

Union Financial Corporation Excessive and Luxury Expenditure Policy

This policy has been implemented by Union Financial Corporation ("Company") in accordance with the requirements under the American Recovery and Reinvestment Act of 2009 *CARRA*) enacted February 17, 2009 and the Interim Final Regulations ("Regulations") issued by the Department of the Treasury effective June 15, 2009. ARRA and the Regulations require each recipient of funds under the Capital Purchase Program (CPP) of the Troubled Assets Relief Program (TARP) to have in place a company-wide policy regarding excessive or luxury expenditures within 90 days following the Company's funding of the Treasury's investment in stock of the Company on December 29, 2009.

General Policy

The Company prohibits excessive or luxury expenditures on entertainment and events, office or facility renovations, aviation or other transportation services or other activities or events that are not reasonable expenditures for conferences, staff development, reasonable performance incentives or other similar measure conducted in the normal course of business operations.

Renovations:

Renovations of Company facilities and office spaces should be implemented in accordance with the approved project plan budget and current Company profit plan, and tracked within the capital expenditure policy of the Company. An exception to this policy may be allowed by the Board of Directors if management must deal with an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational for customer use. Such exceptions shall be approved by the Board as soon as practical, and where possible, in advance of management undertaking such expenditures. At no time should renovations be done that would have the appearance of being extraordinary or excessive from a community, customer or shareholder perspective.

Entertainment:

Company Entertainment is defined as an activity whereby an Employee or Executive would use corporate funds for business development purposes relating to a current customer or prospective customer, or to further enhance the Company's marketing efforts.

Our expectation is that all expenses incurred by the Company would be for company purposes, and used to reasonable promote the business of the Company. Occasional events such as taking customers or prospects on trips, playing golf, dining out, or hosting them at other events the customer/prospect would find pleasurable is a necessary part of the Company's marketing efforts and is not deemed as "luxury" or a violation of the Policy. These expenses should be documented and detailed as to the benefit derived by the Company through the normal accounts payable process.

Events and parties focused on customers for the purpose of attracting their business would not fall under this policy.

Conferences:

We encourage our staff to attend conferences that are appropriate educational opportunities. These conferences should be related to the financial services industry and have a direct correlation to their job. At times it may be appropriate that a spouse would travel to these conferences with Company attendees. Typically these conferences are sponsored by vendors, banking associations, or other industry related entities.

This Policy excludes attending conferences that have no educational value to the staff, but is only intended as a reward to the attendee, whether payment for such conference is made by the Company or a third party vendor. Union Financial Corporation will not reimburse employees or directors for spousal or family members travel or conference fees unless prior approval by the CEO, CFO and Board of Directors

Employee Recognition/Holiday Parties:

We feel that employee recognition/holiday parties are part of an employee appreciation process. These events should be local in geographic nature, and would include costs for such things as service awards and nominal door prizes. An event should not cost the sponsoring business unit more than the aggregate of an average day's payroll per employee.

Board/Management Retreats:

Retreats should only be used for educational or business planning purposes, and should be kept in consideration and looked at, in the same view and discretion as all other expenses. Board education is a vital part of maintaining, and keeping a dynamic directory base, and this policy should not limit a retreat that is focused on strategic planning or education.

Aviation Services:

Transportation for Company staff to outlying locations, including bank locations, conferences, business development purposes and merger and acquisition research, should be conducted in the most cost appropriate way for the Company. Modes of transportation to be used may consist of vehicle, commercial air or rail service. The selection of transportation services will factor in cost, efficiency and timeliness of travel. Private air services are not allowed without the approval of the Chairman of the Company's Board of Directors.

Compliance with Policy

Compliance with this Policy shall be monitored by the Chief Financial Officer and reported to the Board of Directors and the Compensation Committee. All expenditures

shall be reasonable and appropriate under the circumstances as determined by the Compensation Committee. All requests for expense reimbursement shall be submitted on the applicable Company forms in accordance with established procedures. The Chief Executive Officer's prior approval is required for expenditures for an activity or event whose total cost exceeds \$1,000. If the cost exceeds \$5,000, prior approval of the Board of Directors is required. Any expenditures in the above categories that are deemed to be unreasonably high under the circumstances shall be considered extravagant. No employee or director shall engage in extravagant spending. Any employee who engages in extravagant spending shall be subject to disciplinary action up to and including termination of employment.

Violations of the Policy.

Any individual who violates this Policy, or knows of any such violation by any other individual, must report the violation immediately to such individual's supervisor who shall then report the violation to the CEO, CFO or to the Chairman of the Board (if an alleged CEO violation).

Changes to the Policy

Any amendments to the policy must be approved by the Company's Board of Directors and provided to Treasury and the Company's primary Federal banking regulatory agency within 90 days after adoption, and must be posted on the Company's internet web-site.

Certification of Compliance

The CEO and the Chief Financial Officer of the Company shall certify to the Board at least annually that the provisions of this Policy are being enforced and are sufficient to provide reasonable assurance that the Company's expenditures for such purposes are not excessive.