

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2013 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2013 or fiscal plan year beginning <u>01/01/2014</u> and ending <u>01/13/2014</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☒ the final return/report; ☐ an amended return/report; ☒ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan NORTHERN STATES FINANCIAL CORPORATION PROFIT SHARING TRUST	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;">001</td> </tr> <tr> <td colspan="2">1c Effective date of plan 08/10/1971</td> </tr> </table>	1b Three-digit plan number (PN) ▶	001	1c Effective date of plan 08/10/1971	
1b Three-digit plan number (PN) ▶	001				
1c Effective date of plan 08/10/1971					
2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan) NORTHERN STATES FINANCIAL CORPORATION 1601 NORTH LEWIS AVENUE WAUKEGAN, IL 60085	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) 36-3449727</td> </tr> <tr> <td>2c Sponsor's telephone number 847-244-6000</td> </tr> <tr> <td>2d Business code (see instructions) 522110</td> </tr> </table>	2b Employer Identification Number (EIN) 36-3449727	2c Sponsor's telephone number 847-244-6000	2d Business code (see instructions) 522110	
2b Employer Identification Number (EIN) 36-3449727					
2c Sponsor's telephone number 847-244-6000					
2d Business code (see instructions) 522110					

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	11/17/2014	KERRY BIEGAY
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	11/17/2014	KERRY BIEGAY
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE
Preparer's name (including firm name, if applicable) and address; include room or suite number. (optional)			Preparer's telephone number (optional)

3a Plan administrator's name and address ☒ Same as Plan Sponsor Name ☐ Same as Plan Sponsor Address		3b Administrator's EIN	
4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name		3c Administrator's telephone number 4b EIN 4c PN	
5 Total number of participants at the beginning of the plan year		5	142
6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).			
a Active participants		6a	0
b Retired or separated participants receiving benefits		6b	0
c Other retired or separated participants entitled to future benefits.....		6c	0
d Subtotal. Add lines 6a , 6b , and 6c		6d	0
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits		6e	0
f Total. Add lines 6d and 6e		6f	0
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)		6g	0
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested		6h	0
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....		7	
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2E 2F 2G 2J 2R 2T 3D			
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:			
9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor		9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)			
a Pension Schedules (1) ☐ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary		b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ A (Insurance Information) (4) ☐ C (Service Provider Information) (5) ☐ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)	

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2013 This Form is Open to Public Inspection
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For calendar plan year 2013 or fiscal plan year beginning <u>01/01/2014</u> and ending <u>01/13/2014</u>		
A Name of plan <u>NORTHERN STATES FINANCIAL CORPORATION PROFIT SHARING TRUST</u>	B Three-digit plan number (PN) ►	<u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>NORTHERN STATES FINANCIAL CORPORATION</u>	D Employer Identification Number (EIN) <u>36-3449727</u>	

Part I Asset and Liability Statement			
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a	<u>1</u>	
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	<u>5402110</u>	
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)	<u>773165</u>	

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	59898	
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	6235174	

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k		

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	6235174	
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)		
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		-36045
c Other income	2c		
d Total income. Add all income amounts in column (b) and enter total	2d		-36045

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)		
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)	377	
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		377
j Total expenses. Add all expense amounts in column (b) and enter total	2j		377

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		-36422
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		6198752

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)?

☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: PLANTE & MORAN, PLLC

(2) EIN: 38-1357951

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

- a** Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)
- b** Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)

	Yes	No	Amount
4a		X	
4b		X	

	Yes	No	Amount
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)		X	
e Was this plan covered by a fidelity bond?	X		2000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)		X	
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	X		
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	X		
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	X		

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
 If "Yes," enter the amount of any plan assets that reverted to the employer this year. ☒ Yes ☐ No Amount: 0

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)
TANDEM HR, INC. 401(K) PLAN	36-3968652	333

5c If the plan is a defined benefit plan, is it covered under the PBGC insurance program (see ERISA section 4021)? ☐ Yes ☐ No ☐ Not determined

Part V Trust Information (optional)

6a Name of trust	6b Trust's EIN

**Northern States Financial Corporation
Employees' Profit Sharing Trust**

**Financial Report
January 1, 2014**

Northern States Financial Corporation Employees' Profit Sharing Trust

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Independent Auditor's Report

To the Plan Administrator
Northern States Financial Corporation
Employees' Profit Sharing Trust

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Northern States Financial Corporation Employees' Profit Sharing Trust (the "Plan"), which comprise the statement of net assets available for benefits as of January 1, 2014, December 31, 2013, and December 31, 2012 and the related statement of changes in net assets available for benefits for the one-day period ended January 1, 2014 and year ended December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Verisight Trust Company and TD Ameritrade Trust Company (the "Custodians"), except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the Custodians hold the Plan's investment assets and execute related transactions. The plan administrator has obtained certifications from the Custodians as of January 1, 2014, December 31, 2013, and December 31, 2012 and for the one-day period ended January 1, 2014 and for the year ended December 31, 2013 that the information provided to the plan administrator by the Custodians is complete and accurate.

To the Plan Administrator
Northern States Financial Corporation
Employees' Profit Sharing Trust

Disclaimer of Opinion

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplemental schedule of assets held at end of year as of December 31, 2013 is required by the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under ERISA and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we do not express an opinion on the supplemental schedule.

Plan Merger and Transfer

As further discussed in Note 6, the Plan was merged and transferred to another qualified plan, Tandem HR, Inc. 401(k) Plan, on January 1, 2014.

Report on Form and Content in Compliance with DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the Custodians, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

Plante & Morse, PLLC

Chicago, Illinois
October 9, 2014

Northern States Financial Corporation

Employees' Profit Sharing Trust

Statement of Net Assets Available for Benefits

	<u>January 1, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Assets - Participant-directed investments			
Mutual funds	\$ -	\$ 5,402,110	\$ 4,976,928
Northern States Financial Corporation common stock	-	59,899	65,821
Self-directed brokerage account investments	-	773,165	734,933
Net Assets Available for Benefits	<u>\$ -</u>	<u>\$ 6,235,174</u>	<u>\$ 5,777,682</u>

Northern States Financial Corporation

Employees' Profit Sharing Trust

Statement of Changes in Net Assets Available for Benefits

	One-Day Period Ended January 1, 2014	Year Ended December 31, 2013
Additions to Net Assets		
Employee contributions	\$ -	\$ 242,005
Investment income (loss):		
Interest and dividends	-	201,250
Net realized and unrealized (losses) gains on investments:		
Mutual funds	(35,136)	665,245
Northern States Financial Corporation common stock	5,062	(5,135)
Self-directed brokerage account investments	(5,971)	213,973
Net realized and unrealized gains (losses)	(36,045)	874,083
Total investment (loss) income	(36,045)	1,075,333
Total additions - Net	(36,045)	1,317,338
Deductions from Net Assets		
Benefits paid directly to participants or beneficiaries	-	856,914
Administrative expenses	377	2,932
Total deductions	377	859,846
Net (Decrease) Increase Before Other Changes	(36,422)	457,492
Transfers Out	(6,198,752)	-
Net (Decrease) Increase	(6,235,174)	457,492
Net Assets Available for Benefits		
Beginning of year/period	6,235,174	5,777,682
End of year/period	<u>\$ -</u>	<u>\$ 6,235,174</u>

Northern States Financial Corporation

Employees' Profit Sharing Trust

Notes to Financial Statements

January 1, 2014, December 31, 2013, and December 31, 2012

Note 1 - Plan Description

The following description of Northern States Financial Corporation Employees' Profit Sharing Trust (the "Plan") provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions. The Plan was merged and transferred into another qualifying plan on January 1, 2014 (see Note 6).

General - The Plan was a defined contribution plan covering all full-time employees of Northern States Financial Corporation and all subsidiaries (the "Company") who were 18 years or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions - The Plan provided for employee salary 401(k) contributions up to a maximum of 100 percent of the annual compensation subject to maximum tax-deferred limitations established by the Internal Revenue Code. Effective August 1, 2011, the Plan allowed participants to contribute on an after-tax basis. Participants were able to also make contributions to the Plan in the form of a rollover of funds from another qualified plan.

At the discretion of the Company's board of directors, the Company was able to make matching or profit-sharing contributions to the Plan which are allocated to the participant accounts. There were no employer contributions made during the one-day period ended January 1, 2014 or year ended December 31, 2013.

Participant Accounts - Each participant's account was credited with the participant's contribution, allocation of the Company's contribution, and plan earnings, and charged with an allocation of administrative expenses. Allocations were based on participants' compensation or account balances, as defined in the plan agreement. The benefit to which a participant was entitled is the benefit that can be provided from the participant's vested account.

Vesting - Participants were immediately 100 percent vested in employee, rollover, and employer contributions plus any earnings thereon.

Benefit Payments - Distributions were payable upon the retirement, death, disability, termination of employment, or the attainment of the age of 59½. The participant's account was also allowed to be distributed on account of hardship. All distributions were in the form of a lump-sum amount equal to the vested balance of a participant's account.

Administration - The Company was the sponsor of the Plan. Certain employees of the Company provide administrative and custodian services to the Plan. These employees did not receive any compensation from the Plan for their services. In addition, certain auditing and administration fees were paid by the Company.

Northern States Financial Corporation

Employees' Profit Sharing Trust

Notes to Financial Statements

January 1, 2014, December 31, 2013, and December 31, 2012

Note 1 - Plan Description (Continued)

Party-in-interest Transactions - The Plan's investments included stock of the Company. These transactions qualified as party-in-interest transactions.

Termination - The Plan was merged and transferred into another qualifying plan on January 1, 2014. See Note 6 for additional information.

Note 2 - Summary of Significant Accounting Policies

Investment Valuation - The Plan's investments are stated at fair value.

The Plan allows participants to invest in self-directed brokerage accounts. The self-directed brokerage accounts include various investments in publicly traded securities, which are stated at fair value based on quoted market prices. All other investments are valued based on quoted market prices. See Note 5 for additional information.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Benefit Payments - Benefits are recorded when paid.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties - The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 9, 2014, which is the date the financial statements were available to be issued.

Northern States Financial Corporation

Employees' Profit Sharing Trust

Notes to Financial Statements

January 1, 2014, December 31, 2013, and December 31, 2012

Note 3 - Unaudited Information

Verisight Trust Company and TD Ameritrade Trust Company (collectively, the "Custodians") hold the Plan's investments and execute all investment transactions. The investment balances and related investment income and losses included in the accompanying financial statements and supplemental schedules of assets held at end of year are based solely on information provided by the Custodians.

Significant investments at the end of the period net assets are as follows:

	January 1, 2014	December 31, 2013	December 31, 2012
Mutual funds:			
Fidelity Contrafund	\$ -	\$ 324,981	\$ 241,717
Vanguard Mid Cap Growth Fund			
Investor Shares	-	445,089	245,659
Vanguard Prime Money Market	-	227,939	299,239
Vanguard Target Retirement 2010 Fund	-	246,936	559,554
Vanguard Target Retirement 2015 Fund	-	361,129	348,183
Vanguard Target Retirement 2020 Fund	-	613,031	519,395
Vanguard Target Retirement 2025 Fund	-	616,116	511,112

Note 4 - Tax Status

The Plan is a prototype plan. The prototype plan has received a favorable opinion letter from the Internal Revenue Service (IRS) that the Plan, as designed, is qualified for federal income tax-exempt status. The Plan has not individually sought its own determination letter.

In accordance with guidance on accounting for uncertainty in income taxes, management evaluated the Plan's tax position and does not believe the Plan has any uncertain tax positions that require disclosure or adjustment to the financial statements. The plan administrator believes the Plan is no longer subject to tax examinations for years prior to 2010.

Northern States Financial Corporation

Employees' Profit Sharing Trust

Notes to Financial Statements

January 1, 2014, December 31, 2013, and December 31, 2012

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Plan's assets measured at fair value on a recurring basis at December 31, 2013 and 2012. There were no assets measured at fair value on a recurring basis at January 1, 2014.

Level 1 - Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Plan has the ability to access.

Level 2 - Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, and inputs other than quoted prices that are observable for the asset.

Level 3 - Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2013

	Level 1	Level 2	Level 3	Balance at December 31, 2013
Mutual funds:				
Domestic equity	\$ 1,672,652	\$ -	\$ -	\$ 1,672,652
Foreign equity	126,477	-	-	126,477
Balanced	3,010,092	-	-	3,010,092
Fixed income	364,950	-	-	364,950
Money market	227,939	-	-	227,939
Northern States Financial Corporation common stock	59,899	-	-	59,899
Self-directed brokerage accounts	773,165	-	-	773,165
Total	<u>\$ 6,235,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,235,174</u>

Northern States Financial Corporation

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Notes to Financial Statements

January 1, 2014, December 31, 2013, and December 31, 2012

Note 5 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2012

	Level 1	Level 2	Level 3	Balance at December 31, 2012
Mutual funds:				
Domestic equity	\$ 1,217,078	\$ -	\$ -	\$ 1,217,078
Foreign equity	128,749	-	-	128,749
Balanced	2,938,300	-	-	2,938,300
Fixed income	393,562	-	-	393,562
Money market	299,239	-	-	299,239
Northern States Financial Corporation common stock	65,821	-	-	65,821
Self-directed brokerage accounts	734,933	-	-	734,933
Total	<u>\$ 5,777,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,777,682</u>

The Plan's policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no transfers during the one-day period ended January 1, 2014 and year ended December 31, 2013.

Note 6 - Plan Merger and Transfer

The board of directors of Northern States Financial Corporation, the Plan's sponsor, voted on November 20, 2013 to merge with and transfer all assets to the Tandem HR Inc. 401(k) Plan effective January 1, 2014. Accordingly, all assets were transferred to the Tandem HR Inc. 401(k) Plan on January 1, 2014.

Northern States Financial Corporation

Employees' Profit Sharing Trust

Schedule of Assets Held at End of Year

Form 5500, Schedule H, Line 4i

EIN 36-3449727, Plan No. 001

December 31, 2013

(a)(b) Identity of Issuer	(c) Description of Investment	(d) Cost	(e) Current Value
	Mutual funds:		
Dimensional Fund Advisors	DFA Emerging Markets Core Equity Portfolio	*	\$ 54,859
Dimensional Fund Advisors	DFA U.S. Targeted Value Portfolio	*	33,252
Fidelity Investments	Fidelity Contrafund	*	324,981
First Eagle	First Eagle Global Fund Class A	*	195,656
PIMCO	PIMCO Real Return Fund	*	195,590
PIMCO	PIMCO Total Return Fund	*	101,340
Sentinel	Sentinel Small Company Fund Class I	*	60,535
Vanguard	Vanguard 500 Index Fund Signal Shares	*	114,240
Vanguard	Vanguard Equity Income Fund Admiral Shares	*	200,840
Vanguard	Vanguard Intermediate Term Bond Index Fund Signal	*	68,020
Vanguard	Vanguard Mid Cap Growth Fund Investor Shares	*	445,089
Vanguard	Vanguard Mid Cap Index Fund Signal Shares	*	82,653
Vanguard	Vanguard Prime Money Market	*	227,939
Vanguard	Vanguard Selected Value Fund Investor Shares	*	184,568
Vanguard	Vanguard Small Cap Index Fund Signal Shares	*	226,494
Vanguard	Vanguard Target Retirement 2015 Fund	*	361,129
Vanguard	Vanguard Target Retirement 2035 Fund	*	182,184
Vanguard	Vanguard Target Retirement 2045 Fund	*	18,895
Vanguard	Vanguard Target Retirement 2050 Fund	*	3,945
Vanguard	Vanguard Target Retirement 2055 Fund	*	22,034
Vanguard	Vanguard Target Retirement 2025 Fund	*	616,116
Vanguard	Vanguard Target Retirement 2010 Fund	*	246,936
Vanguard	Vanguard Target Retirement 2020 Fund	*	613,031
Vanguard	Vanguard Target Retirement 2030 Fund	*	204,171
Vanguard	Vanguard Target Retirement 2040 Fund	*	38,359
Vanguard	Vanguard Target Retirement Income Fund	*	19,378
Vanguard	Vanguard Total International Stock Index Fund	*	71,618
Vanguard	Vanguard Wellesley Income Fund Admiral Shares	*	196,150
Vanguard	Vanguard Wellington Fund Admiral Shares	*	291,670
Vanguard	Vanguard Target Retirement 2060 Fund	*	438
Northern States Financial Corporation	Common stock	*	59,899
TD Ameritrade	Self-directed brokerage account investments	*	773,165
	Total		<u>\$ 6,235,174</u>

* Cost information not required