributed to the Traditional IRA. However, if you deducted your annual Traditional IRA contributions, a withdrawal from the Traditional IRA is taxable as income in the year of the withdrawal.

With a Roth IRA, on the other hand, amounts contributed are not deductible and therefore do not reduce your taxable income for the year for which the contribution is made. However, withdrawals are

tax-free if you have had any Roth IRA account in effect for at least five years and you are at least 59½ years old or have another qualifying reason for the withdrawal. With a Roth IRA you pay tax now on the principal amount, but you do not pay tax on the earnings and growth in value of your account.

In general, a couple filing jointly may be able to invest as much as twice the IRA annual contribution limit in effect for a year in spousal Roth IRAs if their modified AGI is \$183,000 or less (2015 limit). An individual taxpayer with annual income up to \$116,000 may be able to contribute up to the IRA annual contribution limit in effect for the year. You must have compensation or earned income at least equal to your contribution. Within these rules anyone can have a Roth IRA, including individuals who are age 70½, or older and participants in company sponsored profit sharing, 401(k) or retirement plans, or a SEP or SIMPLE IRA plan maintained by an employer. Individuals can also maintain both Traditional and Roth IRAs. However, contributions to both the Traditional and Roth IRAs count against the IRA annual contribution limit in effect for the year.

You may also convert, rollover or transfer amounts from an existing Traditional IRA into a Roth IRA regardless of your income. The amount converted or rolled over is subject to regular federal income tax for the year of the conversion or rollover as if withdrawn.

However, the 10% early withdrawal penalty that generally applies to early withdrawals from Traditional IRAs does not apply, but the taxable amount converted will be subject to federal income tax at the time of the conversion. You may establish a Roth IRA account to receive amounts converted or rolled over from a Traditional IRA in a year and keep it separate from any Roth IRA you have for annual contribution amounts.

Contributions to your Roth IRA are invested in shares of Northeast Investors Trust (there is a \$500 minimum investment).

The growth of your Roth IRA (both earnings and appreciation) is exempt from federal income tax while it accrues. Generally, you may make withdrawals from the principal amount contributed to your Roth IRA at any time without tax or penalty. If you are at least 59½ and you have had a Roth IRA account for at least five years, withdrawals of earnings or growth in your account will also be tax-free.

A Roth IRA must meet certain requirements of the Internal Revenue Code. The agreement establishing the Roth IRA must identify the account as a Roth IRA and must provide that the custodian is a bank and that contributions will be in cash. The Northeast Investors Trust Roth IRA Custodial Agreement is designed to meet the requirements so that your Roth IRA will receive the favorable federal income tax treatment provided by law.

### **REVOCATION**

You may revoke your Roth IRA within seven calendar days after Northeast Investors Trust receives the Roth IRA Adoption Agreement establishing your Roth IRA. The amount of your deposit will be returned to you without penalty, administrative charge or adjustment for dividends or investment gains or losses.

To revoke your account, mail or deliver a written notice to Northeast Investors Trust, 125 High Street, Boston, Massachusetts 02110. If you have any questions, call 1-800-225-6704.

### **THREE IMPORTANT POINTS**

First, this Disclosure Statement summarizes the federal tax treatment of Northeast Investors Trust Roth IRAs. State taxes on Roth IRAs may vary from federal taxes. A further word on this can be found under the State Tax Rules section herein. However, consult your tax advisor for additional information.

Second, if you are uncertain about whether you are eligible for a Northeast Investors Trust Roth IRA, or about when or how much you should contribute to or withdraw from your Roth IRA, or about the merits of converting an existing Traditional IRA to a Roth IRA, consult your tax or financial advisor or the Internal Revenue Service. This booklet outlines the main rules, but no summary can describe all the rules that could apply in your individual case. Northeast Investors Trust has no responsibility for determining your eligibility for a Roth IRA, or the proper time or amount of any contribution or withdrawal, or the tax treatment of any withdrawal.

Third, the terms contained in Articles I to VII of the Custodial Agreement uses the language of IRS Form 5305-RA. This form promulgated by the IRS sets forth the terms or conditions which must be contained in a Roth IRA agreement to be a valid Roth IRA under Code Section 408A. This use of the IRS-approved language does not mean that the IRS approves the merits of investing in a Northeast Investors Trust Roth IRA. It simply means that the form of Articles I to VII of the printed terms and conditions for the Northeast Investors Roth IRA document satisfied the requirements of the IRS.

If you have any questions about your Roth IRA, you can obtain further information at any district office of the Internal Revenue Service.

## **ELIGIBILITY**

### **Roth IRAs for You and Your Spouse**

To make contributions to your Roth IRA, you must have received compensation or earned income during the year. However, your eligibility to make contributions to a Roth IRA phases out at high-adjusted gross income levels (see table herein).

Contributions to a Roth IRA may also be made on behalf of your spouse from your compensation. This is called a spousal Roth IRA and is available only if you file a joint tax return with your spouse for the year. Your spouse must open his or her own spousal Roth IRA to receive the contributions.

Unlike a Traditional IRA, you may contribute to a Roth IRA even if you are (or, in the case of a spousal Roth IRA, your spouse is) older than age 70½.

### **Roth IRAs for Divorced Individuals**

If you are divorced, for Roth IRA purposes, "compensation" includes any alimony you receive under a divorce or separation order or agreement and which you must include in your taxable income. Therefore, you may have a Roth IRA and contribute to it from your taxable alimony (and any other actual compensation or earned income you have).

## **CONTRIBUTIONS**

### **IRA Annual Contribution Limits**

For each year when you are eligible (see above), you can make annual contributions up to the lesser of your IRA annual contribution limit (see the table below) or 100% of your compensation (or earned income, if you are self-employed). If your contributions to your Roth IRA for a year were less than the IRA annual contribution limit for that year, you cannot contribute more in a later year to make up the difference.

### **Special Catch-Up Contribution Rules**

If you are age 50 or older by the end of any year, you may make special "catch-up" contributions to your Roth IRA for that year. If you are age 50 or over by the end of a year, your catch-up limit is added to your IRA annual contribution limit for that year.

Congress created these "catch-up" contributions specifically for older individuals who may have been absent from the workforce for a number of years and so may have lost out on the ability to contribute to an IRA. The "catch-up" contribution is available to anyone age 50 or older, whether or not they have consistently contributed to a Roth IRA over the years.

Note that the rules for reducing the contribution limit based on modified AGI also apply to special "catch-up" contributions.

#### **IRA Annual Contribution Limits**

Year	Regular Limit	Catch-Up Limit
2008-2012	\$5,000	\$1,000
2013-2014	\$5,500	\$1,000
2015	\$5,500	\$1,000
Future years	Increased by cost-of-living adjustments (in \$500 increments)	\$1,000 unless increased by legislation

#### **Spousal IRA Contribution Limits**

An eligible married couple filing a joint return can contribute as much as twice the IRA annual contribution limit for a year (or 100% of compensation of both spouses, if less) per year to their Roth IRAs. The maximum contribution to the Roth IRA of either spouse is that year's IRA annual contribution limit.

See below for reductions in the contribution limits based on modified adjusted gross income ("AGI"). Note that married persons who file separate tax returns have limited ability to contribute to a Roth IRA. A married person who files separately may contribute to a Roth IRA only if his or her AGI for the year is below \$10,000. (However, if you are married but are filing singly and have lived apart from your spouse for the entire year, you are treated as single for purposes of these rules on eligibility to contribute to a Roth IRA.)

#### **Coordination with Traditional IRA Contributions**

If you make a contribution for a year to a Traditional IRA, the amount of the contribution reduces your Roth IRA contribution limit. For example, if you should contribute \$1,000 to a Traditional IRA for 2015, your maximum Roth IRA contribution for 2015 will be \$4,500 (\$5,500 limit reduced by the \$1,000 contribution to your Traditional IRA) -- assuming the other Roth IRA requirements are met.

#### **Adjusted Gross Income**

The maximum amount you may contribute on an annual basis to your Roth IRA depends on your AGI, as modified. AGI is your total income less certain adjustments such as business expenses or alimony, but before itemized deductions. AGI is the amount on line 37 of the 2015 Form 1040 (line 21 of Form 1040A for 2015).

For Roth IRA purposes, there are two special rules in determining your AGI. First, AGI is determined without taking into account any deduction you take for a contribution to a Traditional IRA for the year. Second, AGI does not include any amount that you must include in taxable income from converting or rolling over a Traditional IRA into a Roth IRA in a year. Further information on calculating modified AGI can be found in IRS Publication 590.

## Contribution Limits Based On Modified AGI

The following chart shows Roth IRA contribution limits at different modified AGI levels for 2014:

**Roth IRA Contribution Limits for 2014**  
(Modified AGI Levels)

Filing Status	Full Contribution	Smaller Contribution	No Contribution
Single	Up to \$114,000	\$114,000 but less than \$129,000	\$129,000 or more
Married (filing jointly)	Up to \$181,000	\$181,000 but less than \$191,000	\$191,000 or more
Married (filing separately)	N/A	Less than \$10,000	\$10,000 or more

**Roth IRA Contribution Limits for 2015**  
(Modified AGI Levels)

Filing Status	Full Contribution	Smaller Contribution	No Contribution
Single	Up to \$116,000	\$116,000 but less than \$130,000	\$130,000 or more
Married (filing jointly)	Up to \$183,000	\$183,000 but less than \$193,000	\$193,000 or more
Married (filing separately)	N/A	Less than \$10,000	\$10,000 or more

If you are in the Smaller Contribution range, you can determine how much you may contribute as follows:

- First, subtract your AGI from the amount in the No Contribution column applicable to you (i.e., \$129,000 for single taxpayers, \$191,000 for married taxpayers, using the 2014 Table above), and divide that amount by \$15,000 (if you are single) or \$10,000 (if you are married filing jointly).
- Second, multiply the amount from the first step by the maximum contribution to get the amount that may be contributed. Round down to the nearest \$10. Also, as long as your AGI for a year does not equal or exceed the No Contribution amount that applies to you, you may contribute \$200 even if the contribution formula results in an amount smaller than \$200. This limit applies to each Roth IRA of a married couple.

For example, suppose for 2014 you are a married joint filer with AGI of \$186,000.

Subtract \$186,000 from \$191,000, the amount where contributions phase out completely. \$191,000 minus \$186,000 equals \$4,000. \$4,000 divided by \$10,000 is .4 or 40%. Therefore, you are eligible to contribute 40% of \$5,500 (\$2,200) to your Roth IRA for 2014 and your spouse may contribute up to 40% of \$5,500 (\$2,200) to the spouse's Roth IRA, a total of \$4,400.

You (and your spouse) may also contribute to Traditional IRAs in the same year in which you make contributions to a Roth IRA. However, any contributions to a Traditional IRA reduce the Roth IRA annual contribution limit of \$5,500 in effect for 2014 (or compensation for the year, if less) dollar for dollar. In

other words, if you and your spouse file a joint tax return and have a combined annual income of at least \$10,000 but less than \$181,000, you may contribute up to \$10,000 to Roth IRAs, or to Traditional IRAs for you and your spouse, or you could divide up contributions between the IRAs any way you like, as long as your contributions to any particular IRA do not exceed \$5,500 and total contributions to all IRAs do not exceed \$11,000 in 2014. (Of course, the limits on the availability of a deduction for any amount you contribute to your Traditional IRA will still apply).

Unlike a Traditional IRA, you may make contributions to a Roth IRA even if you (or your spouse) are older than age 70½. Moreover, contributions to Roth IRAs may be made without regard to whether you are an active participant in your employer's retirement, profit sharing or 401(k) plan.

### **Due Date for Contributions**

You may establish and make a contribution to your Northeast Investors Trust Roth IRA for a particular year if you do so by the due date of your federal tax return for that year (not including any extensions). Normally, this will be April 15 of the following year.

If an amount is contributed to your Roth IRA between January 1 and April 15, you should inform Northeast Investors Trust which year (the current year or the previous year) the contribution is for. If you do not inform Northeast Investors Trust which year it is to be applied, Northeast Investors Trust can assume, and report to the IRS, that the contribution is for the current year (that is, the year that we received it).

### **CONVERSIONS / ROLLOVERS**

#### **Conversion from a Traditional IRA**

You may convert a portion of the entire account balance of an existing Traditional IRA you maintain with Northeast Investors Trust to a Roth IRA. If you have a Traditional IRA with another sponsor, you can withdraw it and then roll it over within 60 days into a Northeast Investors Trust Roth IRA (a "60-day rollover") or direct the current custodian of your other Traditional IRA to transfer it directly to a Northeast Investors Trust Roth IRA. Any of these methods will work to convert a Traditional IRA to a Roth IRA. Any amount that you convert from an existing Traditional IRA into a Roth IRA will be subject to Federal income tax in the year in which the conversion occurs. However, any previous nondeductible contributions held in your Traditional IRA are not subject to income tax upon conversion. Also, the 10% penalty for premature IRA withdrawals does not apply to the conversion amount even if you are under age 59½.

If you convert a Traditional IRA to a Roth IRA by means of a withdrawal from the Traditional IRA followed by a rollover within 60 days to the Roth IRA, the eligibility rules apply to the year of the withdrawal. Also, such a rollover does not use up the one-rollover-per-year limit on certain rollovers among IRAs. You can convert from a Traditional IRA to Northeast Investors Trust Roth IRA by completing the Conversion/Direct Transfer to Roth IRA Form.

#### **Other Conversions**

You may also convert to a Roth IRA either (i) a SEP IRA that you have as a participant in your employer's simplified employee pension (SEP) plan, or (ii) a SIMPLE IRA that you have as a participant in an employer SIMPLE IRA plan (but not an employer SIMPLE 401(k) plan). A SIMPLE IRA account must be in effect for at least two years before conversion to a Roth IRA. Conversion may be accomplished by any of the three methods mentioned above. You may also convert an eligible rollover distribution from an employer-sponsored retirement plan (i.e., a qualified plan, Section 403(b) plan or government 457(b) plan) either as a 60-day rollover or a direct rollover from your plan by first making a rollover to a

Northeast Investors Trust Traditional IRA and then following the above conversion steps. You may if you want to establish a separate Roth IRA account to hold amounts converted/rolled over/transferred in a particular year to keep them separate from annual contribution amounts or conversion/rollover/transfer amounts for a different year.

### **Will Conversion of My Traditional IRA Be Advantageous?**

Whether conversion of your Traditional IRA to a Roth IRA will be advantageous depends on a number of factors, including:

- Your tax rate now versus your expected tax rate when you will make withdrawals.
- Whether you expect to be eligible to make tax-free withdrawals from your Roth IRA.
- Whether you expect not to need or want to make withdrawals when you reach 70½.
- The rate of return you expect your Roth IRA to make versus the after-tax rate of return you would make on investments outside the IRA.

There may be other factors that apply in your situation. Also, the benefits of converting may depend on the key tax law rules not changing, but this cannot be guaranteed. Consult a qualified tax or financial advisor for advice.

### **Rollovers of Roth Accounts**

As with Traditional IRAs, you may make a direct rollover from one Roth IRA you have to another (but you may not roll from a Roth IRA to a Traditional IRA). Such rollovers do not count against the annual contribution limits. This rollover can be by wire transfer, by check sent directly to us from the transferring institution, or by a check that is made out to "Northeast Investors Trust (f/b/o your name) that you deliver to us. Your Northeast Investors Trust Roth IRA must be established before the direct rollover can be made.

You may also receive the distribution in just your own name and roll it over to a Northeast Investors Trust Roth IRA. This type of rollover must be completed within 60 days after you withdraw from the first Roth IRA. Note that a stricter IRS rule for IRA to IRA rollovers applies in 2015 and later. After making a rollover from any of your IRAs to another IRA, you must wait a full year (365 days) before you can make another such rollover from any of your IRAs. The waiting period begins when you receive the direct payment of an amount that is eligible to roll over within 60 days. However, you can instruct a Roth IRA custodian to transfer amounts from your IRA directly to another Roth IRA custodian; such a direct transfer does not count as a rollover. Note also that the once-per-year rollover restriction does not apply to movement of money from an employer qualified plan to an IRA.

### **Rollovers by a Surviving Spouse**

If a surviving spouse receives a distribution from a Roth account in a qualified plan or 403(b) arrangement because of the employee spouse's death, the surviving spouse may be able to defer income taxes by having all or a part of the distribution transferred directly to a Roth IRA established for the spouse.

The rules governing rollovers are complicated. Be sure to consult your tax advisor or the IRS if you have any questions about rollovers.

## **Rollovers by a Non-Spouse Beneficiary**

If a beneficiary who is not a surviving spouse receives a distribution from a Roth account in a qualified plan or 403(b) arrangement because of the employee's death, the non-spouse beneficiary may be able to defer income taxes by having all or a part of the distribution transferred directly to a Roth IRA. Such an IRA is treated as an inherited IRA and the beneficiary is required to commence distributions from the Roth IRA in accordance with the required minimum distribution rules described herein.

## **DEDUCTIONS**

### **No Deductions**

Unlike a Traditional IRA, contributions to a Roth IRA are not eligible for a deduction in the year in which they are made. The Roth IRA simply provides a vehicle in which your investments may grow tax-free. When you take a qualified withdrawal from the Roth IRA, the entire amount including principal and earnings are redeemed out of the account tax-free.

### **Income Tax Credit for Contributions**

Since 2002, certain taxpayers (that is, age 18 or over, not a full-time student, not a dependent on someone else's return, and AGI in certain range) may be eligible to take a tax credit on their federal income tax return for a portion of their Roth IRA contributions (for qualifying taxpayers, the tax credit is also available for a portion of their contributions to a Traditional IRA as well). This credit can reduce any federal income tax you pay dollar-for-dollar. The amount of the credit you get is based on your IRA contributions and your credit percentage. The credit percentage can be as low as 10% or as high as 50%, depending on your AGI-the lower your income, the higher the credit percentage.

The maximum contribution taken into account for the credit for an individual is \$2,000. If you are married and filing jointly, the maximum contribution taken into account for the credit is \$2,000 each for you and your spouse. The credit phases out and is not available to taxpayers with AGI exceeding \$61,000 (married filing jointly), \$45,750 (filing as a head of household), or \$30,500 (single filer or married taxpayer filing separately). These limits are for 2015. For 2016, these limits are increased to \$61,500 (married filing jointly), \$46,125 (filing as a head of household), or \$30,750 (single filer or married taxpayer filing separately).

The contribution amount used for calculating the credit may have to be reduced by any taxable distributions from a retirement plan or IRA that you or your spouse receive during the taxable year you claim the credit, during the two preceding years, or during the period after the end of the taxable year up to the due date for filing your return for that year. After these reductions, the maximum annual contribution eligible for the credit per person is \$2,000.

The amount of your credit in any year cannot exceed the amount of tax that you would otherwise pay (not counting any refundable credits or the adoption credit) in any year. If your tax liability is reduced to zero because of other nonrefundable credits, then you will not be entitled to the saver's credit.

There are a number of other rules as well. For additional information, consult the IRS or a qualified professional.

## **INVESTMENTS**

### **Investment of Account**

Contributions to your Northeast Investors Trust Traditional IRA will be invested in shares of Northeast Investors Trust. To begin your investment, simply fill out and sign the Adoption Agreement and send it to Northeast Investors Trust with your contribution.

Be sure to read the current prospectus for Northeast Investors Trust to familiarize yourself with the investment objectives and policies of the fund as well as fees.

### **Growth of Your Account**

Dividends and any capital gains distributions on the shares of Northeast Investors Trust in your account will be reinvested in additional shares and fractional shares.

Shareholders of Northeast Investors Trust are entitled to receive dividends approximately equal to the net income of the Trust, plus other cash distributions as the Trustees may declare. Net income is the gross earnings of the Trust less expenses, and each share is entitled to receive a proportionate amount of a dividend or distribution.

Because the net income of Northeast Investors Trust may fluctuate from year to year, no fixed dividends can be promised. Also, because the value of its investment portfolio may fluctuate, the amount available for distribution to you from your account cannot be projected or guaranteed.

For further information on dividends and distributions, see the current Northeast Investors Trust prospectus.

## **EXCESS CONTRIBUTIONS**

An "excess contribution" occurs if for a year you contribute more to your Roth IRA or a spousal Roth IRA than the maximum allowed for that year. The excess is the difference between the amounts you actually contributed and the maximum allowed. For example, if you contributed \$6,500 to your own Roth IRA for 2014 and you are not age 50 or over, you would have a \$1,000 excess contribution. (Remember that the maximum contribution--generally the IRA annual contribution limit for a year or 100% of compensation or earned income, if less--is reduced by any contributions to a Traditional IRA. Also, the contribution limit phases out for single taxpayers with adjusted gross income above \$114,000 or married taxpayers with adjusted gross income above \$181,000.)

If you have an excess contribution, you must pay an IRS penalty of 6% of the excess contribution. You can avoid paying the penalty tax if you withdraw the excess contribution on or before the due date (including the six-month extension) for filing your federal income tax return for the year for which the excess contribution was made. Net income on the excess must accompany the withdrawal. The net income is included in your taxable income for the year for which the excess contribution was made and is subject to income taxes and to the 10% penalty tax if you are not at least age 59½ (and no other exception applies). There are special rules for amending your federal income tax return to report the income on the excess contribution. See IRS Publication 590 for more information.

If you do not withdraw the amount of the excess contribution in time, you must pay the 6% penalty for the year for which the excess contribution was made. In each subsequent taxable year, any excess amounts remaining in your Roth IRA will be taken into account to determine excess penalties in those subsequent years.

You can reduce or avoid the penalty tax in later years by reducing or eliminating the excess in your Roth IRA. To reduce the excess, you may do one of two things. First, you may withdraw the excess; the withdrawal is not considered taxable income. The other is simply to contribute less in a subsequent year than the maximum amount allowed. The difference between the maximum allowed and the amount you did contribute reduces the excess in your Roth IRA dollar for dollar.

### **RECHARACTERIZING YOUR CONTRIBUTION**

You can undo a conversion of a Traditional IRA to a Roth IRA using a process called "recharacterization." Current law does not place any restrictions on the reasons for recharacterizing. (See Conversion or Rollover Contributions from a Traditional IRA section set forth herein).

To perform a recharacterization, you must notify the custodian or trustee of the Roth IRA that is holding the converted amount that you want to recharacterize and the custodian or trustee of the Traditional IRA that will receive the recharacterized amount. The total amount converted, along with any earnings or loss allocable to the converted amount, must be recharacterized. Recharacterization is accomplished by a trustee-to-trustee transfer from the Roth IRA holding the amount to the Traditional IRA that will receive the recharacterized amount. A recharacterization must be completed by the due date for filing your income tax return.

Under current law, you may convert and recharacterize for any reason. Also, if you convert and then recharacterize during a year, you can then convert to a Roth IRA a second time if you wish, but you must wait until the later of the next tax year after your original conversion or until 30 days after your recharacterization. Under the current IRS rules, you are limited to one conversion of an account per year. If you convert an amount more than once in a year, any additional conversion transactions will be considered invalid and subject to rules for excess contributions.

Caution: The IRS rules on conversion and recharacterizations are very complex and have been subject to change in the past. Consult your personal tax advisor for the latest developments and for assistance with conversion or recharacterization transactions.

### **WITHDRAWALS**

#### **Withdrawals from Your ROTH IRA**

Unlike Traditional IRAs, Roth IRAs are not tax deductible. However, qualified withdrawals, including any earnings, are generally free from federal income taxes.

For a tax-free withdrawal, your Roth IRA must have been in effect for at least five years and at least one of the following conditions must be satisfied:

- You are age 59½ or older when you make the withdrawal.
- The withdrawal is made by your beneficiary after you die.
- You are disabled (as defined in IRS regulations) when you make the withdrawal (you are considered "disabled" if you are unable to engage in any substantial gainful activity because of a physical or mental impairment which can be expected to result in death or to be of long-lasting or indefinite duration).
- You are using the withdrawal to cover eligible first time homebuyer expenses incurred by you or your spouse, or a child, grandchild or parent or grandparent of you or your spouse. Such a person is considered a "first-time homebuyer" if he or she did not have an ownership interest in a principal residence within the two-year period ending on the home's acquisition date. Eligible expenses include the cost of purchase, construction or reconstruction of a principal residence

(including customary settlement, financing or closing costs). First-time homebuyer distributions are subject to a \$10,000 lifetime maximum per individual homebuyer.

For Roth IRAs started with a conversion or rollover of a Traditional IRA, the five-year period begins with the year in which the conversion or rollover was made. For a Roth IRA started with a normal annual contribution, the five-year period starts with the year for which you made the initial contribution. Once the five-year requirement is satisfied for any Roth IRA you own, it is considered satisfied for all of your Roth IRAs (even if the Roth IRA you are actually withdrawing from has been in effect for fewer than five years).

If the withdrawal from the Roth IRA is a qualifying withdrawal, you pay no income tax on any portion of the amount withdrawn, and there is no penalty assessed. If the withdrawal is not qualified, you will not be assessed any tax or penalty on any amounts treated as a return of your own contributions to the account. However, any earnings or interest or growth in value included in the amount withdrawn will be taxed as ordinary income in the year of the withdrawal and will be subject to a 10% premature withdrawal penalty (unless an exception applies).

For example, let's say you are single, over age 50, your compensation in 2015 is \$40,000 and you contribute \$5,500 (the maximum amount) to your Roth IRA. Your taxable income will still be \$40,000 (unlike a Traditional IRA, there is no deduction for amounts contributed to your Roth IRA). Assume also that you earned \$1,500 on your Roth IRA account over five years. Starting in the year 2020 (five years after 2015 when you started the Roth IRA), if you were 59½ or over (or some other eligibility requirement was met), you could withdraw the entire \$7,000 (\$5,500 + \$1,500) tax-free.

If, on the other hand, you were not 59½, you could withdraw \$5,500 (your own contributions) tax-free because this amount was previously taxed. But the \$1,500 in earnings would be taxed as ordinary income in the year withdrawn, and you would be assessed an additional 10% penalty (unless an exception applied).

Note that for purposes of determining what portion of any distribution is includable in annual income, the current law says that all of your Roth IRA accounts are treated as if they were one single account. (This rule aggregating all Roth IRAs includes any you may have with another custodian or trustee.) Amounts withdrawn from a Roth IRA are treated as being withdrawn in the following order:

1. All annual contributions.
2. All conversion amounts (on a first in, first out basis),
3. Earnings (including reinvested dividends and growth).

Since all your Roth IRAs are considered to be one account for this purpose, withdrawals from Roth IRA accounts are not considered to be from earnings or growth until an amount equal to all contributions made to all of an individual's Roth IRA accounts is withdrawn.

Note: You may have a Roth with one or more other custodians. All your Roth IRAs are taken into account when applying the tax rules. Therefore, a withdrawal may be treated as being an annual contribution amount under the ordering rule described above even though it comes from a Roth IRA account holding conversion amounts. This peculiarity makes it especially important that you keep proper records and that you report all withdrawals properly on your federal income tax returns.

The following examples illustrate these concepts:

Example 1: Jane contributed \$5,500 to a Roth IRA in 2014 and in 2015, in addition, in the year 2015, Jane converted \$5,500 from a Traditional IRA to a Roth IRA. In 2016, Jane's Roth IRA account balance is as follows:

Annual Contributions	\$11,000
Converted Amounts	\$ 5,500
Earnings	<u>\$ 1,600</u>
Total Amount	\$18,100

If Jane withdraws \$13,000 in 2017, for tax purposes \$11,000 will be considered as distributed from her Annual Contributions and neither income tax nor the penalty will apply. Under the ordering rules, the remaining \$2,000 will be considered as distributed from the Converted Amount and no income tax or penalty will apply because Jane paid any income taxes due when she converted. If Jane withdraws another \$4,000 in 2018, \$3,500 of the withdrawal is considered her remaining Converted Amount (not taxable), and \$1,500 is considered Earnings (which may be taxable or not depending on whether Jane is age 59½ or meets one of the other conditions for a tax-free withdrawal).

Example 2: John, a single individual, contributes \$1,000 a year to his Northeast Investors Trust Roth IRA account and \$1,000 a year to another Roth IRA account over a period of ten years. At the end of 10 years his account balances are as follows:

<u>IRA Type</u>	<u>Annual Contributions</u>	<u>Earnings</u>
Northeast Investors Roth IRA	\$10,000	\$10,000
Other Roth IRA	<u>\$10,000</u>	<u>\$10,000</u>
Total	\$20,000	\$20,000

At the end of 10 years, John has \$40,000 in both Roth IRA accounts, \$20,000 in contributions (in both IRAs) and \$20,000 in earnings (in both IRAs). John, who is 40, withdraws \$15,000 from his other Roth IRA. This is not a qualified withdrawal because John is not 59½, and no other qualifying circumstance applies. Under the ordering rule, \$0 is taxable as income to John. This is because we look at the total amount of John's annual contributions--in this case \$20,000--to determine if the withdrawal is from contributions, and thus non-taxable. Here, John's \$15,000 withdrawal is less than his total amount of contributions to both Roth IRAs, and thus no part of the withdrawal is included as taxable income. If John then withdrew \$15,000 from his Northeast Investors Trust Roth IRA, \$5,000 would not be taxable (his remaining annual contributions) and \$10,000 would be treated as taxable income for the year of the withdrawal, subject to regular income taxes and the 10% premature withdrawal penalty (unless an exception applies).

*Important:* As this example shows, if you have multiple Roth IRAs, the taxation of a withdrawal depends on amounts in all the accounts. Northeast Investors Trust will not necessarily know the correct tax treatment and will issue Form 1099-R reporting a withdrawal from the Northeast Investors Trust Roth IRA in accordance with IRS rules based on our records of that account. It is your responsibility to keep proper records and to pay any income taxes due on the withdrawal.

If the rules discussed above for a tax-free withdrawal are not satisfied, you must pay an IRS penalty tax of 10% on any taxable portion of the "premature withdrawal" in addition to regular income taxes on the

taxable amount withdrawn. However, there are certain exceptions to the "premature withdrawal" penalties. These are described in the following paragraphs.

- If you are disabled, you may make withdrawals immediately and you will not be subject to the premature withdrawal penalty. You are considered "disabled" if you are unable to engage in any substantial gainful activity because of a physical or mental impairment, which can be expected to result in death or to be of long-lasting or indefinite duration.
- If you die, your beneficiary may withdraw from your IRA without the IRS premature withdrawal penalty.
- The premature withdrawal penalty does not apply if the withdrawal does not exceed the amount of "eligible higher education expenses" or "eligible first-time homebuyer expenses" during the year.
- "Eligible higher education expenses" include tuition, fees, books and supplies needed to attend a post-secondary institution of higher learning. Also, room and board may qualify if the student is attending at least half-time. The expenses may be for you or your spouse, child or grandchild.
- "First-time homebuyer expenses" include the cost of purchase or construction of a principal residence (including financing or closing costs) for you, your spouse, or a child, grandchild, parent or grandparent of you or your spouse. A person is a "first-time homebuyer" for this purpose if he or she (and his or her spouse if married) did not own any interest in a principal residence during the two years before the date of purchase or construction of the new home. For any individual, a lifetime maximum of \$10,000 may be treated as eligible first time homebuyer expenses, regardless of the number of homes purchased.
- If your medical expenses in a year exceed 7.5% of your adjusted gross income ("AGI") for that year, then IRA withdrawals in that year up to the amount or the excess medical expenses are not subject to the 10% penalty tax. Withdrawals also are not subject to the 10% penalty tax up to the amount that you paid for health insurance premiums for yourself, your spouse and dependents if you are unemployed. This exception applies only if you have received unemployment compensation for at least 12 weeks, and only to withdrawals you made in the year that you received the unemployment compensation and the following year. Any withdrawals made after you have been reemployed for at least 60 days will not be exempt.

Starting in the year 2000, an IRS levy on your Roth IRA for unpaid taxes will not be subject to the 10% penalty (regular income taxes will apply to the taxable amount levied from your account). This exception applies only to an actual IRA tax levy on your Roth IRA. This exception does not apply, for example, if you withdraw money from your IRA in order to pay overdue taxes.

### **No Mandatory Withdrawals at Age 70½**

Unlike a Traditional IRA, during your lifetime you are not required to make withdrawals at any particular times or in any particular amounts from a Roth IRA. There is no requirement that your first withdrawal begin on April 1 of the year following the calendar year in which you reach age 70½. With a Roth IRA, you can take out as little as you want, as late as you want, until your death.

## **How to Make Withdrawals**

You can withdraw the amount in your Roth IRA in installment payments over a specified period, or you can withdraw the total amount in one lump sum payment. Simply complete a Universal IRA Withdrawal Authorization Form to indicate your wishes and send it to Northeast Investors Trust. The taxable amount (if any) included in a lump sum withdrawal does not receive special tax treatment available in certain cases for lump sum contributions from most retirement plans. Therefore, it may be advantageous for you to withdraw in periodic installments. All withdrawals over \$25,000 must be signature guaranteed.

## **A Word about Reporting**

Northeast Investors Trust, on behalf of State Street Bank and Trust Company, reports all withdrawals from your Roth IRA on Form 1099-R in accordance with IRS requirements. The information provided reflects only withdrawals from your Northeast Investors Trust Roth IRA accounts. To determine whether tax or penalties apply, all of your Roth IRA accounts are considered together, including those you may have with other Roth IRA custodians. Because you are the only one who knows about all of your Roth IRA accounts, you are solely responsible for determining what taxes and penalties might apply.

## **DEATH BENEFITS**

You can name a beneficiary on the Designation of Beneficiary (Section 3, of the Northeast Investors Trust Roth IRA Adoption Agreement) or in another written instrument filed with Northeast Investors Trust. You can change a previous designation at any time by filing a new form or instrument. If you die before all the funds held in your Roth IRA have been distributed to you, the balance in your account will be paid to your beneficiary. Payments may be in the form of a lump sum or installments.

Unlike withdrawals during your lifetime, after your death there are IRS minimum withdrawal rules that your beneficiary must satisfy. The amount in your account must be withdrawn by the end of the fifth year following the year of your death. Alternatively, your designated beneficiary may start withdrawals by the end of the year following the year of your death and take installments over the beneficiary's life expectancy (determined under IRS rules). If your surviving spouse is your designated beneficiary, your spouse may delay the start of withdrawals until you would have reached age 70½ (had you lived). Alternatively, your surviving spouse, if designated as your Roth IRA beneficiary, can elect to treat the account as the spouse's own Roth IRA. In that case, there are no required minimum distribution rules during the spouse's lifetime. There are special rules if you have multiple designated beneficiaries or if you have designated a beneficiary that is not an individual (for example, a trust).

The required minimum distribution rules for beneficiaries are complex. Failure to satisfy these rules may subject your beneficiary to an IRS penalty tax of 50% of the difference between the minimum required distribution to the beneficiary and the amount actually distributed for a year (unless the IRS waives or reduces the penalty tax because the beneficiary shows that the failure was due to reasonable cause and the beneficiary is taking reasonable steps to remedy the problem). Your beneficiary should consult a qualified professional to insure that the rules are being satisfied.

The designation of a beneficiary to receive funds from your Roth IRA at your death is not considered a transfer subject to Federal gift taxes. Any funds remaining in your Roth IRA at the time of your death would be included in your estate for federal estate tax purposes.

## **SOME THINGS TO AVOID**

Transactions between you and your Roth IRA are not allowed. Specific "prohibited transactions" are listed in the Internal Revenue Code. They include borrowing from your Roth IRA, selling or exchanging property with your Roth IRA and similar transactions. If you engage in a prohibited transaction, your Roth IRA will lose its tax-exempt status. The taxable amount in your account in will be treated as taxable income to you in that year. In addition, you must pay the 10% IRS penalty for premature withdrawals if you are under age 59½. If you use all or part of your Roth IRA as security for a loan, the part so used that is attributable to earnings or growth will be treated as taxable income to you in that year. Again, you may have to pay the tax for premature withdrawals in addition to regular income taxes on the amount used as security.

## **MAINTENANCE FEE AND OTHER CHARGES**

### **Annual Maintenance Fee**

Each year, a fee of \$10.00 is charged to cover the cost of the custodian services provided by State Street Bank and Trust Company and/or its designee. The amount of the fee may be changed by agreement between the Custodian and Northeast Investors Trust.

For your convenience, we offer a choice of two ways to pay this fee:

1. **Automatic Deduction:** This method of automatic deduction is the most convenient for you. The fee of \$10.00 is automatically deducted from your IRA in December, and the deduction will be reflected in your year-end statement.
2. **Payment by Check:** You may send a check for \$10.00 payable to Northeast Investors Trust at any time during the year to cover the maintenance fee.

If we do not receive a check for the maintenance fee during the year, we will automatically charge your account for the fee in December. If you terminate your Roth IRA during a year, you must pay that year's fee or else it will be deducted from your account.

### **Northeast Investors Trust Fee**

The Trustees of Northeast Investors Trust are entitled to receive an annual fee equal to ½ of 1% of the principal of the Trust, computed at the end of each quarter at the rate of ⅓ of 1% of the principal at the close of the quarter. For this purpose, the principal of the Trust is the total value of the Trust's investment portfolio and other assets, less all liabilities except accrued trustees' fees. The Trustees of Northeast Investors Trust are entitled to charge a redemption fee of up to 1% of the net asset value of the shares redeemed. It is the present policy of the trustees not to charge such a fee, but the Trustees may change this policy without notice to the shareholders. For further information on the Trustees' annual fee and the redemption of shares, see the current Northeast Investors Trust prospectus.

## **STATE TAX RULES**

The tax rules discussed in this Disclosure Statement are based on Federal law. Tax treatment of Roth IRAs under state law varies from state to state. Non-residents of Massachusetts are not liable for Massachusetts income tax on taxable amounts earned by or withdrawn from a Northeast Investors Trust Roth IRA. For advice on treatment of IRAs under the tax laws of Massachusetts or other states, consult your tax advisor or legal counsel.

**IRS REPORTS AND RETURNS**

If you owe an IRS penalty for an excess contribution, a premature withdrawal, or the failure of your beneficiary to withdraw the required minimum amount, you (or your beneficiary) must file the appropriate IRS reporting form with your individual tax return.

## STATE STREET BANK AND TRUST COMPANY ROTH IRA CUSTODIAL AGREEMENT

The following provisions of Articles I to VII are in the form promulgated by the Internal Revenue Service in Form 5305-RA (revised March 2002), as most recently updated by Listings of Required Modifications issued June 16, 2010, for use in establishing a Roth Individual Retirement Custodial Account. References are to sections of the Internal Revenue Code of 1986, as amended (“Code”).

### Article I

1. *Maximum Permissible Amount.* Except in the case of a qualified rollover contribution (as defined in paragraph (7) below) or a re-characterization (as defined in paragraph (6) below), no contribution will be accepted unless it is in cash and the total of such contributions to all the Depositor’s Roth IRAs for a taxable year does not exceed the applicable amount (as defined in paragraph (2) below), or the Depositor's compensation (as defined in paragraph (8) below), if less, for that taxable year. The contribution described in the previous sentence that may not exceed the lesser of the applicable amount or the Depositor’s compensation is referred to as a “regular contribution.” Despite the preceding limits on contributions, a Depositor may make additional contributions specifically authorized by statute—e.g., repayments of qualified reservist distributions, repayments of certain plan distributions made on account of a federally declared disaster and certain amounts received in connection with the Exxon Valdez litigation. Contributions may be limited under (3) through (5) below.

2. *Applicable Amount.* The applicable amount is determined below:

(i) If the Depositor is under age 50, the applicable amount is \$5,000 for any taxable year beginning in 2008 and years thereafter. After 2008, the \$5,000 amount will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code § 219(b) (5) (D). Such adjustments will be in multiples of \$500.

(ii) If the Depositor is 50 or older, the applicable amount under paragraph (i) above is increased by \$1,000 for any taxable year beginning in 2006 and years thereafter.

(iii) If the Depositor was a participant in a Code § 401(k) plan of a certain employer in bankruptcy described in Code § 219(b)(5)(C), then the applicable amount under paragraph (i) above is increased by \$3,000 for taxable years beginning after 2006 and before 2010 only. A Depositor who makes contributions under this paragraph (iii) may not also make contributions under paragraph (ii).

3. *Regular Contribution Limit.* The maximum regular contribution that can be made to all the Depositor's Roth IRAs for a taxable year is the smaller amount determined under (i) or (ii) below.

(i) The maximum regular contribution is phased out ratably between certain levels of modified adjusted gross income in accordance with the following table (for 2015):

Filing Status	Full Contribution	Phase out Range	No Contribution
Single or Head of Household	\$116,000 or less	Between \$116,000 and \$130,000	\$130,000 or more
Married-Filing Jointly, or Joint Return of Qualifying Widow(er)	\$183,000 or less	Between \$183,000 and \$193,000	\$193,000 or more
Married-Separate Return	\$0	Between \$0 and \$10,000	\$10,000 or more

An individual's modified adjusted gross income ("modified AGI") for a taxable year is defined in Code § 408A(c) (3) and does not include any amount included in adjusted gross income as a result of a qualified rollover contribution. If the individual's modified AGI for a taxable year is in the phase-out range, the maximum regular contribution determined under this table for that taxable year is rounded up to the next multiple of \$10 and is not reduced below \$200. After 2006, the dollar amounts above will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code § 408A(c) (3). Such adjustments will be in multiples of \$1,000.

(ii) If the Depositor makes regular contributions to both Roth and non-Roth IRAs for a taxable year, the maximum regular contribution that can be made to all of the Depositor's Roth IRAs for that taxable year is reduced by the regular contributions made to the Depositor's non-Roth IRAs for the taxable year.

4. *SIMPLE IRA Limits.* No contributions will be accepted under a SIMPLE IRA plan established by any employer pursuant to Code § 408(p). Also, no transfer or rollover of funds attributable to contributions made by a particular employer under its SIMPLE IRA plan will be accepted from a SIMPLE IRA, that is, an IRA used in conjunction with a SIMPLE IRA plan, prior to the expiration of the 2-year period beginning on the date the Depositor first participated in that employer's SIMPLE IRA plan.

5. *Inherited IRA.* If this is an inherited IRA within the meaning of Code § 408(d) (3) (C), no contributions will be accepted.

6. *Recharacterization.* A regular contribution to a non-Roth IRA may be recharacterized pursuant to the rules in Code § 1.408A-5 of the regulations as a regular contribution to this IRA, subject to the limits in (c) above.

7. *Qualified Rollover Contribution.* A "qualified rollover contribution" is a rollover contribution of a distribution from an eligible retirement plan described in Code § 402(c) (8) (B). If the distribution is from an IRA, the rollover must meet the requirements of Code § 408(d) (3), except the one-rollover-per year rule of Code § 408(d) (3) (B) does not apply if the distribution is from a non-Roth IRA. If the distribution is from an eligible retirement plan other than an IRA, the rollover must meet the requirements of Code §§ 402(c), 402(e)(6), 403(a)(4), 403(b)(8), 403(b)(10), 408(d)(3) or 457(e)(16), as applicable. A qualified rollover contribution also includes (i) and (ii) below.

(i) All or part of a military death gratuity or service members' group life insurance ("SGLI") payment may be contributed if the contribution is made within 1 year of receiving the gratuity or payment. Such contributions are disregarded for purposes of the one-rollover-per-year rule under Code § 408(d) (3) (B).

(ii) All or part of an airline payment (as defined in Code § 125 of the Worker, Retiree, and Employer Recovery Act of 2008 ("WRERA"), Pub. L. 110-458) received by certain airline employees may be contributed if the contribution is made within 180 days of receiving the payment.

8. *Compensation.* For purposes of Article I, Section (a), "compensation" is defined as wages, salaries, professional fees, or other amounts derived from or received for personal services actually rendered (including, but not limited to commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses) and includes earned income, as defined in Code § 401(c)(2) (reduced by the deduction the self-employed individual takes for contributions made to a self-employed retirement plan). For purposes of this definition, Code § 401(c) (2) shall be applied as if the term trade or business for purposes of Code § 1402 included service

described in subsection (c) (6). Compensation does not include amounts derived from or received as earnings or profits from property (including but not limited to interest and dividends) or amounts not includible in gross income (determined without regard to Code § 112). Compensation also does not include any amount received as a pension or annuity or as deferred compensation. The term “compensation” shall include any amount includible in the individual’s gross income under Code § 71 with respect to a divorce or separation instrument described in subparagraph (A) of Code § 71(b) (2). In the case of a married individual filing a joint return, the greater compensation of his or her spouse is treated as his or her own compensation, but only to the extent that such spouse’s compensation is not being used for purposes of the spouse making an IRA contribution. The term “compensation” also includes any differential wage payments as defined in Code § 3401(h) (2).

9. In the case of a joint return, the AGI limits in the preceding paragraph apply to the combined AGI of the Depositor and his or her spouse.

10. The Custodial Account is established for the exclusive benefit of the Depositor or his or her beneficiaries. If this is an inherited IRA within the meaning of Code § 408(d) (3) (C) maintained for the benefit of a designated beneficiary of a deceased Depositor, references in this document to the “Depositor” are to the deceased Depositor.

## **Article II**

The Depositor’s interest in the balance in the Custodial Account is nonforfeitable.

## **Article III**

1. No part of the Custodial Account funds may be invested in life insurance contracts, nor may the assets of the Custodial Account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).

2. No part of the Custodial Account funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

## **Article IV**

1. If the Depositor dies before his or her entire interest is distributed to him or her and the Depositor’s surviving spouse is not the designated Beneficiary, the entire remaining interest will be distributed in accordance with (a) below or, if elected or there is no designated Beneficiary, in accordance with (b) below:

(a) The remaining interest will be distributed, starting by the end of the calendar year following the year of the Depositor’s death, over the designated Beneficiary’s remaining life expectancy as determined in the year following the death of the Depositor.

(b) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the Depositor’s death.

2. The minimum amount that must be distributed each year under paragraph 1(a) above is the value of the Custodial Account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Treas. Reg. § 1.401(a) (9)-9 of the designated

Beneficiary using the attained age of the beneficiary in the year following the year of the Depositor's death and subtracting 1 from the divisor for each subsequent year.

3. If the Depositor's spouse is the designated Beneficiary, such spouse will then be treated as the Depositor.

4. If this is an inherited IRA within the meaning of Code § 408(d)(3)(C) established for the benefit of a nonspouse designated beneficiary by a direct trustee-to-trustee transfer from a retirement plan of a deceased Depositor under Code § 402(c)(11), then, notwithstanding any election made by the deceased individual pursuant to the preceding sentence, the nonspouse designated beneficiary may elect to have distributions made under this Article IV, paragraph (1)(a) if the transfer is made no later than the end of the year following the year of death.

5. The required minimum distributions payable to a designated beneficiary from this IRA may be withdrawn from another IRA the beneficiary holds from the same decedent in accordance with Q&A-9 of Treas. Reg. § 1.408-8.

#### **Article V**

1. The Depositor agrees to provide the Custodian with all information necessary to prepare any reports required by Code §§ 408(i) and 408A (d)(3)(E), and Treas. Reg. §§ 1.408-5 and 1.408-6, or other guidance published by the Internal Revenue Service (IRS).

2. The Custodian agrees to submit to the IRS and Depositor the reports prescribed by the IRS.

#### **Article VI**

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through V and this sentence will be controlling. Any additional articles that are not consistent with Code § 408A, the related regulations, and other published guidance will be invalid.

The Custodial Account is established for the exclusive benefit of the individual or his or her beneficiaries. If this is an inherited IRA within the meaning of Code § 408(d)(3)(C) maintained for the benefit of a designated beneficiary of a deceased individual, references in this document to the "individual" are to the deceased individual.

#### **Article VII**

This agreement will be amended as necessary to comply with the provisions of the Code, the related regulations and other published guidance. Other amendments may be made in accordance with Section 11 of the Custodial Agreement.

#### **Article VIII**

1. *Definitions.* As used in this Article VIII the following terms have the following meanings:

"Adoption Agreement" is the application signed by the Depositor to accompany and adopt this Custodial Account. The Adoption Agreement may also be referred to as the "Account Application".

"Agreement" means this State Street Bank and Trust Company Roth IRA Custodial Agreement (consisting of this Custodial Agreement and the Adoption Agreement signed by the Depositor).

"Beneficiary" has the meaning assigned in Section 9.

“Custodial Account” means the Roth Individual Retirement Account established using the terms of this Agreement.

“Custodian” means State Street Bank and Trust Company and any corporation or other entity that by merger, consolidation, purchase or otherwise, assumes the obligations of the Custodian.

“Depositor” means the person signing the Adoption Agreement accompanying this Agreement.

“Distributor” means the entity, which has a contract with the Fund to serve as distributor of the shares of the Fund. In any case where there is no Distributor, the duties assigned hereunder to the Distributor may be performed by the Fund or by an entity that has a contract to perform management or investment advisory services for the Fund.

“Fund” means Northeast Investors Trust, a mutual fund, which is advised, sponsored or distributed by Sponsor; provided, however, that such a mutual fund must be legally offered for sale in the state of the Depositor’s residence.

“Service Company” means any entity employed by the Custodian or the Distributor, including the transfer agent for the Fund, to perform various administrative duties of either the Custodian or the Distributor. In any case where there is no Service Company, the duties assigned hereunder to the Service Company will be performed by the Distributor (if any) or by an entity specified in the second preceding paragraph.

“Sponsor” means Northeast Investors Trust. Reference to the Sponsor includes reference to any affiliate of Sponsor to which Sponsor has delegated (or which is in fact performing) any duty assigned to Sponsor under this Agreement.

“Spouse” means an individual married to the Depositor under the laws of the applicable jurisdiction. The term “spouse” shall include same-sex individuals whose marriage was validly entered into in a jurisdiction whose laws authorize such marriage even if the couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriages. The term “spouse” shall not include individuals (whether of the same or opposite sex) who have entered into a registered domestic partnership, civil union, or other similar relationship recognized under the laws of a jurisdiction that is not denominated as marriage under the laws of the jurisdiction. A Depositor and his or her spouse are deemed to be “married” for all purposes of this Agreement.

2. *Revocation.* The Depositor may revoke the Custodial Account established hereunder by mailing or delivering a written notice of revocation to the Custodian within seven days after the Depositor receives the Disclosure Statement related to the Custodial Account. Mailed notice is treated as given to the Custodian on date of the postmark (or on the date of Post Office certification or registration in the case of notice sent by certified or registered mail). Upon timely revocation, the Depositor’s initial contribution will be returned, without adjustment for administrative expenses, commissions or sales charges, fluctuations in market value or other changes.

The Depositor may certify in the Adoption Agreement that the Depositor received the Disclosure Statement related to the Custodial Account at least seven days before the Depositor signed the Adoption Agreement to establish the Custodial Account, and the Sponsor and Custodian may rely upon such certification.

In any instance where it is established that the Depositor has had possession of the Disclosure Statement for more than seven days, it will be conclusively presumed that the Depositor has waived his or her right to revoke under this Section.

3. *Investments.* All contributions to the Custodial Account shall be invested and reinvested in full and fractional shares of Northeast Investors Trust. All such shares shall be held as book entry shares, and no physical shares or share certificate will be held in the Custodial Account. Such investments shall be made in such proportions and/or in such amounts as Depositor from time to time in the Adoption Agreement or by other written notice to the Service Company (in such form as may be acceptable to the Service Company) may direct.

If any other directions or other orders by the Depositor with respect to the sale or purchase of shares of the Fund are unclear or incomplete in the opinion of the Service Company, the Service Company will refrain from carrying out such investment directions or from executing any such sale or purchase, without liability for loss of income or for appreciation or depreciation of any asset, pending receipt of clarification or completion from the Depositor.

All investment directions by Depositor will be subject to any minimum initial or additional investment or minimum balance rules or other rules (by way of example and not by way of limitation, rules relating to the timing of investment directions or limiting the number of purchases or sales or imposing sales charges on shares sold within a specified period after purchase) applicable to the Fund as described in its prospectus.

All dividends and capital gains or other distributions received on the shares of the Fund shall be reinvested in full and fractional shares of such Fund.

If the Fund held in the Custodial Account is liquidated or is otherwise made unavailable by the Sponsor as a permissible investment for a Custodial Account hereunder, the liquidation or other proceeds of such Fund shall be invested in accordance with the instructions of the Depositor. If the Depositor does not give such instructions, or if such instructions are unclear or incomplete in the opinion of the Service Company, the Service Company may invest such liquidation or other proceeds in such other Fund (including a money market fund as the Sponsor designates, and provided that the Sponsor gives at least thirty (30) days advance written notice to the Depositor and the Service Provider. In such case, neither the Service Company nor the Custodian will have any responsibility for such investment.

Alternatively, if the Depositor does not give instructions *and* the Sponsor does not designate such other Fund as described above then the Depositor (or his or her Beneficiaries) will be deemed to have directed the Custodian to distribute any amount remaining in the Fund to (i) the Depositor (or to his Beneficiaries as their interests shall appear on file with the Custodian) or, (ii) if the Depositor is deceased with no Beneficiaries on file with the Custodian, then to the Depositor's estate, subject to the Custodian's right to reserve funds as provided in Section 15(b). The Sponsor and the Custodian will be fully protected in making any and all such distributions pursuant to this Section 3, provided that the Sponsor gives at least thirty (30) days advance written notice to the Depositor and the Service Provider. In such case, neither the Service Company nor the Custodian will have any responsibility for such distribution. The Depositor (or his or her Beneficiaries) shall be fully responsible for any taxes due on such distribution.

4. *Transaction pricing.* Any purchase or redemption of shares of the Fund for or from the Custodial Account will be effected at the public offering price or net asset value of the Fund (as described in the then effective prospectus for the Fund) next established after the Service Company has transmitted the Depositor's investment directions to the transfer agent for the Fund. Any purchase, transfer or redemption of shares of the Fund for or from the Custodial Account will be subject to any applicable sales, redemption or other charge as described in the then effective prospectus for the Fund.

5. *Recordkeeping.* The Service Company shall maintain adequate records of all purchases or sales of shares of the Fund for the Depositor's Custodial Account. Any account maintained in connection herewith shall be in the name of the Custodian for the benefit of the Depositor. All assets of the Custodial Account shall be registered in the name of the Custodian or of a suitable nominee. The books and records of the Custodian shall show that all such investments are part of the Custodial Account.

The Custodian shall maintain or cause to be maintained adequate records reflecting transactions of the Custodial Account. In the discretion of the Custodian, records maintained by the Service Company with respect to the Account hereunder will be deemed to satisfy the Custodian's recordkeeping responsibilities therefor. The Service Company agrees to furnish the Custodian with any information the Custodian requires to carry out the Custodian's recordkeeping responsibilities.

6. *Allocation of Responsibility.* Neither the Custodian nor any other party providing services to the Custodial Account will have any responsibility for rendering advice with respect to the investment and reinvestment of the Custodial Account, nor shall such parties be liable for any loss or diminution in value which results from Depositor's exercise of investment control over his Custodial Account. Depositor shall have and exercise exclusive responsibility for and control over the investment of the assets of his Custodial Account, and neither Custodian nor any other such party shall have any duty to question his or her directions in that regard or to advise him or her regarding the purchase, retention or sale of shares of the Fund for the Custodial Account.

7. (a) *Distributions.* Distribution of the assets of the Custodial Account shall be made at such time and in such form as Depositor (or the Beneficiary if Depositor is deceased) shall elect by written order to the Custodian. It is the responsibility of the Depositor (or the Beneficiary) by appropriate distribution instructions to the Custodian to insure that any applicable distribution requirements of Code Section 401(a) (9) and Article IV above are met. If the Depositor (or Beneficiary) does not direct the Custodian to make distributions from the Custodial Account by the time that such distributions are required to commence in accordance with such distribution requirements, the Custodian (and Service Company) shall assume that the Depositor (or Beneficiary) is meeting any applicable minimum distribution requirements from another individual retirement arrangement maintained by the Depositor (or Beneficiary) and the Custodian and Service Company shall be fully protected in so doing. Depositor acknowledges that any distribution of a taxable amount from the Custodial Account (except for distribution on account of Depositor's disability or death, return of an "excess contribution" referred to in Code Section 4973, or a "rollover" from this Custodial Account) made earlier than age 59½ may subject Depositor to an "additional tax on early distributions" under Code Section 72(t) unless an exception to such additional tax is applicable. For that purpose, Depositor will be considered disabled if Depositor can prove, as provided in Code Section 72(m)(7), that Depositor is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or be of long-continued and indefinite duration.

(b) *Taxability of distributions.* The Depositor acknowledges (i) that any withdrawal from the Custodial Account will be reported by the Custodian in accordance with applicable IRS requirements (currently, on Form 1099-R), (ii) that the information reported by the Custodian will be based on the amounts in the Custodial Account and will not reflect any other individual retirement accounts the Depositor may own and that, consequently, the tax treatment of the withdrawal may be different than if the Depositor had no other individual retirement accounts, and (iii) that, accordingly, it is the responsibility of the Depositor to maintain appropriate

records so that the Depositor (or other person ordering the distribution) can correctly compute all taxes due. Neither the Custodian nor any other party providing services to the Custodial Account assumes any responsibility for the tax treatment of any distribution from the Custodial Account; such responsibility rests solely with the person ordering the distribution.

8. *Distribution instructions.* The Custodian assumes (and shall have) no responsibility to make any distribution except upon the written order of Depositor (or Beneficiary if Depositor is deceased) containing such information as the Custodian may reasonably request. Also, before making any distribution from or honoring any assignment of the Custodial Account, Custodian shall be furnished with any and all applications, certificates, tax waivers, signature guarantees, releases, indemnification agreements, and other documents (including proof of any legal representative's authority) deemed necessary or advisable by Custodian, but Custodian shall not be responsible for complying with any order or instruction which appears on its face to be genuine, or for refusing to comply if not satisfied it is genuine, and Custodian has no duty of further inquiry. Any distributions from the Custodial Account may be mailed, first-class postage prepaid, to the last known address of the person who is to receive such distribution, as shown on the Custodian's records, and such distribution shall to the extent thereof completely discharge the Custodian's liability for such payment.

9. (a) *Designated Beneficiary.* The term "Beneficiary" means the person or persons designated as such by the "designating person" (as defined below) on a form acceptable to the Custodian for use in connection with the Custodial Account, signed by the designating person, and filed with the Custodian. If, in the opinion of the Custodian or Service Company, any designation of beneficiary is unclear or incomplete, in addition to any documents or assurances the Custodian may request under Section 8, the Custodian or Service Company shall be entitled to request and receive such clarification or additional instructions as the Custodian in its discretion deems necessary to determine the correct Beneficiary(ies) following the Depositor's death. The form designating the Beneficiary(ies) may name individuals, trusts, estates, or other entities as either primary or contingent beneficiaries. However, if the designation does not effectively dispose of the entire Custodial Account as of the time distribution is to commence, the term "Beneficiary" shall then mean the designating person's estate, with respect to the assets of the Custodial Account not disposed of by the designation form. The form last accepted by the Custodian, or its designee, before such distribution is to commence, provided it was received by the Custodian, or its designee, (or deposited in the U.S. Mail or with a reputable delivery service) during the designating person's lifetime, shall be controlling and, whether or not fully dispositive of the Custodial Account, thereupon shall revoke all such forms previously filed by that person. The term "designating person" means Depositor during his/her lifetime; only after Depositor's death, it also means Depositor's spouse if the spouse is a Beneficiary and elects to transfer assets from the Custodial Account to the spouse's own Custodial Account in accordance with applicable provisions of the Code. (*Note: Married Depositors who reside in a community property or marital property state (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington or Wisconsin), may need to obtain spousal consent if they have not designated their spouse as the primary Beneficiary for at least half of their Custodial Account. Consult a lawyer or other tax professional for additional information and advice.*)

(b) *Rights of Inheriting Beneficiary.* Notwithstanding any provisions in this Agreement to the contrary, when and after the distribution from the Custodial Account to Depositor's Beneficiary commences, all rights and obligations assigned to Depositor hereunder shall inure to, and be enjoyed and exercised by, Beneficiary instead of Depositor.

- (c) *Election by Spouse.* Notwithstanding Section 3 of Article IV above, if the Depositor's spouse is the sole Beneficiary on the Depositor's date of death, the spouse will not be treated as the Depositor if the spouse elects not to be so treated. In such event, the Custodial Account will be distributed in accordance with the other provisions of such Article IV, except that distributions to the Depositor's spouse are not required to commence until December 31 of the year in which the Depositor would have turned age 70½.

10. *Tax reporting responsibilities.*

- (a) The Depositor agrees to provide information to the Custodian at such time and in such manner as may be necessary for the Custodian to prepare any reports required under Section 408(i) or Section 408A(d)(3)(E) of the Code and the regulations thereunder or otherwise.
- (b) The Custodian or the Service Company will submit reports to the Internal Revenue Service and the Depositor at such time and manner and containing such information as is prescribed by the Internal Revenue Service.
- (c) The Depositor, Custodian and Service Company shall furnish to each other such information relevant to the Custodial Account as may be required under the Code and any regulations issued or forms adopted by the Treasury Department thereunder or as may otherwise be necessary for the administration of the Custodial Account.
- (d) The Depositor shall file any reports to the Internal Revenue Service which are required of him by law (including Form 5329), and neither the Custodian nor Service Company shall have any duty to advise Depositor concerning or monitor Depositor's compliance with such requirement.

11. *Amendments.*

- (a) Depositor retains the right to amend this Agreement in any respect at any time, effective on a stated date which shall be at least 60 days after giving written notice of the amendment (including its exact terms) to Custodian by registered or certified mail, unless Custodian waives notice as to such amendment. If the Custodian does not wish to continue serving as such under this Custodial Account document as so amended, it may resign in accordance with Section 15 below.
- (b) Depositor delegates to the Custodian the Depositor's right so to amend, provided (i) the Custodian does not change the investments available under this Custodial Agreement, and (ii) the Custodian amends in the same manner all agreements comparable to this one, having the same Custodian, permitting comparable investments, and under which such power has been delegated to it; this includes the power to amend retroactively if necessary or appropriate in the opinion of the Custodian in order to conform this Custodial Account to pertinent provisions of the Code and other laws or successor provisions of law, or to obtain a governmental ruling that such requirements are met, to adopt a prototype or master form of agreement in substitution for this Agreement, or as otherwise may be advisable in the opinion of the Custodian. Such an amendment by the Custodian shall be communicated in writing to Depositor, and Depositor shall be deemed to have consented thereto unless, within 30 days after such communication to Depositor is mailed, Depositor either (i) gives Custodian a written order for a complete distribution or transfer of the Custodial Account, or (ii) removes the Custodian and appoints a successor under Section 15 below.

Pending the adoption of any amendment necessary or desirable to conform this Agreement to the requirements of any amendment to any applicable provision of the Code or regulations or rulings issued thereunder (including any amendment to Form 5305-RA), the Custodian and the Service Company may operate the Custodial Account in accordance with such requirements to the extent that the Custodian and/or the Service Company deem necessary to preserve the tax benefits of the Account.

- (c) Notwithstanding the provisions of subsections (a) and (b) above, no amendment shall increase the responsibilities or duties of Custodian without its prior written consent.
- (d) This Section 11 shall not be construed to restrict the Custodian's right to substitute fee schedules in the manner provided by Section 14 below, and no such substitution shall be deemed to be an amendment of this Agreement.

## 12. *Terminations*

- (a) This Agreement shall terminate and have no further force and effect upon a complete distribution of the Custodial Account to the Depositor (or his or her Beneficiaries) or to a successor custodian or trustee in accordance with the instructions provided to the Custodian by the Depositor. In addition, the Sponsor shall have the right to terminate this Agreement and instruct the Custodian to distribute the Custodial Account upon thirty (30) days' notice to the Custodian and the Depositor (or his or her Beneficiaries if the Depositor is deceased). In the event of such termination by the Sponsor, the Custodian shall transfer the entire amount in the Custodial Account to a successor custodian or trustee as the Depositor (or his or her Beneficiaries) shall instruct or shall distribute the Custodial Account to the Depositor (or his or her Beneficiaries) if so directed. If, at the end of such thirty (30) day period, the Depositor (or his or her Beneficiaries) has not directed the Custodian to transfer or distribute the amount in the Custodial Account as described above then the Depositor (or his or her Beneficiaries) will be deemed to have directed the Custodian to distribute any amount remaining in the Custodial Account to (i) the Depositor (or to his Beneficiaries as their interests shall appear on file with the Custodian) or, (ii) if the Depositor is deceased with no Beneficiaries on file with the Custodian, then to the Depositor's estate, subject to the Custodian's right to reserve funds as provided in Section 15(b). The Sponsor and the Custodian will be fully protected in making any and all such distributions pursuant to this Section 12(a). The Depositor (or his or her Beneficiaries) shall be fully responsible for any taxes due on such distribution.
- (b) Sections 13(f), 15(b) and 15(c) hereof shall survive the termination of the Custodial Account and this Agreement. Upon termination of the Custodial Account and this Agreement, the Custodian shall be relieved from all further liability hereunder or with respect to the Custodial Account and all assets thereof so distributed.

## 13. *Responsibilities of Custodian and service providers*

- (a) In its discretion, the Custodian may appoint one or more contractors or service providers to carry out any of its functions and may compensate them from the Custodial Account for expenses attendant to those functions. In the event of such appointment, all rights and privileges of the Custodian under this Agreement shall pass through to such contractors or service providers who shall be entitled to enforce them as if a named party.

- (b) The Service Company shall be responsible for receiving all instructions, notices, forms and remittances from Depositor and for dealing with or forwarding the same to the transfer agent for the Fund.
- (c) The parties do not intend to confer any fiduciary duties on Custodian or Service Company (or any other party providing services to the Custodial Account), and none shall be implied. Neither shall be liable (or assumes any responsibility) for the collection of contributions, the proper amount, time or tax treatment of any contribution to the Custodial Account or the propriety of any contributions under this Agreement, or the purpose, time, amount (including any minimum distribution amounts), tax treatment or propriety of any distribution hereunder, which matters are the sole responsibility of Depositor and Depositor's Beneficiary.
- (d) Not later than 60 days after the close of each calendar year (or after the Custodian's resignation or removal), the Custodian or Service Company shall file with Depositor a written report or reports reflecting the transactions effected by it during such period and the assets of the Custodial Account at its close. Upon the expiration of 60 days after such a report is sent to Depositor (or Beneficiary), the Custodian or Service Company shall be forever released and discharged from all liability and accountability to anyone with respect to transactions shown in or reflected by such report except with respect to any such acts or transactions as to which Depositor shall have filed written objections with the Custodian or Service Company within such 60 day period.
- (e) The Service Company shall deliver, or cause to be delivered, to Depositor all notices, prospectuses, financial statements and other reports to shareholders, proxies and proxy soliciting materials relating to the shares of the Funds credited to the Custodial Account. No shares shall be voted, and no other action shall be taken pursuant to such documents, except upon receipt of adequate written instructions from Depositor.
- (f) Depositor shall always fully indemnify Service Company, Distributor, the Fund(s), Sponsor and Custodian and save them harmless from any and all liability whatsoever which may arise either (i) in connection with this Agreement and the matters which it contemplates, except that which arises directly out of the Service Company's, Distributor's, Fund's, Sponsor's or Custodian's bad faith, gross negligence or willful misconduct, (ii) with respect to making or failing to make any distribution, other than for failure to make distribution in accordance with an order therefor which is in full compliance with Section 8, or (iii) actions taken or omitted in good faith by such parties. Neither Service Company nor Custodian shall be obligated or expected to commence or defend any legal action or proceeding in connection with this Agreement or such matters unless agreed upon by that party and Depositor, and unless fully indemnified for so doing to that party's satisfaction.
- (g) The Custodian and Service Company shall each be responsible solely for performance of those duties expressly assigned to it in this Agreement, and neither assumes any responsibility as to duties assigned to anyone else hereunder or by operation of law.
- (h) The Custodian and Service Company may each conclusively rely upon and shall be protected in acting upon any written order from Depositor or Beneficiary, or any other notice, request, consent, certificate or other instrument or paper believed by it to be genuine and to have been properly executed, and so long as it acts in good faith, in taking or omitting to take any other action in reliance thereon. In addition, Custodian will carry out the requirements of any

apparently valid court order relating to the Custodial Account and will incur no liability or responsibility for so doing.

14. *Fees and Expenses.*

- (a) The Custodian, or its designee, in consideration of its services under this Agreement, shall receive the fees specified on the applicable fee schedule. The fee schedule originally applicable shall be the one specified in the Adoption Agreement or Disclosure Statement, as applicable. The Custodian may substitute a different fee schedule at any time upon 30 days' written notice to Depositor. The Custodian, or its designee, shall also receive reasonable fees for any services not contemplated by any applicable fee schedule and either deemed by it to be necessary or desirable or requested by Depositor.
- (b) Any income, gift, estate and inheritance taxes and other taxes of any kind whatsoever, including transfer taxes incurred in connection with the investment or reinvestment of the assets of the Custodial Account, that may be levied or assessed in respect to such assets, and all other administrative expenses incurred by the Custodian in the performance of its duties (including fees for legal services rendered to it in connection with the Custodial Account) shall be charged to the Custodial Account. If the Custodian is required to pay any such amount, the Depositor (or Beneficiary) shall promptly upon notice thereof reimburse the Custodian.
- (c) All such fees and taxes and other administrative expenses charged to the Custodial Account shall be collected either from the amount of any contribution or distribution to or from the Custodial Account, or (at the option of the person entitled to collect such amounts) to the extent possible under the circumstances by the conversion into cash of sufficient shares of the Fund held in the Custodial Account (without liability for any loss incurred thereby). Notwithstanding the foregoing, the Custodian or Service Company may make demand upon the Depositor for payment of the amount of such fees, taxes and other administrative expenses. Fees which remain outstanding after 60 days may be subject to a collection charge.

15. *Resignation or Replacement of Custodian.*

- (a) Upon 90 days' prior written notice to the Custodian, Depositor or Sponsor, as the case may be, may remove it from its office hereunder. Such notice, to be effective, shall designate a successor custodian and shall be accompanied by the successor's written acceptance. The Custodian also may at any time resign upon 90 days' prior written notice to Sponsor, whereupon the Sponsor shall notify the Depositor (or Beneficiary) and shall appoint a successor to the Custodian. In connection with its removal or resignation hereunder, the Custodian may, but is not required to, designate a successor custodian by written notice to the Sponsor or Depositor (or Beneficiary) if neither the Sponsor nor Depositor (or Beneficiary) designate a successor custodian, and the Sponsor or Depositor (or Beneficiary) will be deemed to have consented to such successor unless the Sponsor or Depositor (or Beneficiary) designates a different successor custodian and provides written notice thereof together with such a different successor's written acceptance by such date as the Custodian specifies in its original notice to the Sponsor or Depositor (or Beneficiary) (provided that the Sponsor or Depositor (or Beneficiary) will have a minimum of 30 days to designate a different successor).
- (b) The successor custodian shall be a bank, insured credit union, or other person satisfactory to the Secretary of the Treasury under Code Section 408(a) (2). Upon receipt by Custodian of written acceptance by its successor of such successor's appointment, Custodian shall transfer and pay over to such successor the assets of the Custodial Account and all records (or copies

thereof) of Custodian pertaining thereto, provided that the successor custodian agrees not to dispose of any such records without the Custodian's consent. Custodian is authorized, however, to reserve such sum of money or property as it may deem advisable for payment of all its fees, compensation, costs, and expenses, or for payment of any other liabilities constituting a charge on or against the assets of the Custodial Account or on or against the Custodian, with any balance of such reserve remaining after the payment of all such items to be paid over to the successor custodian.

(c) No custodian shall be liable for the acts or omissions of its predecessor or its successor.

16. *Applicable Code.* References herein to the "Code" and sections thereof shall mean the same as amended from time to time, including successors to such sections.

17. *Delivery of notices.* Except where otherwise specifically required in this Agreement, any notice from Custodian to any person provided for in this Agreement shall be effective if sent by first-class mail to such person at that person's last address on the Custodian's records.

18. *Exclusive benefit.* Depositor or Depositor's Beneficiary shall not have the right or power to anticipate any part of the Custodial Account or to sell, assign, transfer, pledge or hypothecate any part thereof. The Custodial Account shall not be liable for the debts of Depositor or Depositor's Beneficiary or subject to any seizure, attachment, execution or other legal process in respect thereof except to the extent required by law. At no time shall it be possible for any part of the assets of the Custodial Account to be used for or diverted to purposes other than for the exclusive benefit of the Depositor or his/her Beneficiary except to the extent required by law.

19. *Applicable law/Interpretation.* When accepted by the Custodian, this Agreement is accepted in and shall be construed and administered in accordance with the laws of the state where the principal offices of the Custodian are located. Any action involving the Custodian brought by any other party must be brought in a state or federal court in such state.

This Agreement is intended to qualify under the Code as an individual retirement account and entitle Depositor to the retirement savings deduction under section 219 if available. If any provision of this Agreement is subject to more than one interpretation or any term used herein is subject to more than one construction, such ambiguity shall be resolved in favor of that interpretation or construction which is consistent with the intent expressed in the preceding sentence.

However, the Custodian shall not be responsible for whether or not such intentions are achieved through use of this Agreement, and Depositor is referred to Depositor's attorney for any such assurances.

20. *Professional advice.* Depositor is advised to seek advice from Depositor's attorney regarding the legal consequences (including but not limited to federal and state tax matters) of entering into this Agreement, contributing to the Custodial Account, and ordering Custodian to make distributions from the Custodial Account. Depositor acknowledges that Custodian, Service Company and Sponsor (and any company associated therewith) are prohibited by law from rendering such advice.

21. *Definition of written notice.* If any provision of any document governing the Custodial Account provides for notice, instructions or other communications from one party to another in writing, to the extent provided for in the procedures of the Custodian, Service Company or another party, any such notice, instructions or other communications may be given by telephonic, computer, other electronic or other means, and the requirement for written notice will be deemed satisfied.

24. *Governing documents.* The legal documents governing the Custodial Account are as follows:

- (a) For a Roth IRA under Code Section 408A, the provisions of this Agreement and the provisions of the Adoption Agreement are the legal documents governing the Custodial Account.
- (b) The Depositor acknowledges that the Sponsor and/or Service Company may require the establishment of different Roth IRA accounts to hold annual contributions under Code Section 408A(c)(2) and to hold conversion amounts under Code Section 408A(c)(3)(B). The Service Company may also require the establishment of different Roth IRA accounts to hold amounts converted in different calendar years. If the Service Company does not require such separate account treatment, the Depositor may make annual contributions and conversion contributions to the same account.

23. *Conformity to IRS Requirements.* This Agreement and the Adoption Agreement signed by the Depositor (as either may be amended) are the documents governing the Custodial Account. Articles I through VII of this Agreement are in the form promulgated by the Internal Revenue Service

as Form 5305-RA. It is anticipated that, if and when the Internal Revenue Service promulgates changes to Form 5305-RA, as modified by subsequent guidance, the Custodian will amend this Agreement correspondingly.

24. *Conversion and recharacterization.* If the Depositor maintains an Individual Retirement Account under Code Section 408(a), Depositor may convert or transfer such other IRA to a Roth IRA under Code Section 408A using the terms of this Agreement and the Adoption Agreement by completing and executing the Adoption Agreement and giving suitable directions to the Custodian and the custodian or trustee of such other IRA. Alternatively, the Depositor may convert or transfer such other IRA to a Roth IRA by use of a reply card or by telephonic, computer or electronic means in accordance with procedures adopted by the Custodian or Service Company intended to meet the requirements of Code Section 408A, and the Depositor will be deemed to have executed the Adoption Agreement and adopted the provisions of this Agreement and the Adoption Agreement in accordance with such procedures.

In accordance with the requirements of section 408A(d)(6) and regulations thereunder, the Depositor may recharacterize a contribution to a Traditional IRA as a contribution to a Roth IRA,. The Depositor agrees to observe any limitations imposed by the Service Company on the number of such transactions in any year (or any such limitations or other restrictions that may be imposed by the Service Company or the IRS).

25. *Representations by Depositor.* The Depositor acknowledges that he or she has received and read the current prospectus for the Fund in which his or her Custodial Account is invested and the Individual Retirement Account Disclosure Statement related to the Custodial Account. The Depositor represents under penalties of perjury that his or her Social Security number (or other Taxpayer Identification Number) as stated in the Adoption Agreement is correct.

26. *Custodial Acceptance.* If all required forms and information are properly submitted, State Street Bank and Trust Company will accept appointment as Custodian of the Custodial Account. However, this Agreement (and the Adoption Agreement) is not binding upon the Custodian until the Depositor has received a statement confirming the initial transaction for the Custodial Account. Receipt by the Depositor of a confirmation of the purchase of the Fund shares indicated in the Depositor's Adoption Agreement will serve as notification of State Street Bank and Trust Company's acceptance of appointment as Custodian of the Custodial Account.

27. *Minor Depositor.* If the Depositor is a minor under the laws of his or her state of residence, then a parent or guardian shall exercise all powers and duties of the Depositor, as indicated herein, and shall sign the Adoption Agreement on behalf of the minor. The Custodian's acceptance of the Custodial Account on behalf of any Depositor who is a minor is expressly conditioned upon the agreement of the parent or guardian to accept the responsibility to exercise all such powers and duties, and all parties hereto so acknowledge. Upon attainment of the age of majority under the laws of the Depositor's state of residence at such time, the Depositor may advise the Custodian in writing (accompanied by such documentation as the Custodian may require) that he or she is assuming sole responsibility to exercise all rights, powers, obligations, responsibilities, authorities or requirements associated with the Custodial Account. Upon such notice to the Custodian, the Depositor shall have and shall be responsible for all of the foregoing, the Custodian will deal solely with the Depositor as the person controlling the administration of the Custodial Account, and the Depositor's parent or guardian thereafter shall not have or exercise any of the foregoing. (Absent such written notice from the Depositor, Custodian shall be under no obligation to acknowledge the Depositor's right to exercise such powers and authority and may continue to rely on the parent or guardian to exercise such powers and authority until notified to the contrary by the Depositor.)

28. *Depositor's responsibilities.* Depositor acknowledges that it is his/her sole responsibility to report all contributions to or withdrawals from the Custodial Account correctly on his or her tax returns, and to keep necessary records of all the Depositor's IRAs (including any that may be held by another custodian or trustee) for tax purposes. All forms must be acceptable to the Custodian and dated and signed by the Depositor.

**NORTHEAST INVESTORS TRUST**  
**ROTH IRA ADOPTION AGREEMENT**

**IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT**

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means for you: When you open an account, we ask for your name, address, date of birth, social security number and other information that will allow us to identify you. Until you provide the requested information and we have verified your identity, we will be unable to open an account for you or to effect any transaction on your behalf.

ESCHEATMENT: Your property may be transferred to the appropriate state (i.e. escheated) if no activity occurs in the account within the time period specified by state law. For more details, consult your state's website or call your state government's escheatment customer service number.

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**1 Depositor Information**

*Please print clearly in CAPITAL LETTERS*

First Name	Middle Initial	Last Name
Social Security Number	Date of Birth	
Street Address	Apartment or Box Number	
City	State	Zip Code
Daytime Telephone Number	Evening Telephone Number	
E-mail address		

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**2 Type of Roth IRA, Amount of Investment, and Related Certifications**

Please indicate the type of Roth IRA that is to be opened by checking the appropriate box, writing the amount of your investment, and, if applicable, the Tax Year to which your contribution applies. Please be sure to read the related certifications and be sure that the certifications accurately reflect your circumstances. **Make all checks payable to Northeast Investors Trust.**

- Roth IRA Contribution of \$ \_\_\_\_\_ for \_\_\_\_\_ Tax Year**  
Should not exceed your IRA annual contribution limit for the year. (See the Disclosure Statement for the limits in effect for different years.). The minimum initial investment is \$500.
- Spousal Roth IRA Contribution of \$ \_\_\_\_\_ for \_\_\_\_\_ Tax Year**

If your spouse has less compensation or earned income than you, you may establish spousal Roth IRAs (one for you and one for your spouse) and contribute up to the IRA annual contribution limit in effect for the year to each spouse's IRA if you have this much compensation or earned income. Complete a separate Adoption Agreement for each spousal Roth IRA.

**Transfer\* or Rollover of Roth IRA**

Transfer of existing Roth IRA directly from current custodian or trustee, or a rollover within 60 days after withdrawing from existing Roth IRA.

**Transfer or Rollover of Roth Account in Employer Plan, 403(b) Account or Eligible 457 Plan**

Transfer ("direct rollover") of existing Roth account in a qualified employer plan, 403(b) account or eligible governmental 457 deferred compensation plan, or a regular rollover of the Roth account of \$\_\_\_\_\_ within 60 days after distribution to you.

**Inherited Roth IRA\*\***

Check this box if the IRA you are establishing will hold inherited assets (assets that you are receiving as a beneficiary of a deceased IRA owner or plan participant). If you do not check this box, you are certifying that you are the owner of this IRA in your own right and are not subject to the special rules for an inheriting beneficiary of a deceased IRA owner or plan participant.

I am transferring inherited/beneficiary assets from another IRA or an employer plan account in accordance with applicable tax law requirements, and I am the

(check applicable box)  surviving spouse or  a non-spousal beneficiary. [For a non-spousal beneficiary, the account will be registered as a decedent Roth IRA.]

If a surviving spouse, register my Roth IRA as an

inherited Roth IRA or  Roth IRA in my name (i.e., not an inherited IRA).

The date of the deceased IRA account owner/plan participant's death: \_\_\_\_\_.

Note: If the participant had started to receive required minimum distributions from an employer plan, the surviving spouse must receive required minimum distributions from the inherited Roth IRA.

**Conversion of Non-Roth IRA**

Transfer of existing non-Roth IRA directly from current custodian or trustee, or a rollover within 60 days after withdrawing from existing Non-Roth IRA. Such a transfer or rollover is a taxable event.

**Conversion of Northeast Investors Trust Traditional IRA**

Conversion of an existing Northeast Investors Trust Traditional (or other non-Roth) IRA to a Roth IRA. Such a conversion is a taxable event; complete the Special Income Tax Withholding Election enclosed with this Adoption Agreement. Current Northeast Investors Trust IRA Account Number: \_\_\_\_\_.

Amount Converted:  Entire account

Part \*\$\_\_\_\_\_ or \_\_\_\_\_% or \_\_\_\_\_ shares)

**\* Complete and send the Roth IRA Transfer form along with the Adoption Agreement. See the Disclosure Statement for more information on the tax implications of the above choice.**

---

### **3** Designation of Beneficiary

If you do not choose to designate a beneficiary for your Roth IRA or if no designated beneficiary survives you, your Roth IRA will go to your estate (unless otherwise provided by the laws of your state of residence). You may change your designation of beneficiary or beneficiaries by filing a new designation of beneficiary with Northeast Investors Trust. Any such subsequent designation will revoke all prior designation(s), even if the subsequent designation does not dispose of your entire account.

Please note that the selection of a beneficiary can have important estate and tax planning consequences. Accordingly, consult a competent professional if needed. Also, consult your attorney if you are a resident of a community or marital property state for legal requirements.

As depositor, I hereby designate the person(s) named below as the primary beneficiary(ies) in the event of my death before my account has been paid to me in full. If any, but fewer than all, of the primary beneficiaries predecease me, the share of the deceased primary beneficiary(ies) will be divided among the surviving primary beneficiary(ies) in proportion to the percentage otherwise payable to each surviving primary beneficiary. If all primary beneficiaries predecease me, the value of my account shall be distributed to the contingent beneficiary(ies) designated below who survive me. If any, but fewer than all, of the contingent beneficiaries predecease me, the share of the deceased contingent beneficiary(ies) will be divided among the surviving contingent beneficiary(ies) in proportion to the percentage otherwise payable to each such surviving contingent beneficiary. If two or more persons are named as primary or contingent beneficiaries, and no percentage is indicated, I intend that the surviving persons listed shall receive equal portions. (If the beneficiary is a trust, please Indicate the name, address, and date of the trust

***[Designation of Beneficiary Form on next page.]***

**Primary Beneficiary or Beneficiaries:**

Pay my account to the primary beneficiary or beneficiaries named below who are living at my death

Name (First, Middle Initial, Last)		Social Security Number	
Street Address			
City	State	Zip Code	
Relationship	Date of Birth	Percentage*	

Name (First, Middle Initial, Last)		Social Security Number	
Street Address			
City	State	Zip Code	
Relationship	Date of Birth	Percentage*	

Name (First, Middle Initial, Last)		Social Security Number	
Street Address			
City	State	Zip Code	
Relationship	Date of Birth	Percentage*	

**Contingent Beneficiary or Beneficiaries:**

If no primary beneficiary is living at my death, pay the Account to the contingent beneficiary or beneficiaries named below who are living at my death.

Name (First, Middle Initial, Last)		Social Security Number	
Street Address			
City	State	Zip Code	
Relationship	Date of Birth	Percentage*	

Name (First, Middle Initial, Last)		Social Security Number	
Street Address			
City	State	Zip Code	
Relationship	Date of Birth	Percentage*	

Name (First, Middle Initial, Last)		Social Security Number	
Street Address			
City	State	Zip Code	
Relationship	Date of Birth	Percentage*	

**\*Shares for each IRA's beneficiary must add up to 100%. Please do not indicate fractional percentages (for example, if there are three beneficiaries, indicate 33%, 33% and 34%).**

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## 4 Special Income Tax Withholding Election

*Complete this Section 4 only if you are converting an existing Northeast Investors Trust Traditional (or other non-Roth) IRA to a Roth IRA.*

I understand that the taxable amount converted to a Roth IRA will be treated as taxable income to me. I agree that I am responsible for the tax results of converting.

My current Non-Roth IRA will receive a new account number when it is converted into a Roth IRA. My existing investment will remain unchanged.

I elect to have withholding or no withholding of federal income tax on the taxable amount converted as indicated below. I understand the amounts converted from an existing Traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA (other than prior nondeductible contribution amounts ) are subject to federal income tax withholding unless I elect no withholding. Unless I elect no withholding, 10% of the taxable amount converted will be withheld as federal income taxes. In addition, there may be withholding of state income taxes depending on my state of residence. Please note that, if you elect no withholding, you may have to pay estimated tax. Insufficient payments of estimated tax may result in penalties. I understand that the financial benefits of converting my existing Account to a Roth IRA Account may depend upon the entire account. Therefore, from a financial viewpoint, it may be better to me to elect no withholding and to pay any income taxes due from other funds of mine rather than to reduce the amount converted from my existing IRA to my Roth IRA by applicable withholding taxes.

- I do not want to have federal income tax and any applicable state income tax withheld from my distribution.**
  
- I do want to have federal income tax and any applicable state income tax withheld from my distribution.**

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## 5 Certifications & Signature

I hereby adopt with the Custodian this Northeast Investors Trust Roth Individual Retirement Account (the "Account") under Internal Revenue Code Section 408A(b), using the State Street Bank and Trust Company Roth IRA Custodial Agreement (which is incorporated by reference). I have received and read the Northeast Investors Trust Roth IRA Disclosure Statement and the prospectus of the fund. I certify under penalties of perjury that my Social Security number above is correct. I further certify that I am a U.S. Person (a U.S. citizen or a resident alien). If applicable, I elect the Income Tax Withholding indicated in Section 4 above.

With respect to an Inherited IRA, if applicable, I further certify the following:

- For a regular rollover within 60 days, I certify that (i) I have not made another rollover within the one-year period immediately preceding this rollover, (ii) such distribution was received within 60 days of making the rollover to this Account, and (iii) no portion of the amount to be rolled over is a required minimum distribution under the required distribution rules or a

hardship distribution for an employer plan under Code sections 401(a), 403(b) or a 457 eligible governmental plan.

- If I am an electing surviving spouse or non-spouse beneficiary, I acknowledge that (i) the required minimum distribution rules for a beneficiary apply to the Account, (ii) I am responsible for providing the Custodian with appropriate withdrawal instructions in order to satisfy such rules, and (iii) failure to withdraw amounts as needed to satisfy such rules may result in significant penalty taxes.

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Depositor Signature

Date

**Custodian Acceptance.** State Street Bank and Trust Company will accept appointment as Custodian of the Depositor's Account. However, this Agreement is not binding upon the Custodian until the Depositor has received a statement confirming the initial transaction for the Account. Receipt by the Depositor of a confirmation of the purchase of the Fund shares indicated above will serve as notification of State Street Bank and Trust Company's acceptance of appointment as Custodian of the Depositor's Account.

STATE STREET BANK AND TRUST COMPANY, CUSTODIAN

If the above Depositor is a minor under the laws of the Depositor's state of residence, a parent or guardian must also sign the Adoption Agreement in the space provided below. Until the Depositor reaches the age of majority, the parent or guardian will exercise the powers and duties of Depositor.

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Signature of Parent or Guardian

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Social Security Number

---

Date of Birth

---

Date

Residential Address of Parent or Guardian:

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If you wish to receive periodic withdrawals, please complete the enclosed Universal IRA Withdrawal Authorization Form and return it with this Adoption Agreement. A signature guarantee is not required when a request for periodic withdrawals accompanies an Adoption Agreement for a new account.

**Note:** Please send all checks, a completed Adoption Agreement and any other forms and/or related documents to the following address:

Northeast Investors Trust  
125 High Street  
Boston, MA 02110

If you have any questions please call us at 1-800-225-6704.

RETAIN A PHOTOCOPY OF THE COMPLETED ADOPTION AGREEMENT FOR YOUR RECORDS.

**NORTHEAST INVESTORS TRUST**  
**ROTH IRA TRANSFER/CONVERSION FORM**

**Instructions:**

To make a direct transfer of amounts in an existing Traditional IRA, SEP IRA, SIMPLE IRA or Roth IRA with another custodian or trustee, complete this authorization form and send it to Northeast Investors Trust with the other documents establishing your Northeast Investors Trust Roth IRA.

**To:**

\_\_\_\_\_  
Name of Current Trustee/Custodian/Plan Administrator

\_\_\_\_\_  
Address

\_\_\_\_\_  
Telephone Number

**Re:**

\_\_\_\_\_  
Name Appearing on Your Current Account

\_\_\_\_\_  
Your Address

\_\_\_\_\_  
Your Current Account Number

**INSTRUCTIONS TO CURRENT TRUSTEE/CUSTODIAN/PLAN ADMINISTRATOR:**

Please transfer the following amount to my Northeast Investors Trust Roth IRA (payee and address directions are at the bottom of this form):

- Liquidate all assets and transfer the proceeds
- Liquidate \_\_\_\_\_ shares and transfer the proceeds
- Transfer \$ \_\_\_\_\_
- Conversion \$ \_\_\_\_\_

**Important:** If you are now receiving minimum distributions from another non-Roth IRA in accordance with the age 70½ rules, be sure that any amount you transfer to a Roth IRA does not include any amounts which are required to be distributed to you for the year of the transfer. Internal Revenue Service (“IRS”) rules prohibit transferring such amounts to a Roth IRA. Also, do not transfer any amounts from a SIMPLE IRA until it has been in existence for at least two years. Consult a qualified tax advisor or the IRS if you have any questions about whether you qualify to transfer/convert from a non-Roth IRA to a Roth IRA or about any other aspect of the transfer.

**Note:** Any taxable amounts transferred from another non-Roth IRA to a Roth IRA as part of this transfer must be included as part of gross income and reported to the IRS in the year of the transfer/conversion.

Amounts transferred from a Traditional IRA, SEP IRA or SIMPLE IRA to a Roth IRA are considered to be income. The IRS also requires that 10% of the amount converted be withheld for federal income tax purposes unless you elect not to withhold below. State taxes may also apply. Consult your financial advisor to determine whether withholding is advisable, as the expected financial benefits from converting may be diminished if you pay income tax from the amount converted.

- Withhold 10% for federal income taxes (also withhold state income taxes, if applicable).**
- Do not withhold income taxes.**

If you want the funds transferred directly to your existing Roth IRA with Northeast Investors Trust, please indicate your account number: \_\_\_\_\_.

If you want to establish a separate Roth IRA account to hold amounts converted/transferred (including the transfer directed in this form), you must complete a new Roth IRA Adoption Agreement for each separate Roth IRA account you want to establish.

\_\_\_\_\_  
Your Signature\*

\_\_\_\_\_  
Date

\*Please ask your present trustee or custodian if a signature guarantee is required. . If required, the following signature guarantee should be completed. Your signature may be guaranteed by a bank, a member of a stock exchange, or other eligible guarantor. Notarizations are not acceptable.

\_\_\_\_\_  
Name of Bank or Firm

\_\_\_\_\_  
Signature of Authorized Officer or Signatory

\_\_\_\_\_  
Print name of Officer or other Authorized Signatory and Title

**CURRENT ACCOUNT TYPE:**

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> Rollover IRA    | <input type="checkbox"/> SIMPLE IRA                  | <input type="checkbox"/> 403(b)            |
| <input type="checkbox"/> Traditional IRA | <input type="checkbox"/> Qualified Plan              | <input type="checkbox"/> Eligible 457 Plan |
| <input type="checkbox"/> SEP-IRA         | <input type="checkbox"/> Inherited IRA/Employer Plan |  |

***(Below Line for Bank Use)***

State Street Bank and Trust Company, as (successor) custodian of the above individual's Roth IRA account, requests the transfer or direct rollover of assets as indicated above. The Northeast Investors Trust Roth IRA meets the requirements of Code Section 408A and is qualified to receive the transfer requested above.

**State Street Bank and Trust Company, Custodian**

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Date:

By:

To Current Trustee/Custodian: Please return a copy of this form with your response. Make checks payable to Northeast Investors Trust. Address for checks, forms, etc.:

Northeast Investors Trust,  
125 High Street  
Boston, MA 02110.

If you have any questions please call 1-800-225-6704.

**NORTHEAST INVESTORS TRUST**

**UNIVERSAL IRA WITHDRAWAL AUTHORIZATION FORM**

**1** **Depositor Information**  
*Please print clearly in CAPITAL LETTERS*

First Name	Middle Initial	Last Name
Social Security Number	Date of Birth	
Street Address	Apartment or Box Number	
City	State	Zip Code
Daytime Telephone Number	Evening Telephone Number	
E-mail address		

**2** **Type of Withdrawal**

<input type="checkbox"/>	Normal	Individual is over age 59½.
<input type="checkbox"/>	Required	Individual is age 70½ or older (Non-Roth IRAs only)
<input type="checkbox"/>	Disability	Individual certifies that the individual is disabled and therefore unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to be of long continued or indefinite duration or to result in death.
<input type="checkbox"/>	Premature	Individual is under age 59½ and not disabled. The individual acknowledges that this withdrawal may involve a 10% Federal penalty tax on the taxable amount withdrawn, in addition to the inclusion of the taxable amount in income for the year the withdrawal is received. Consult with your tax advisor for additional information.
<input type="checkbox"/>	Conversion to Roth IRA	Conversion of the Traditional IRA to a Roth IRA.
<input type="checkbox"/>	Death	Each beneficiary of a deceased individual must complete this form, have his or her signature guaranteed, and enclose a certified copy of the death certificate. If the beneficiary is not a named individual, the legal representative must complete this form, have his or her signature guaranteed, and enclose a copy of his or her court appointment and a certified copy of the death certificate.
<input type="checkbox"/>	Premature/ Life Expectancy	Individual is under age 59½ and elects substantially equal periodic payments over his or her life expectancy or joint life expectancy of individual and designated beneficiary. If the individual changes the payment method prior to the later of attaining age 59½ or five (5) years from the date of the first payment, the IRS may impose a 10% penalty on all payments received prior to age 59½.
<input type="checkbox"/>	Other	



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## **5** Withholding Election (Check One):

**(See the Tax Information below)**

- I do not want to have Federal Income Tax and applicable State Income Tax withheld from my withdrawal.
- I do want to have Federal Income Tax (10%) and applicable State Income Tax withheld from my withdrawal.
- Please withhold \_\_\_\_\_ % from each withdrawal for Federal Income Tax.

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## **6** Tax Information:

The Custodian shall report withdrawals on Form 1099-R based solely on information known by the Custodian about amounts held in your Northeast Investors Trust IRA account(s). However, tax on the amount withdrawn may be determined based on amounts contributed to all of your IRA accounts, including those not under the Custodian's control. Thus, you have sole responsibility for correctly determining and reporting the withdrawal on your income tax returns.

Withdrawals from an IRA (other than non-taxable direct transfers to another IRA custodian, nontaxable rollovers to another IRA or plan, or withdrawals of nondeductible contribution amounts) are subject to federal income tax withholding unless you elect no withholding when completing this Universal IRA Withdrawal Authorization Form. Qualifying withdrawals from a Roth IRA are not subject to federal income tax (see the Northeast Investors Trust Roth IRA Disclosure Statement for an explanation of the circumstances when qualifying withdrawals are tax-free); therefore, for such withdrawals, you may wish to elect no withholding. Unless you elect no withholding, 10% of each distribution will be withheld as Federal income taxes. In addition, there may be withholding of state income taxes depending on your state of residence.

If you elect no withholding, your election will remain in effect until revoked. You may revoke your no withholding election in writing at any time. Please note that, if you elect no withholding or have an insufficient amount withheld from your withdrawal, you may have to pay estimated tax. Insufficient payments of estimated tax may result in penalties.

If you have a Massachusetts address and have federal withholding, we are required to withhold Massachusetts income taxes also. Complete Massachusetts Form M-4P so that your Massachusetts income taxes may be calculated correctly. Depending on your number of exemptions and the amount of your IRA withdrawals, there may be no actual withholding. If your legal residence is not Massachusetts (even though you have a Massachusetts address), check the box in item 5 of the Form M-4P to avoid Massachusetts income tax withholding.

Please contact Northeast Investors Trust if you wish to have us send you IRS Form W-4P or Massachusetts Form M-4P.

The undersigned individual authorizes the withdrawal specified above and the withholding election completed above. The undersigned acknowledges that proper income tax reporting depends on the correct completion of this form and certifies that the box checked under **Type of Withdrawal** (above) is correct; and that it is the undersigned's responsibility to determine correctly the amount of tax that may be due based on all IRA accounts the undersigned may own (including those unknown by or not under the control of the Custodian); the undersigned agrees to indemnify and hold harmless the Custodian and its agents and service providers (including Northeast Investors Trust) from any losses or expenses incurred if such information is not correct. The undersigned acknowledges that it is his or her responsibility to properly calculate, report, and pay all taxes due with respect to the withdrawal specified above.

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Signature\*\*

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Date

\*\*Signature must be guaranteed for distributions in excess of \$25,000 by a bank or trust company, securities broker or dealer, credit union, securities exchange or association, securities clearing agency or savings association. Notarizing or witnessing will not suffice.

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Name of Bank or Firm

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Signature of Authorized Officer or Signatory

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Print name of Officer or other Authorized Signatory and Title

**Note:** Please send this completed Northeast Investors Universal IRA Withdrawal Authorization Form and any related documents to the following address:

Northeast Investors Trust  
125 High Street  
Boston, MA 02110

If you have any questions please call us at 1-800-225-6704.

RETAIN A PHOTOCOPY OF THE COMPLETED FORM FOR YOUR RECORDS.

## **NORTHEAST INVESTORS TRUST PRIVACY POLICY STATEMENT**

Northeast Investors Trust (the 'Trust') recognizes and respects the privacy of its shareholders and to that end is committed to safeguarding your personal information.

**Why do we collect personal information?** The Trust collects, retains and uses shareholder information for the purpose of administering its operations, providing shareholder service, and complying with legal and regulatory requirements.

**How do we collect personal information?** The Trust collects personal information during the account opening process. The Trust will collect and share (if necessary) name, street address, social security number and date of birth. We make every effort to maintain the most up to date, complete and accurate shareholder and account information. If you believe any information is inaccurate please call us at 800-225-6704. We will investigate the problem, and if it is determined that the information is incorrect, we will take appropriate action quickly and according to industry practices and applicable law.

**How does the Trust protect personal information?** Shareholder information is accessible only by authorized individuals or as set forth below. Our employees are responsible to protect the confidentiality of shareholder information and are subject to appropriate disciplinary measures to enforce that responsibility.

The Trust maintains appropriate safeguards regarding shareholders information. This includes use of security procedures to prevent revealing shareholder information to inappropriate or unauthorized sources. These measures also include computer safeguards and secured files and buildings.

**Does the Trust share personal information?** We do not sell shareholder information to anyone, nor do we exchange or share shareholder information with outside organizations unless the third party is essential in administering our operations; this sharing is permitted by law and cannot be limited by shareholders. For example, we work with our custodian bank, State Street Bank & Trust Company, to assist in providing payments to shareholders. The Trust does not reveal specific information about shareholders or their accounts to unaffiliated third parties with the following exceptions:

1. If the shareholder requests it;
2. If the information is required by or allowed by law (for example, a subpoena or court order to produce records regarding the shareholder's account with the Trust). In such instances, information provided is limited to that required by the specific law;
3. If the information is required by a Trust auditor or examiner for the purpose of completing an audit or regulatory examination of the Trust;
4. To make available products or services to us, such as computer programming services, but excluding marketing activities, that are offered by a third party who is under agreement to provide these services. These companies or vendors must agree to respect the privacy of any shareholder information provided and will be authorized to use such information only to perform the services required by the Trust.

These policies also apply, to the extent applicable, to persons who visit our website and provide us with any personal information other than their name, address and general area of investment interest.



# FACTS

## WHAT DOES STATE STREET BANK AND TRUST COMPANY (STATE STREET) DO WITH YOUR PERSONAL INFORMATION?

### Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share and protect your personal information. Please read this notice carefully to understand what we do.

### What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number
- account balances
- account transactions
- payment history
- transaction history
- retirement assets.

When you are *no longer* our customer, we continue to share your information as described in this notice.

### How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons State Street chooses to share and whether you can limit this sharing.

Reasons we can share your personal information	Does State Street share?	Can you limit this sharing?
<b>For our everyday business purposes —</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes —</b> to offer our products and services to you	No	We don't share
<b>For joint marketing with other financial companies</b>	No	We don't share
<b>For our affiliates' everyday business purposes —</b> information about your transactions and experiences	No	We don't share
<b>For our affiliates' everyday business purposes —</b> information about your creditworthiness	No	We don't share
<b>For non-affiliates to market to you</b>	No	We don't share

### Questions?

Call 1 816-871-4100



STATE STREET®

## What we do

<p><b>How does State Street protect my personal information?</b></p>	<p>To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.</p>
<p><b>How does State Street collect my personal information?</b></p>	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> <li>▪ open an account</li> <li>▪ pay us by check</li> <li>▪ make deposits and withdrawals from your account</li> <li>▪ provide account information</li> <li>▪ give us your contact information.</li> </ul>
<p><b>Why can't I limit all sharing?</b></p>	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> <li>▪ sharing for affiliates' everyday business purposes—information about your creditworthiness</li> <li>▪ affiliates from using your information to market to you</li> <li>▪ sharing for nonaffiliates to market to you.</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>

## Definitions

<p><b>Affiliates</b></p>	<p>Companies related by common ownership or control. They can be financial and non-financial companies.</p> <ul style="list-style-type: none"> <li>▪ <i>State Street does not share with affiliates.</i></li> </ul>
<p><b>Non-affiliates</b></p>	<p>Companies not related by common ownership or control. They can be financial and non-financial companies.</p> <ul style="list-style-type: none"> <li>▪ <i>State Street does not share with non-affiliates so they can market to you.</i></li> </ul>
<p><b>Joint marketing</b></p>	<p>A formal agreement between non-affiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>▪ <i>State Street doesn't jointly market.</i></li> </ul>