

# **Northeast Investors Trust**

## **TRADITIONAL IRA INVESTOR'S KIT**

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## **NORTHEAST INVESTORS TRUST TRADITIONAL IRA DISCLOSURE STATEMENT**

### **INTRODUCTION**

This Northeast Investors Trust Traditional IRA Disclosure Statement (the "Disclosure Statement") provides a general, non-technical explanation of the rules governing your Northeast Investors Trust Traditional Individual Retirement Account ("IRA") for which State Street Bank and Trust Company serves as custodian. However, the Northeast Investors Trust Traditional IRA Adoption Agreement (the "Adoption Agreement") and the State Street Bank and Trust Company Traditional IRA Custodial Agreement (the "Custodial Agreement") are the primary documents controlling the terms and conditions of your Northeast Investors Trust Traditional 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.

### **TRADITIONAL IRA VS. ROTH IRA**

This Disclosure Statement which describes the Northeast Investors Trust Traditional Individual Retirement Account (the "IRA"), has been available since 1975. The Disclosure Statement does not describe the Roth IRA, which became available January 1, 1998.

The main difference between a Traditional IRA and a Roth IRA is that contributions to a Traditional IRA may be deductible from your federal taxable income (up to the annual contribution limit). Later, withdrawals are taxable (except for previous non-deductible contributions). Contributions to a Roth IRA are never deductible, but withdrawals that meet certain requirements are not subject to federal income tax, so that dividends and investment growth on amounts held in the Roth IRA escape federal income tax. State income tax treatment of your Traditional IRA may differ from federal treatment; ask your state tax department or your personal tax adviser for details.

Another difference is that contributions to a Traditional IRA may not be made after age 70½ but contributions to a Roth IRA may continue after that age. Also, Traditional IRAs are subject to required minimum distribution rules starting at age 70½ but these rules do not apply to Roth IRAs during the lifetime of the IRA owner.

The different features of Traditional IRAs and Roth 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 Roth IRA, please call us at 1-800-225-6704 or visit our website at [www.northeastinvestors.com](http://www.northeastinvestors.com).

### **SEP IRA**

Traditional IRAs described in this Disclosure Statement may be used as part of a simplified employee pension ("SEP") plan maintained by your employer. Under a SEP plan your employer may make deductible contributions to a Traditional IRA (that is, a "SEP IRA") set up for you to receive such contributions, and these contributions may exceed the normal limits on Traditional IRA contributions.

## ESTABLISHING A TRADITIONAL IRA

### How to Open a Traditional IRA

To open a Northeast Investors Trust Traditional IRA as a new IRA or as a transfer IRA, please complete and sign the enclosed Northeast Investors Trust Traditional IRA Adoption Agreement and the Northeast Investors Trust Traditional IRA Transfer/Direct Rollover of Current Retirement Assets Form (the "Transfer/Direct Rollover Form"), if applicable. Please make sure that Sections 1 through 3 of the Adoption Agreement are completed, that you review the Certifications carefully, and that you sign in Section 4.

Send the signed Adoption Agreement along with a check for your initial contribution made payable to Northeast Investors Trust, or send the Transfer/Direct Rollover Form, if applicable.

A minimum of \$500 is required to open your IRA. Anytime thereafter you may make contributions of any amount to your Northeast Investors Trust Traditional IRA as long as you do not exceed the contribution limits. You may continue to make contributions to a Traditional IRA until you reach the age of 70½. For further information regarding the eligibility and deduction rules, please see the corresponding sections in this Disclosure Statement.

### How to Open a Rollover Traditional IRA

A Northeast Investors Trust IRA account may be established to receive an eligible rollover distribution from a tax qualified employee plan, 403(b) or 457 governmental plan. A direct rollover is the only way to avoid 20% income tax withholding on most distributions from such plans.

A rollover from another Traditional IRA or, in some instances, from a SIMPLE IRA (but not a Roth IRA) may also be available.

For a rollover, send the completed Adoption Agreement and the Transfer/Direct Rollover Form to Northeast Investors Trust, 125 High Street, Boston. Massachusetts 02110.

### How to Open A Spousal IRA

For a Spousal Traditional IRA, your spouse must complete the Adoption Agreement and a Transfer/Direct Rollover Form, if applicable. Your spouse may open a Spousal IRA if your spouse has less compensation or earned income than you. You may be eligible for a deduction of up to a combined maximum of twice the individual deductible annual contribution limit. For further information regarding Spousal IRAs, please see the corresponding sections in this Disclosure Statement.

### How to Open a Sep IRA

To open an IRA that is part of a Simplified Employee Pension ("SEP") Plan maintained by your employer, you must complete the Adoption Agreement Form. Please indicate in Section 2 of the Adoption Agreement that your account is to be registered as a SEP IRA. You may also transfer assets from an existing custodian into a new Northeast Investors Trust SEP IRA.

In addition, the employer should complete IRS Form 5305-SEP (available from the IRS or Northeast Investors Trust). This form is completed and kept by the employer to establish a SEP. Attach a copy of Form 5305-SEP with your Adoption Agreement; do not send a copy to the IRS.

Your employer can contribute as much as 25% of your calendar-year compensation up to \$53,000 (for 2015; this amount will be indexed to inflation in future years) to your SEP IRA. The initial contribution required to open a SEP IRA is \$500. Make checks payable to Northeast Investors Trust.

### How to Open an "Inherited" IRA

There are differences in how you can take a distribution as a beneficiary from an eligible retirement plan or IRA. If you are a surviving spouse, you can make a direct or a 60-day rollover and set up an IRA; if you are a non-spouse beneficiary, you can set up an IRA only if you make a direct rollover or transfer to the IRA (a 60-day rollover is not allowed). When you complete the Adoption Agreement to open a Northeast Investors Trust Traditional 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 IRA – as your own or as an inherited IRA. If you are moving an inherited 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" 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 MAKE A WITHDRAWAL**

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. Refer to the Withdrawal Form for the different methods of withdrawals. You generally must be at least age 59½ to take a withdrawal without penalty.

If you are not 59½, you are generally subject to an IRS 10% penalty tax (in addition to regular income taxes) unless the withdrawal is for a rollover, a direct transfer to another IRA, or an exception applies (please see the Withdrawal section herein for more information).

### **SUMMARY**

Please send the following: (1) a completed and signed Adoption Agreement; (2) a completed and signed Transfer/Direct Rollover Form, if applicable; (3) a check in the amount of your initial contribution made 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**

#### Traditional IRA

Northeast Investors Trust Traditional IRA is a convenient, tax-deferred method of saving for retirement. It is called a "Traditional IRA" to distinguish it from Roth IRAs and SIMPLE IRAs (which are not described in this Disclosure Statement in any detail).

If you (or, if you file a joint tax return, your spouse) receive taxable compensation or earned income during the year and are not age 70½ by the end of the year, you can set up and make contributions to a Northeast Investors Trust Traditional IRA. However, under the tax laws, if you (or, in certain cases of high income couples, your spouse) are an active participant in an employer retirement plan and your income exceeds a certain level, all or part of your IRA contribution may not be tax-deductible.

Each year, you can contribute up to the IRA annual contribution limit in effect for that year (please see the contribution limits table herein), or your total compensation or earned income if less, to your Northeast Investors Trust Traditional IRA. Your contributions are invested in shares of Northeast Investors Trust

The dividends on the shares in your IRA are exempt from federal income tax until you begin to make withdrawals. You may make withdrawals from your Traditional IRA at any time, but you may have to pay a penalty tax on withdrawals before age 59½. Withdrawals are taxed as ordinary income when you receive them (except for amounts considered a withdrawal of prior nondeductible contributions). If you wait until after retirement to make withdrawals, you may be in a lower income tax bracket or have a greater number of exemptions.

#### Revocation

You may revoke your Traditional IRA within seven calendar days after the date on which you receive this Disclosure Statement. 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 Traditional IRAs. State taxes on Traditional IRAs may vary from federal taxes. A further word on this can be found on the corresponding 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 Traditional IRA, or about when or how much you should contribute to or withdraw from your IRA, consult your tax advisor or the IRS. This booklet outlines the main rules, but no summary can describe all the rules that could apply in your individual case. Northeast Investors Trust is not responsible for determining your eligibility for a Traditional IRA, the tax deductibility of your contributions, or the proper time or amount of any contribution or withdrawal.

Third, a Traditional IRA must meet certain requirements of the Code. The agreement establishing the Traditional IRA must provide that the custodian is a bank (or a person who has been approved by the Secretary of the Treasury), that contributions will be in cash, and that the assets in the account will be distributed beginning not later than April 1 of the year following the year in which you reach age 70½. Articles I through VII of the Custodial Agreement use the same language as the IRS model Custodial Agreement, IRS Form 5305-A, with IRS-approved modifications; the Custodial Agreement is designed to meet the requirements so that your Traditional IRA will receive favorable federal income tax treatment provided by law. This use of the IRS-approved language does not mean that the IRS approves the merits of investing in a Northeast Investors Trust Traditional IRA. It simply means that the form of Articles I to VII of the printed terms and conditions for the Northeast Investors Trust Traditional IRA document satisfies the requirements of the IRS.

If you have any questions about your Traditional IRA, you can obtain further information at any IRS district office.

### Investments

Your contributions will be invested exclusively in shares of Northeast Investors Trust. Dividends and distributions will be automatically reinvested. For more information about Northeast Investors Trust, see the current prospectus for the fund.

## **ELIGIBILITY**

### Individual Traditional IRA

To make contributions to a Traditional IRA for yourself, you must have received taxable compensation (or earned income if you are self-employed) during the year you rendered personal services, and you must not have reached age 70½, during the year for which you are making the contribution.

### Spousal Traditional IRAs

For each year before the year when your spouse attains age 70½, you can contribute to a separate Traditional IRA for your spouse, regardless of whether your spouse had any compensation or earned income for the year. This is called a "Spousal IRA" and is available only if you file a joint tax return with your spouse for the year.

The limits for spousal Traditional IRA contributions by a married couple are summarized in the following section.

### Traditional IRAs for Divorced Individuals

If you are divorced, for IRA purposes "compensation" includes any amounts you receive under a divorce or separation order or agreement and which you must include in your taxable income. Therefore, if you are under age 70½, you may have a Traditional IRA and contribute to it from your taxable alimony and any other actual compensation or earned income you may have.

## **CONTRIBUTIONS**

### IRA Annual Contribution Limits

For each year when you are eligible, 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). However, under federal tax laws, all or a portion of your contribution may not be deductible. If your contributions to your Traditional IRA for a year were less than the IRA annual contribution limit, 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 a Traditional IRA for that year (see following table). 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 Traditional IRA over the years and is added onto the normal IRA Contribution Limit for that year.

Note that the rules for determining whether a contribution is tax-deductible also apply to special "catch-up" contributions.



### IRA Annual Contribution Limits

Year	Regular Limit	Catch-Up Limit
20017-2018	\$5,500	\$1,000
2018-2019	\$6,000	\$1,000
Future years	Increased by cost-of-living adjustments (in \$500 increments)	\$1,000 unless increased by legislation

#### Spousal IRA Contribution Limits

If you and your spouse have Spousal IRAs, each spouse may contribute up to the IRA annual contribution limit to his or her IRA for a year as long as the combined compensation of both spouses for the year (as shown on your joint income tax return) is at least two times the IRA annual contribution limit. If the combined compensation of both spouses is less than two times the IRA annual contribution limit, the spouse with the higher amount of compensation may contribute up to that spouse's compensation amount, or the IRA annual contribution limit, if less. The spouse with the lower compensation amount may contribute any amount up to that spouse's compensation plus any excess of the other spouse's compensation over the other spouse's IRA contribution. However, the maximum contribution to either spouse's Traditional IRA is the individual IRA annual contribution limit for the year.

If you (or your spouse) establish a new Roth IRA and make contributions to both your Traditional IRA and a Roth IRA, the combined limit on contributions to both your (or your spouse's) Traditional IRA and Roth IRA for a single calendar year is the IRA annual contribution limit. (**Note:** the Traditional IRA annual contribution limit is not reduced by employer contributions made on your behalf to either a SEP IRA or a SIMPLE IRA; salary reduction contributions by you are considered employer contributions for this purpose.)

#### Years Contributions Are Allowed

Contributions can be made to your Traditional IRA for each year that you receive taxable compensation (or earned income if you are self-employed) and have not reached age 70½. Contributions cannot be made to your Traditional IRA for the year in which you reach age 70½, or for any later year.

For any year in which you do not work, contributions cannot be made to your Traditional IRA unless you receive alimony or file a joint tax return with your spouse who has compensation or earned income. Even if contributions cannot be made for the current year, the amounts contributed for years in which you did qualify can remain in your Traditional IRA. Contributions can resume for any years that you qualify.

You do not have to contribute to your Traditional IRA for every tax year, even if you can.

#### Due Date for Contributions

You may make a contribution to your existing Northeast Investors Trust Traditional IRA or establish a new Northeast Investors Trust Traditional IRA for a tax year by the due date (not including any extensions) for your federal income tax return for that tax year, usually this is April 15 of the following year. For example, you will have until April 15, 2016 to establish and make a contribution to a

Traditional IRA for 2015. Of course, you may make your contribution earlier and it will start earning tax-deferred income sooner.

#### Designating Year for Which Contribution is Made

If an amount is contributed to your Traditional 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 we received it).

#### **DEDUCTIONS**

The tax laws restrict the income tax deduction for Traditional IRA contributions. The deductibility of your Traditional IRA contribution depends on whether you are an active participant in an employer retirement plan and on your income level.

If you are not an active participant in a retirement plan, you may deduct your full Traditional IRA contribution (up to the IRA Annual contribution limits) regardless of your income level.

If you are an active participant in an employer-sponsored retirement plan, the deductibility of your IRA contribution depends on your adjusted gross income for the tax year for which the contribution is made.

If you are married and contribute to a Spousal IRA for your spouse, the deductibility of the contribution to the Spousal IRA depends upon whether your spouse is an active participant in an employer-sponsored retirement plan for a year (and upon income level). If your spouse is not an active participant, the contribution to your spouse's Traditional IRA (up to the IRA annual contribution limits) will be deductible.

An exception to the preceding rules applies to high-income married taxpayers, where one spouse is an active participant in an employer-sponsored retirement plan and the other spouse is not. A contribution to the non-active participant spouse's Traditional IRA will be only partly deductible starting at an adjusted gross income level on the federal joint tax return of \$183,000 (2015 limit), and the deductibility will be phased out as described below over the next \$10,000 so that there will be no deduction at all with an adjusted gross income level of \$193,000 or higher.

In addition, as a further exception, if you are married but filing separately, and if you lived apart from your spouse at all times during a year, one spouse's active participant status will not affect the other's ability to deduct a contribution to the other's Traditional IRA regardless of income level.

Note that if you were divorced or legally separated (and did not remarry) before the end of the year, you cannot deduct any contributions to your spouse's IRA. After a divorce or legal separation, you can deduct only the contributions to your own IRA and your deductions are subject to the rules for single individuals.

#### Active Participant Status

You are an "active participant" for a year if at any time during the year you are covered by any employer plan under which contributions are made to your account (including a required or voluntary employee contribution by you) or under which you are eligible to earn pension benefit credits.

For example, if you participated during a year in a pension or annuity plan, a profit sharing or stock bonus plan, a 401(k) plan, a self employed plan, a 403(b) plan (or "tax deferred annuity"), a simplified employee pension plan (or "SEP"), a SIMPLE IRA plan, or a governmental retirement plan, you are probably an active participant. You are considered an active participant even if you are not vested under the plan.

Your W-2 form should indicate whether you were an active participant in an employer sponsored retirement plan for the year. If you have a question, you should ask your employer or the plan administrator.

**Deduction Limits**

If the active participant rules apply to you, the deductibility of your Traditional IRA contribution depends on your adjusted gross income ("AGI"), as modified. AGI is your total income less certain adjustments such as business expenses or alimony, but before itemized deductions and before your IRA deduction. Instructions to calculate the amount of your deductible contribution are provided in the IRA deduction worksheet included in the instructions to IRS Form 1040 or 1040A. Further information on calculating modified AGI can be found in IRS Publication 590.

The following chart shows the Low Limit and the High Limit for married taxpayers (filing jointly) and single taxpayers; these limits are the taxpayer’s modified AGI. As you will see, the limits have increased over the past several years. (Note: if you are married but filing separate tax returns, the Low Limit is always zero and the High limit is \$10,000.)

Deductibility of IRA Contributions				
	Married Filing Jointly		Single	
Year	Low Limit	High Limit	Low Limit	High Limit
2016	\$98,000	\$118,000	\$61,000	\$71,000
2017	\$99,000	\$119,000	\$62,000	\$72,000
2018	\$101,000	\$121,000	\$63,000	\$73,000
2019	\$103,000	\$123,000	\$64,000	\$74,000

Here are the deduction rules if you are an active participant:

- If your AGI is any amount up to the Low limit, your entire Traditional IRA contribution is deductible.
- If your AGI is above the High Limit, your contribution is not deductible.
- If your AGI falls between the Low Limit and the High Limit, your contribution is partly deductible.

If your modified AGI falls in the partly deductible range, you must calculate the portion of your contribution that is deductible. To do this, see IRS Publication 590. The section “How much can you deduct” provides an explanation of how to determine your modified AGI, your coverage and filing status for purposes of deductibility, and a worksheet to help you figure if your IRA contribution is partly deductible or not deductible.

Even though part or all of your contribution is not deductible, you may still contribute to your Traditional IRA (and your spouse may contribute to your spouse’s Traditional IRA) up to the IRA Contribution Limit for the year. When you file your tax return for the year, you must designate the amount of non-deductible

contributions to your Traditional IRA for the year. See IRS Form 8606. Also see IRS Publication 590, "How much can you deduct" for more details.

If you are under the special rule for high income married persons where only one is an active participant in an employer-sponsored retirement plan, the deduction phase out described above applies to the contribution for the non-active participant spouse. When calculating the limit, use \$183,000 as the Low Limit and \$193,000 as the High Limit.

#### Non-Deductible Contributions

You can still make a full contribution to your Traditional IRA even if the entire contribution is not deductible. The earnings on your contribution will build up in your Northeast Investors Trust Traditional IRA without income tax until distributed to you. This can make non-deductible contributions to your Northeast Investors Trust Traditional IRA superior to other investment options.

Of course, the combined total of deductible and nondeductible contributions must not exceed your IRA Annual Contribution Limit for the year.

If you make any nondeductible contribution to a Traditional IRA for a particular tax year, you must report the amount of the nondeductible contribution on your federal income tax return for the year (See IRS Form 8606).

#### 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 Traditional IRA contributions (for qualifying taxpayers, the tax credit is also available for a portion of their contributions to a Roth 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 \$63,000 (married filing jointly), \$47,250 (filing as a head of household), or \$31,500 (single filer or married taxpayer filing separately). These AGI limits are for 2018. For 2019, these limits are increased to \$64,000 (married filing jointly), \$48,000 (filing as a head of household), or \$32,000 (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 you contribute more to your Traditional IRA or a spousal Traditional IRA for a year than the maximum allowed for that year. The excess is the difference between the amount you actually contributed and the maximum allowed.

Remember, an excess contribution results if you contribute above the IRA annual contribution limit for a year (for example, for 2019, \$6,000 per IRA or \$7,000 if age 50 or older), not the maximum deductible amount.

For example, if you contributed \$7,000 to your own Traditional IRA for 2019 and are not age 50 or over, you would have a \$1,000 excess contribution. Also, if you contribute in a year when you are not eligible (because you were age 70½ or you had no compensation or earned income), the entire contribution is an excess contribution.

If you have an excess contribution, you must pay an IRS penalty tax of 6% of the excess contribution. Excess contributions may be corrected, without paying a 6% penalty, by withdrawing the excess and any earnings on the excess before the due date (including extensions) for filing your federal income tax return for the year for which you made the excess contribution. The IRS automatically grants to

taxpayers who file their taxes by the April 15<sup>th</sup> deadline a six-month extension of time (until October 15) to remove an excess contribution for the tax year covered by that filing. A deduction should not be taken for any excess contribution. Earnings that are a gain must be included in your income for the tax year for which the contribution was made and may be subject to a 10% premature withdrawal tax if you have not reached age 59 ½. (Refer to IRS Publication 590 regarding reporting of gains or losses on withdrawn excess contributions). Note, any excess contribution withdrawn after the tax return due date (including any extensions) for the year for which the contribution was made will be subject to the 6% excise tax, except under limited circumstances. The IRS automatically grants to taxpayers who file their taxes by the April 15<sup>th</sup> deadline a six-month extension of time (until October 15) to recharacterize a contribution or remove an excess contribution for the tax year covered by that filing. Any such excess contributions must be reported to the IRS (see “What Tax Information Must I Report to the IRS?” in Part Three of this Disclosure Statement). Please consult with your tax advisor on specific questions regarding correction of excess contributions.

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. You will have to pay another 6% penalty tax in each subsequent taxable year during which the excess remains in your Traditional IRA.

You can reduce or avoid the penalty tax in later years by reducing or eliminating the excess in your Traditional IRA. To reduce the excess, simply contribute less than the maximum amount allowed in any later year. The difference between the maximum allowed and the amount you did contribute reduces the excess in your Traditional IRA dollar for dollar. Also, the amount by which you reduce the excess is treated as a contribution to your Traditional IRA in the later year and may be deductible on your tax return for the later year depending on your active participant status and modified AGI for the year.

## **WITHDRAWALS**

### Taxation of Withdrawals

The tax treatment of withdrawals from your Traditional IRA depends on whether you made any non-deductible contributions. If you never made a nondeductible contribution, each withdrawal from your Traditional IRA will be included in your taxable income for the year of the withdrawal.

If you made nondeductible contributions (because of the active participant rules), each withdrawal is considered in part a return of your nondeductible contributions. The nondeductible contributions returned are not subject to federal income tax. The balance of the withdrawal is taxed.

There are specific rules for determining the non-taxable part of a withdrawal. The year-end value of all your Traditional IRAs is added (with any withdrawals during the year added back for this purpose). Your withdrawals during the year are multiplied by a fraction. The numerator of the fraction is your total nondeductible contributions to your Traditional IRA (reduced by nondeductible contributions considered withdrawn in prior years) and the denominator is the year-end value of your Traditional IRAs. The resulting amount is the non-taxable part of the withdrawals.

When doing these calculations, treat all your Traditional IRAs as one IRA. The rules for calculating the non-taxable part apply even if you keep separate Traditional IRAs for your deductible and nondeductible contributions and you take your entire withdrawal from the nondeductible Traditional IRA.

You are responsible for keeping records of your deductible and nondeductible contributions so you can determine your income taxes correctly.

Withdrawals from a Traditional IRA are not subject to the required 20% income tax withholding rules that apply to most distributions from qualified employer plans and 403(b) arrangements. Withdrawals are subject to income tax withholding unless you elect not to have withholding. The Universal IRA Withdrawal Authorization Form included herein has additional information about withholding.

#### [When Can I Make Withdrawals?](#)

You can make withdrawals from your Traditional IRA at any time. Any taxable amounts you withdraw are included in your income for the year you receive them.

If you withdraw any funds from your Traditional IRA before reaching age 59½ (except for certain withdrawals of excess contributions and certain substantially equal payments over the life expectancy of you, or you and a designated beneficiary), you must pay an IRS penalty tax of 10% of the "premature withdrawal" in addition to regular income taxes on the 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) did not own an 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 10% of your AGI for that year, then IRA withdrawals in that year up to the amount of the excess medical expenses are not subject to the 10% penalty tax. Withdrawals also are not subject to the 10% penalty tax if the withdrawal is any amount 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.

Any amounts taken from your IRA under an IRS tax levy for unpaid taxes are not subject to the penalty. This exception applies only to an actual IRS tax levy; it does not apply, for example, if you withdraw money from your IRA in order to pay overdue taxes.

#### [Charitable Distributions from IRAs](#)

An IRA owner may instruct the Custodian to make a “qualifying charitable distribution” to a specified charity. If the distribution satisfies the various requirements described below, it is excluded from the IRA owner’s income, up to a limit of \$100,000. The charitable distribution must be:

- From a traditional IRA or a Roth IRA (distributions from an ongoing active SEP-IRA or SIMPLE IRA do not qualify);
- Made directly from the IRA trustee to the charitable organization – with no intervening possession or ownership by the IRA owner;
- Made on or after the IRA owner has reached age 70 ½;
- To an organization that qualifies as a charitable organization, other than private foundation or donor advised fund.

The exclusions from income applies only to amounts that, if they were distributed to the IRA owners instead of the charity, would be taxable income to the IRA owner. In other words, the distribution may not include non-deductible contributions or after-tax direct roller amounts in a Traditional IRA or non-taxable distributions from a Roth IRA. However, in applying this rule, the distribution is deemed to consist of taxable amounts to the extent of all taxable amounts in all of the owner’s IRAs. This may affect the tax treatment of subsequent withdrawals.

Also, the distribution must satisfy the normal charitable deduction rules so that it would be entirely deductible if it were a contribution to the charity by the IRA owner (for example, if the IRA owner receives a quid pro quo benefit from the charity, or if the IRA owner does not obtain adequate documentation from the charity for the contribution, the income exclusion for the IRA distribution is entirely lost).

Such a distribution to a charity will count toward meeting the IRA owner’s required minimum distribution for that year.

Under current IRS guidelines, such a distribution will be reported on Form 1099-R as a taxable distribution to the IRA owner. However, the instructions to the federal income tax return (Form 1040) explain how to exclude this amount from taxable income, and to label the amount as a Qualified Charitable Distribution (QCD).

The Custodian is not responsible for determining that the entity the IRA owner designates to receive the distribution is an eligible charity (for example, distributions to private foundations or donor advised funds do not qualify for the exclusion) or for insuring that the other requirements are met. As is apparent, these rules are complex. An IRA owner who is interested in a distribution from his or her IRA directly to an eligible charity is strongly advised to consult a qualified tax advisor.

#### [When Must I Make Withdrawals?](#)

You must make withdrawals from your Traditional IRA in amounts sufficient to meet the IRS' required minimum distribution rules starting when you reach age 70½. Serious tax penalties can result from



failing to satisfy these rules, so it is important for you to understand the rules and to satisfy their requirements.

The first required distribution is for the calendar year in which you reach age 70½.

This distribution must be withdrawn by April 1 of the following calendar year. A minimum distribution for each subsequent year must be withdrawn by December 31 of that year. For example, if you reach age 70½ during 2019, you must withdraw the required minimum distribution for 2019 no later than April 1, 2020. You must withdraw the required minimum distribution for 2020 by December 31, 2020, the required minimum distribution for 2021 by December 31, 2021, and so on.

New rules make it easier for you to calculate your required minimum distribution.

Under these rules, an IRS uniform life expectancy table is used to determine required minimum distributions. The uniform table is based on the joint life expectancy of you and a beneficiary 10 years younger than you. (An actual joint life expectancy table may be used if your spouse is your sole beneficiary and is more than 10 years younger than you.) The required minimum distribution amount for a year is determined by dividing the balance in your Traditional IRA at the end of the prior year by the life expectancy factor for your age as shown on the uniform table. The life expectancy factor is determined using your attained age at the end of each distribution year. You are no longer required to elect whether or not to recalculate life expectancies because recalculation is built into the uniform table. Although the required minimum distribution rules have been, in some ways, simplified, they are still rather complex. Consult your tax advisor for assistance.

If you have more than one Traditional IRA, the required minimum is calculated separately for each IRA. However, the total minimum may be satisfied by withdrawals from anyone or more of your Traditional IRAs as you choose (withdrawals from any Roth IRA you may have cannot be used to satisfy the minimum withdrawal requirements for your Traditional IRAs).

If you have spousal Traditional IRAs, the rules for calculating the minimum required annual distribution from each spousal IRA is determined using the life expectancy factor for the spouse who established the IRA.

You can receive installment payments larger than the minimum amount. However, if the amount distributed for any year is less than the minimum required amount, a penalty tax must be paid.

The IRS penalty tax is 50% of the difference between the amount that should have been distributed and the amount that was distributed from your account. The IRS may waive the penalty tax if you can show that the shortfall was due to reasonable cause and you are taking steps to remedy the shortfall.

#### [Methods of Withdrawals](#)

You can withdraw the amount in your Traditional IRA in installment payments over a specified period that meets the IRS required minimum distribution rules, or you can withdraw the total amount in one lump sum payment.

Lump sum payments from a Traditional IRA do not receive the special tax treatment available in certain cases for lump sum distributions from most retirement plans. Therefore, it may be advantageous for you to withdraw the account in periodic installments.

Amounts withdrawn are subject to withholding of federal income tax unless you direct no withholding. The Universal IRA Withdrawal Authorization Form provides an option to elect against withholding, and contains additional information on withholding (see Section 5 of the form for tax withholding fees).

To make a withdrawal or to establish a program of installment withdrawals, simply complete the Universal IRA Withdrawal Authorization Form and send the form to Northeast Investors Trust.

Be sure to start withdrawals no later than the required beginning date to avoid penalties for insufficient withdrawals. You are responsible for meeting the minimum withdrawal rules; the custodian will not process any withdrawals without your written instructions. Also, remember that the minimum amount required to be withdrawn may change from year to year because of earnings or fluctuations in the value of the shares in your account or because you recalculated your life expectancy.

Therefore, if you have established a program of installment withdrawals, you should submit a new Universal IRA Withdrawal Authorization Form each year if you need (or want) to adjust the amount of each installment.

If tax, estate, or financial planning considerations affect the timing or amount of your Traditional IRA withdrawals, be sure to consult a qualified professional.

## **DEATH BENEFITS**

You can name a beneficiary on the Designation of Beneficiary (Section 3 of the Traditional 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 Traditional IRA have been distributed to you, the balance in your account will be paid to your beneficiary. Distributions may be in the form of a lump sum payment or periodic installments. The custodian of your Traditional IRA will make distributions to your beneficiary in accordance with his or her specific instructions.

### Death After Required Beginning Date

If you die after your required beginning date, the required minimum distribution rules require that the funds remaining in your Traditional IRA be distributed to your designated beneficiary over the beneficiary's single life expectancy. Calculating the beneficiary's life expectancy is performed differently depending on whether the beneficiary is your surviving spouse or another person.

### Death Prior to Required Beginning Date

If you die prior to your required beginning date, all the funds in your Traditional IRA must be completely distributed to your designated beneficiary by December 31 of the year containing the fifth anniversary of your death unless your designated beneficiary elects, no later than December 31 of the year following the year of your death, to receive funds from your Traditional IRA over a fixed period that is no longer than his or her single life expectancy.

If your beneficiary is your surviving spouse, distribution of funds from your Traditional IRA can be made to him or her over a fixed period that is no longer than his or her life expectancy and commencing at any date prior to December 31 of the year in which you would have attained age 70½.

If your designated beneficiary is your surviving spouse, the spouse may also elect to rollover the funds in your Traditional IRA into his or her own account or treat your Traditional IRA as his or her own by making contributions to it. In this case, he or she is not required to make withdrawals from the Traditional IRA until April 1 following the year in which he or she reaches age 70½. 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 Traditional IRA at your death is not considered a transfer subject to federal gift taxes. Any funds remaining in your Traditional IRA at your death would be includible in your estate for federal estate tax purposes.

#### **TAX-FREE ROLLOVERS: ANOTHER ADVANTAGE**

Under certain circumstances, you can receive a distribution from one Traditional IRA, or from a qualified plan, a tax-sheltered annuity or another arrangement under Section 403(b) of the Code, or an eligible tax-deferred compensation plan maintained by a governmental employer under Section 457 of the Code, and deposit the amount received in another Traditional IRA without including the distribution in your income for federal Income tax purposes. Such a "tax-free rollover" must be completed within 60 days after you receive the distribution. A payment of your account balance under a qualified plan, 403(b) arrangement or an eligible 457 plan directly to a Northeast Investors Trust Traditional IRA is a way to avoid the 20% income tax withholding requirements. Most distributions from qualified plans, 403(b) accounts or eligible 457 plans are subject to 20% withholding unless paid directly to another qualified plan, 403(b) arrangement or 457 plan or to an IRA (this is called a "direct rollover").

There are complex, specific rules for each kind of transfer, so you should consult your tax advisor or the IRS if you have questions about the rules.

Rollover contributions are not subject to the limits on annual contributions to a Traditional IRA. However, all amounts in your Traditional IRA, including rollover contributions, are subject to the rules discussed above concerning the time and method of withdrawal.

#### **IRA-to-IRA Rollover**

If you have another Traditional IRA (for example with a bank), you can withdraw all or part of the amount in that account and rollover all or part of the amount withdrawn to a Northeast Investors Trust Traditional IRA. Or, you can withdraw all or part of the amount in your Northeast Investors Trust Traditional IRA and rollover all or part of the amount withdrawn to another Traditional IRA or individual retirement annuity. The amount rolled over will not be subject to federal income tax (or the 10% IRS premature withdrawal penalty) if you complete the rollover within 60 days after the withdrawal.

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 Traditional IRA custodian to transfer amounts from your IRA directly to another Traditional 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.

You may make a rollover or transfer from a Traditional IRA to a Roth IRA you establish. This will cause all taxable amounts rolled over or transferred to be taxed (a Roth IRA rule). Such rollovers (Traditional IRA to Roth IRA) are discussed more fully in the Northeast Investors Trust Roth IRA kit.

#### Direct Transfer

As an alternative to a rollover, arrangements may be made for a direct transfer from your current Traditional IRA custodian or trustee to a Northeast Investors Trust Traditional IRA. The one-year waiting period does not apply to direct transfers from one IRA custodian or trustee to another.

#### Rollovers from a Qualified Plan, 403(b) Arrangement or Eligible 457 Plan to a Traditional IRA

Most distributions from a qualified plan, 403(b) arrangement or an eligible 457 deferred compensation plan maintained by a governmental employer are eligible for rollover to a Traditional IRA. The main exceptions are:

- payments over the lifetime or life expectancy of the participant (or participant and a designated beneficiary);
- installment payments for a period of 10 years or more;
- required distributions under the age 70½ rules; and
- financial hardship withdrawals from a 401(k) plan, 403(b) arrangement or other plan.

If you will receive an eligible rollover distribution from a qualified plan, 403(b) arrangement or eligible 457 plan or a distribution upon termination of such a plan, you can defer paying taxes by requesting the plan administrator or 403(b) sponsor to transfer the distribution amount directly to a Northeast Investors Trust Traditional IRA in a direct rollover. This distribution 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 Traditional 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 Traditional IRA within 60 days after you receive the distribution. However, unless you elect a direct rollover of your distribution, the person making payment MUST WITHHOLD 20% OF YOUR DISTRIBUTION for federal income taxes. Your plan administrator or 403(b) sponsor will provide you with a notice concerning direct rollovers, regular 60-day rollovers and withholding taxes before you receive your distribution.

#### Rollover of Traditional IRA Withdrawal to an Employer Qualified Plan or 403(b) Arrangement

Generally speaking, withdrawals from your Traditional IRA may be rolled over to an employer’s plan (this includes a tax-qualified plan such as a 401(k) plan, a 403(b) arrangement or an eligible governmental 457 plan).

Before 2002, the rules governing such rollovers were more restrictive. A Traditional IRA must have held no assets other than those that were previously distributed to you from a qualified plan (called a

"conduit IRA"). Specifically, under the old rules a Traditional IRA could not contain any annual contributions by you (or your spouse).

Since 2002, assets held in a Traditional IRA, whether originally rolled over from an employer plan or attributable to annual contributions, may be rolled over into an employer's plan. Such a rollover must be completed within 60 days after the withdrawal from your IRA.

Note that the employer plan must accept the rollovers.

Only amounts that would, absent the rollover, otherwise be taxable may be rolled over to an employer plan. In general, this means that after-tax contributions to a Traditional IRA may not be rolled over to an employer plan. However, to determine the amount an individual may roll over to an employer plan, all Traditional IRAs are taken into account. If the amount being rolled over from one Traditional IRA is less than or equal to the otherwise taxable amount held in all of the individual's Traditional IRAs, then the total amount can be rolled over into an employer plan which enables you to maximize your rollover. There would be a corresponding adjustment in the after-tax portion of your Traditional IRAs, if necessary.

#### [Rollovers by a Surviving Spouse](#)

If a surviving spouse receives a distribution from 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 Traditional 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 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 Traditional IRA. Such an IRA is treated as an inherited IRA and the beneficiary is required to commence distributions from the IRA in accordance with the required minimum distribution rules.

#### [How do Rollovers Affect my Contribution or Deduction Limits?](#)

Rollover contributions, if properly made, do not count toward the maximum contribution. Also, rollovers are not deductible and they do not affect your deduction limits as described above.

#### **SOME THINGS TO AVOID**

Transactions between you and your Traditional IRA are not allowed. Specific "prohibited transactions" are listed in the Code. They include borrowing from your IRA, selling or exchanging property with your IRA and similar transactions.

If you engage in a prohibited transaction, your Traditional IRA will lose its tax-exempt status. The value of your account (except for any nondeductible contributions by you) 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 Traditional IRA as security for a loan, the part so used 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:

- **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.
- **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 Traditional 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  $\frac{1}{2}$  of 1% of the principal of the Trust, computed at the end of each quarter at the rate of  $\frac{1}{8}$  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 tax law.

Tax treatment of Traditional IRAs under state law varies from state to state. You should check with your tax advisor or state revenue or tax department with regard to the applicable tax laws of your state. For purposes of the Massachusetts income tax on residents, contributions to a Traditional IRA are not deductible. Dividends and other income received by your IRA are not currently taxed. Excess contributions, early withdrawals and late withdrawals are not subject to any penalties or special taxes in Massachusetts. Withdrawals are not included in income in the year received until the amount withdrawn equals the amount of your contributions. A transaction which is a tax-free rollover for federal tax purposes will also be tax-free for Massachusetts tax purposes.

Non-residents of Massachusetts are not liable for Massachusetts income tax on amounts earned by or withdrawn from a Northeast Investors Trust Traditional IRA. For advice on treatment of Traditional IRAs under the tax laws of Massachusetts or other states, consult your tax advisor or legal counsel.

#### **What IRS Reports does the Custodian Issue?**

The Custodian will report all withdrawals to the IRS and the recipient using Form 1099-R. For reporting purposes, a direct transfer of assets to a successor custodian or trustee is not considered a withdrawal (except for such a transfer that effects a conversion of a Traditional IRA to a Roth IRA, or a recharacterization of a Roth IRA back to a Traditional IRA). The Custodian will report to the IRS the year-end value of your account and the amount of any rollover (including conversions of a Traditional IRA to a Roth IRA) or a regular annual contribution made during a calendar year, as well as the tax year for which a contribution is made. Unless the Custodian receives an indication from you to the contrary, it will treat any amount as a contribution for the tax year in which it is received. It is most important that a contribution between January and April 15<sup>th</sup> for the prior year be clearly designated as such.

If you owe an IRS penalty tax for an excess contribution, a premature withdrawal, or the failure to withdraw the required minimum amount, you must file Form 5329 with your individual tax return. If your only Traditional IRA transactions in a year are your contributions or withdrawals from the account, you need not file Form 5329.

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

The following provisions of Articles I to VII are in the form promulgated by the Internal Revenue Service in Form 5305-A (Rev. March 2002), as most recently updated by Listings of Required Modifications issued June 16, 2010, for use in establishing a Traditional Individual Retirement custodial account. References are to sections of the Internal Revenue Code of 1986, as amended ("Code").

### Article I.

1. Except in the case of a rollover contribution (as permitted by Code §§402(c), 403(a)(4), 403(b)(8), 408(d)(3) and 457(e)(16)) or a contribution made in accordance with the terms of a Simplified Employee Pension (SEP) as described in Code §408(k), no contributions will be accepted unless they are in cash, and the total of such contributions shall not exceed \$5,500 per year for 2013 through 2018 and up to \$6,000 per year for 2019.
2. For individuals who have reached the age of 50 by the end of the year, the contribution limit is increased to \$6,500 per year for 2013 through 2018 and to \$7,000 for 2019. For years after 2019, these limits will be increased to reflect a cost-of-living adjustment, if any.
3. In addition to the amounts described in paragraphs (1) and (2) above, an individual may make additional contributions specifically authorized by statute—such as 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.
4. 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. If this is an inherited IRA within the meaning of §408(d)(3)(C), no contributions will be accepted.

### Article II.

The Depositor's interest in the balance in the Custodial Account is non-forfeitable.

### 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. Notwithstanding any provisions of this agreement to the contrary, the distribution of the Depositor's interest in the Custodial Account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference. The required minimum distributions calculated for this IRA may be withdrawn from another IRA of the Depositor in accordance with Q&A-9 of § 1.408-8 of the Income Tax Regulations. If this is an inherited IRA within the meaning of Code § 408(d)(3)(C), the preceding sentence and paragraphs (2), and 5(b) and 5(c) below do not apply.

2. The Depositor's entire interest in the Custodial Account must be, or begin to be, distributed by the Depositor's required beginning date, April 1 following the calendar year end in which the Depositor reaches age 70½. By that date, the Depositor may elect, in a manner acceptable to the Custodian, to have the balance in the Custodial Account distributed in:

- (a) A single-sum payment; or
- (b) Payments over a period not longer than the life of the Depositor or the joint lives of the Depositor and his or her designated Beneficiary.

3. If the Depositor dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:

- (a) If the Depositor dies on or after the required beginning date and:

- (i) the designated Beneficiary is the Depositor's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.

- (ii) the designated Beneficiary is not the Depositor's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the Depositor and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) if longer.

- (iii) there is no designated Beneficiary, the remaining interest will be distributed over the remaining life expectancy of the Depositor as determined in the year of the Depositor's death and reduced by 1 for each subsequent year.

- (b) If the Depositor dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated Beneficiary, in accordance with (ii) below:

- (i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the Depositor's death. If, however, the designated

Beneficiary is the Depositor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the Depositor would have reached age 70½. But, in such case, if the Depositor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a) (ii) above (but not over the period in paragraph (a) (iii), even if longer), over such spouse's designated Beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated Beneficiary. If this is an inherited IRA within the meaning of Code § 408(d)(3)(C) established for the benefit of a non-spouse designated beneficiary by a direct trustee-to-trustee transfer from a retirement plan of a deceased individual under Code § 402(c)(11), then, notwithstanding any election made by the deceased individual pursuant to the preceding sentence, the non-spouse designated beneficiary may elect to have distributions made under this paragraph (b)(i) if the transfer is made no later than the end of the year following the year of death.

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

(c) 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 Treas. Reg. § 1.408-8, Q&A-9.

4. If the Depositor dies before his or her entire interest has been distributed and if the designated Beneficiary is not the Depositor's surviving spouse, no additional contributions may be accepted in the Custodial Account.

5. The minimum amount that must be distributed each year, beginning with the year containing the Depositor's required beginning date, is known as the "required minimum distribution" and is determined as follows:

(a) The required minimum distribution under paragraph 2(b) for any year, beginning with the year the Depositor reaches age 70½, is the value of the Custodial Account at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the Depositor's designated Beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the value of the Custodial Account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a) (9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the Depositor's (or, if applicable, the Depositor and spouse's) attained age (or ages) in the year.

(b) The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the Depositor's death (or the year the Depositor would have reached age 70½, if applicable under paragraph 3(b)(i)) 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 Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).

(c) The required minimum distribution for the year the Depositor reaches age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

6. The owner of two or more IRAs (other than Roth IRAs) may satisfy the minimum distribution requirements described above by taking from one IRA the amount required to satisfy the requirement for another in accordance with the regulations under section 408(a)(6).

#### **Article V.**

1. The Depositor agrees to provide the Custodian with all information necessary to prepare any reports required by section Code 408(i) and Treasury Regulations sections 1.408-5 and 1.408-6.

2. The Custodian agrees to submit to the Internal Revenue Service (IRS) and the Depositor the reports prescribed by the IRS.

3. 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 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 inconsistent with section 408(a) and the related regulations will be invalid.

#### **Article VII.**

This agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made in accordance with Section 11 of this 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 Traditional 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 Traditional 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 such 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 the 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 17(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.

(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.

7. *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.

(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 of Part Two 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.

(d) *Election by Successor Beneficiary/Separate Beneficiaries.* In addition to the rights otherwise conferred upon Beneficiaries under this Agreement, all individual Beneficiaries may designate Successor Beneficiaries of their inherited Custodial Account. Any Successor Beneficiary designation by the Beneficiary must be made in accordance with the provisions of this Section 11. If a Beneficiary dies after the Participant but before receipt of the entire interest in the Custodial Account and has Successor Beneficiaries, the Successor Beneficiaries will succeed to

the rights of the Beneficiary. If a Beneficiary dies after the Participant but before receipt of the entire interest in the Account and no Successor Beneficiary designation is in effect at the time of the Beneficiary's death, the Beneficiary will be the Beneficiary's estate. Upon instruction to the Custodian, each separate Beneficiary may receive his, her, or its interest as a separate account within the meaning of Treasury Regulation Section 1.401(a)(9)-8, Q&A-3, to the extent permissible by law. The trustee of a trust Beneficiary will exercise the rights of the trust Beneficiary.

(e) Despite any contrary provision of this Agreement, the Custodian may disregard the express terms of a Beneficiary designation under Section 11(a) and pay over the balance of the deceased Depositor's interest in his or her Custodial Account to a different person, trust, estate or other beneficiary, where the Custodian determines, in the reasonable and good faith exercise of its discretion, that an applicable state law, court decree or other ruling governing the disposition or appointment of property incident to a divorce or other circumstance affecting inheritance rights so requires and if the Custodian has knowledge of the facts that may invalidate the designation of such Beneficiary.

#### 8. *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.

#### 9. *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-A), 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.

#### 10. *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.

### 3. *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 Fund 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.

*12. 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.

*13. 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.

14. *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.

15. *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.

16. *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.

17. *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.

18. *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.

19. *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.

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

(a) For a Traditional IRA under Code Section 408(a), 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 Traditional IRA accounts to hold pre-tax amounts and any after-tax amounts.

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

22. *Recharacterization.* In accordance with the requirements of section 408A(d)(6) and regulations thereunder, the Depositor may recharacterize a contribution to a Roth IRA as a contribution to a Traditional 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).

23. *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.

24. *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.

25. *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.)

*26. 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  
TRADITIONAL IRA ADOPTION AGREEMENT**

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

Please be advised that federal law requires all financial institutions, including mutual funds, to obtain, verify and record information that identifies each person who opens an account. What this means for you: In order to open an account, the Trust will ask you to provide certain identifying information on this account application, including your full name, address, date of birth and social security number. If you fail to provide the appropriate information, we may reject your application and all monies received to establish your account will be returned to you. As a result, it is very important that this application be filled out completely in order to establish an account. After your account is established, the Trust is required to take steps to verify your identity. These actions may include checking your identifying information against various databases. Until you provide the requested information and we have verified your identity we may 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	
_____		
Mailing Address (if different from above)		
_____		
City	State	Zip Code
_____		
Daytime Telephone Number	Evening Telephone Number	
_____		
E-mail address		
_____		

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

Please indicate the type of 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.

**Traditional 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.

**SEP IRA Contribution of \$ \_\_\_\_\_ for \_\_\_\_\_ Tax Year**

Simplified employee pension plan ("SEP") contribution. Attach a copy of your employer's IRS Form 5305-SEP to your Adoption Agreement.

Check as applicable:  Employer contribution  Employee contribution

**Spousal Traditional IRA Contribution of \$ \_\_\_\_\_ for \_\_\_\_\_ Tax Year**

If your spouse has less compensation or earned income than you, you may establish spousal Traditional 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 Form for each spousal Traditional IRA.

**Transfer or Rollover of Existing IRA**

Transfer of existing Traditional IRA of \$ \_\_\_\_\_ directly from current custodian or trustee or a rollover within 60 days after withdrawing from existing Traditional IRA.

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

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

**Transfer or Rollover of SIMPLE IRA**

Transfer or regular rollover (within 60 days after distribution to you) of \$ \_\_\_\_\_ from existing SIMPLE IRA. Caution: Do not transfer to this Traditional IRA from a SIMPLE IRA during the first two years after the SIMPLE IRA was established.

**Recharacterization of Existing Roth IRA**

Undoing a conversion of a Traditional IRA to a Roth IRA by reconverting the Roth IRA back into a Northeast Investors Trust Traditional IRA.

Give current Roth IRA Account No.: \_\_\_\_\_

Indicate amount recharacterized, if less than entire account balance: \$ \_\_\_\_\_

(If no amount is inserted here, we will recharacterize the entire account balance.)

With another custodian or trustee: Complete the Northeast Investors Trust Traditional IRA Transfer/Direct Rollover of Current Retirement Assets Form.

**Inherited 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 IRA.]

If a surviving spouse, register my IRA as an



inherited IRA or  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 or IRA, the surviving spouse must receive required minimum distributions from the inherited Traditional IRA.

***See Disclosure Statement for more information on the tax implications of the above choice.***

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### **3** Designation of Beneficiary

If you do not choose to designate a beneficiary for your Traditional IRA or if no designated beneficiary survives you, your Traditional 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 Certifications & Signature

I hereby adopt with the Custodian this Northeast Investors Traditional Individual Retirement Account under Internal Revenue Code Section 408(a), using the State Street Bank and Trust Company Traditional IRA Custodial Agreement (which is incorporated by reference). I have received and read the Northeast Investors Trust Traditional 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).

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 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  
TRADITIONAL IRA TRANSFER/DIRECT ROLLOVER OF  
CURRENT RETIREMENT ASSETS FORM**

**Instructions:**

To transfer an existing IRA or to make a direct rollover of eligible funds from your employer's qualified plan, 403(b) arrangement or governmental employer eligible deferred compensation plan, complete this authorization form and send it to Northeast Investors Trust with the other documents establishing your Northeast Investors Trust Traditional IRA. **IMPORTANT:** If you are now receiving minimum distributions in accordance with the age 70½ rules, be sure that the amount to be transferred does not include any amounts which are required to be distributed to you; also, you should be sure to file a Universal Withdrawal Authorization Form with Northeast Investors Trust indicating the amount that should be distributed to you annually under the age 70½ rules to avoid possible penalties.

**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 or direct rollover (if qualified plan, 403(b) or 457 assets) the following amount to my Northeast Investors Trust Traditional 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 \$ \_\_\_\_\_

This transfer is to be executed from fiduciary to fiduciary in a manner that will not place me in actual or constructive receipt of any of the transferred assets. (However, please note that direct rollovers are subject to IRS reporting.) A completed IRA Adoption Agreement must accompany this form unless you already have a Northeast Investors Trust Traditional IRA.

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

\_\_\_\_\_  
Date

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

\*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.

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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

**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 |  |

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***Below Line for Bank Use***

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

State Street Bank and Trust Company, Custodian

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Date:

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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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**3****Method of Withdrawal (Check One):**

- Total Withdrawal (Account Termination)
- Quarterly Dividends
- Partial Withdrawal of \$ \_\_\_\_\_
- Periodic Withdrawal of \$ \_\_\_\_\_
- Required Minimum Distribution (RMD)
- Transfer of RMD to non-retirement acct  
Account number \_\_\_\_\_

**Frequency (Check Applicable Boxes):**

- State Date of Periodic Transaction \_\_\_\_\_
- Date of Withdrawal \_\_\_\_\_
- Monthly
- Quarterly
- Semi-Annually
- Annually

If you wish to receive distributions based upon your life expectancy, please call our office at 1-800-225-6704 and we will send you IRS-approved life expectancy tables. We also recommend that you consult with your tax advisor to determine the required dollar amount of your distribution. Once you have determined the correct dollar amount, submit a completed Universal IRA Withdrawal Authorization Form to us at least 30 days prior to your desired withdrawal date.

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**4****Form of Withdrawal (Check One):**

**(See the Tax Information below)**

- CHECK to the address of record
- IN KIND (Shares of Northeast Investors Trust will be re-registered to you). For new accounts, enclose completed Adoption Agreement. For existing accounts, please include A/C# \_\_\_\_\_
- Electronic Funds Transfer/ACH. To have funds electronically transferred please complete the information below. Your bank must be an Automated Clearing House (ACH) member and you must attach a voided check.
  - Checking Account  Savings Account
  - Bank Name \_\_\_\_\_
  - ABA Routing Number \_\_\_\_\_
  - Account Number \_\_\_\_\_



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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:**

Withdrawals from an IRA (other than non-taxable direct transfers to another IRA, 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 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 over \$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



## 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>