



**UNION FINANCIAL BANCSHARES, INC.**

Re: Dividend Reinvestment Plan

Dear Stockholder:

I am writing to inform you that Union Financial Bancshares, Inc. has amended its Dividend Reinvestment Plan to eliminate the 5% discount on shares purchased through reinvested dividends. This change became effective on September 1, 2004. However, stockholders will still pay no service charge or brokerage commissions for shares acquired under the Plan.

Participants in the Plan will automatically reinvest all of the dividends on their common stock in additional shares of Union Financial common stock. The Plan is completely voluntary. You may terminate your participation at any time. If you wish to participate in the Plan, you may enroll by completing an Authorization Form. A copy can be obtained: (1) by contacting Investor Relations, Union Financial Bancshares, Inc., 203 West Main Street, Union, South Carolina 29379 (telephone number (864) 427-9000); (2) by contacting Registrar and Transfer Company, Dividend Reinvestment Plans, P.O. Box 664, Cranford, New Jersey 07016-0664 (telephone number (800) 368-5948); or (3) through Registrar and Transfer Company's website at [www.rtc.com](http://www.rtc.com). If you decide not to participate in the Plan, you will continue to receive your dividends, if and when declared, by check from Union Financial.

A copy of the prospectus, which details the Plan in a simple question-and-answer format and contains important information regarding Union Financial, can be obtained by contacting Union Financial or Registrar and Transfer Company through the addresses and telephone numbers indicated above. A copy of the Plan can also be accessed through Registrar and Transfer Company's website. Please read the prospectus carefully before determining whether to enroll in the Plan. It should answer most questions you may have about the Plan. If you have additional questions, you can contact Union Financial or Registrar and Transfer Company through the addresses and telephone numbers indicated above.

Sincerely,

Dwight V. Neese  
President and Chief Executive  
Officer



## PROSPECTUS

### Union Financial Bancshares, Inc.

#### DIVIDEND REINVESTMENT PLAN

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Common Stock  
(Par Value \$0.01 Per Share)

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The Dividend Reinvestment Plan of Union Financial Bancshares, Inc. provides holders of record of shares of Union Financial common stock with a convenient and economical way to reinvest at no cost their cash dividends in additional shares of Union Financial common stock. Any holder of record of shares of Union Financial common stock is eligible to participate in the Plan. Beneficial owners of Union Financial common stock whose only shares are registered in names other than their own (e.g., held in street name in a brokerage account) are not eligible until they become stockholders of record by withdrawing the shares from their brokerage account and registering the shares in their own name.

Participants in the Plan will have the cash dividends paid on their shares of Union Financial common stock automatically reinvested in additional shares of Union Financial common stock. Holders of Union Financial common stock who choose not to participate in the Plan will continue to receive cash dividends on shares of Union Financial common stock registered in their name, as declared.

Shares of Union Financial common stock purchased under the Plan will be purchased either directly from Union Financial or in the open market. The purchase price for each share of Union Financial common stock purchased with reinvested dividends will be equal to the closing market price for the relevant date of investment. See Question 11.

This prospectus relates to 137,287 shares of common stock registered and remaining for sale under the Plan. Such shares may be either authorized but unissued shares or shares reacquired and held in Union Financial's treasury. This prospectus also covers an indeterminate number of shares of Union Financial's common stock as may become issuable as a result of stock splits, stock dividends or similar transactions. **Participants should retain this prospectus for future reference.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The shares of Union Financial's common stock are not savings accounts, deposits or other obligations of a bank or savings association and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

The date of this prospectus is September 1, 2004.

## WHERE YOU CAN FIND MORE INFORMATION

Union Financial files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any reports, proxy statements or other information that Union Financial files at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Union Financial's public filings are also available on the Internet at the SEC's World Wide Web site at <http://www.sec.gov>.

Union Financial has filed with the SEC a Registration Statement on Form S-3 under the Securities Act of 1933 that registers the shares of Union Financial common stock to be sold pursuant to the Plan. The Registration Statement, including the exhibits, contains additional relevant information about Union Financial and Union Financial common stock. The rules and regulations of the SEC allow Union Financial to omit certain information included in the Registration Statement from this prospectus.

The SEC allows Union Financial to "incorporate by reference" information into this prospectus. This means that Union Financial can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this document, except for any information superseded by information contained directly in this document. This document incorporates by reference the other documents that are listed below that Union Financial has previously filed with the SEC. These documents contain important information about Union Financial's financial condition.

The following documents filed by Union Financial with the SEC are incorporated by reference: (1) Union Financial's Annual Report on Form 10-KSB for its fiscal year ended September 30, 2003; (2) Union Financial's Quarterly Report on Form 10-QSB filed on February 9, 2004; (3) Union Financial's Quarterly Report on Form 10-QSB filed on May 6, 2004; and (4) Union Financial's Quarterly Report on Form 10-QSB filed on August 5, 2004.

Union Financial also incorporates by reference additional documents that it might file with the SEC after the date of this prospectus and before the termination of the Plan. These include periodic reports, such as Annual Reports on Form 10-KSB, Quarterly Reports on Form 10-QSB and Current Reports on Form 8-K, as well as proxy statements.

Union Financial will provide without charge to each person to whom this prospectus has been delivered, a copy of any or all of the documents incorporated by reference herein (other than exhibits to the documents unless the exhibits are specifically incorporated in this prospectus by reference). Your request should be directed to the Corporate Secretary, Union Financial Bancshares, Inc., 203 West Main Street, Union, South Carolina 29379 (telephone number is (864) 427-9000).

## **UNION FINANCIAL BANCSHARES, INC.**

Union Financial is the bank holding company for Provident Community Bank, National Association. Union Financial has engaged in no significant activity other than holding the stock of Provident Community Bank and certain passive investment activities.

Provident Community Bank conducts its operations through its main office, which is located at 203 West Main Street, Union, South Carolina, and six full-service banking centers, all of which are located in the upstate area of South Carolina. The Bank is a member of the Federal Home Loan Bank and its deposits are insured up to applicable limits by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation.

The business of Provident Community Bank consists primarily of attracting deposits from the general public and originating loans to consumers and businesses. The Bank also maintains a portfolio of investment securities. The principal sources of funds for the Bank's lending activities include deposits received from the general public, interest and principal repayments on loans and, to a lesser extent, borrowings. The Bank's primary source of income is interest earned on loans and investments. The Bank's principal expense is interest paid on deposit accounts and borrowings and expenses incurred in operating the Bank.

## **UNION FINANCIAL BANCSHARES, INC. DIVIDEND REINVESTMENT PLAN**

The Plan was adopted on May 20, 1997, and was amended effective February 1, 2000 and August 17, 2004 and has been restated in its entirety. The amendments eliminate the optional cash purchase feature, base the calculation of the purchase price on the average of the high and low sales price on the Nasdaq National Market and eliminate the 5% discount on shares purchased through reinvested dividends. The Plan will be in effect until amended, altered or terminated. Union Financial has reserved 236,250 shares of its common stock for issuance and sale under the Plan pursuant to this prospectus. The Plan is set forth below as a series of questions and answers explaining its significant aspects.

### **PURPOSE**

#### **1. What is the purpose of the Plan?**

The purpose of the Plan is to provide participants with a simple and convenient method of reinvesting cash dividends paid on shares of common stock of Union Financial. Shares of common stock purchased under the Plan by participants will be issued by Union Financial. To the extent that such additional shares are purchased directly from Union Financial, Union Financial will receive additional funds to be used for general corporate purposes. Union Financial expects that generally all Plan purchases will be directly from Union Financial.

#### **2. What are the advantages of the Plan?**

(a) No brokerage commissions or service charges are paid by participants in connection with any purchase of shares made under the Plan.

(b) All cash dividends paid on participants' shares can be fully invested in additional shares of Union Financial common stock because the Plan permits fractional shares to be credited to Plan accounts. Dividends on such fractional shares, as well as on whole shares, will also be reinvested in additional shares which will be credited to Plan accounts.

(c) Periodic statements reflecting all current activity, including share purchases and latest Plan account balance, simplify participants' record keeping.

(d) The Plan Administrator provides for the safekeeping of stock certificates for shares credited to each Plan account.

## **ADMINISTRATION**

### **3. Who administers the Plan for participants?**

Registrar and Transfer Company, Union Financial's stock transfer agent, (the "Plan Administrator") administers the Plan for participants by maintaining records, sending statements of account to participants and performing other duties relating to the Plan. Shares of Union Financial common stock purchased under the Plan are registered in the name of the Plan Administrator's nominee, as agent for participants in the Plan, and are credited to the accounts of the participants in the Plan. Union Financial may replace the Plan Administrator at any time within its sole discretion.

The Plan Administrator may be contacted by mail at:

Registrar and Transfer Company  
Dividend Reinvestment Plans  
PO Box 664  
Cranford, New Jersey 07016  
(800) 368-5948  
[www.rtc.com](http://www.rtc.com)

## **PARTICIPATION**

### **4. Who is eligible to participate?**

All holders of record of Union Financial common stock are eligible to participate in the Plan. If the shares you hold are in your own name, you may participate directly in the Plan. If your stock is registered in another party's name (e.g., in a broker's "street name" or in the name of a bank nominee), you must become a stockholder of record by having the shares transferred into your name. Stockholders who reside in jurisdictions in which it is unlawful for Union Financial to permit their participation are not eligible to participate in the Plan.

### **5. How does an eligible stockholder participate?**

To participate in the Plan, a stockholder must complete an Authorization Form and return it to the Plan Administrator. An Authorization Form is enclosed with this prospectus.

Additional copies of the Authorization Form will be provided from time to time to the holders of Union Financial's common stock, and may be obtained at any time by written request to Union Financial Bancshares, Inc., 203 West Main Street, Union, South Carolina 29379, or to the Plan Administrator at the address set forth in Question 3.

**6. When may an eligible stockholder join the Plan?**

An eligible stockholder may join the Plan at any time. If the Authorization Form is received by the Plan Administrator on or before the record date for a dividend payment, reinvestment of dividends will begin with that dividend payment.

**7. What does the Authorization Form provide?**

The Authorization Form directs Union Financial to pay the Plan Administrator for reinvestment in accordance with the Plan all the cash dividends on all of the shares of Union Financial common stock then or subsequently owned by participants.

Dividends will be reinvested on a cumulative basis on all the shares held of record by the participant and on all Plan shares held in the Plan account, until the participant specifies otherwise or withdraws from the Plan altogether, or until the Plan is terminated.

The Authorization Form also appoints the Plan Administrator as agent for each participant and directs the Plan Administrator to apply cash dividends to the purchase of shares of common stock in accordance with the terms of the Plan.

**8. May a stockholder have dividends reinvested under the Plan with respect to less than all of the shares of Union Financial common stock registered in that stockholder's name?**

No. Participants may only have dividends reinvested with respect to all of the shares of Union Financial common stock registered in that stockholder's name.

**PURCHASES**

**9. When will purchases be made?**

The investment date for the regular dividend on the common stock is the dividend payment date (the "Investment Date"). Dividends, when declared, are generally paid on or about the 1st day of each May, August, November and February. The corresponding record dates are generally about the middle of the calendar month prior to the month in which the dividend is paid. In any case, if an Investment Date falls on a day that is not a trading day, the Investment Date will be the prior trading day.

**10. How many shares of Union Financial common stock will be purchased for participants?**

The number of shares purchased for participants shall be determined by dividing the

amount of dividends in the account of each participant available for investment on the Investment Date by the purchase price per share on such date. If the funds available from participants are not sufficient to purchase an exact number of shares, participants' plan accounts will be credited with fractional shares computed to four decimal places, which will earn proportionate dividends as declared. Participants may not specify the number of shares to be purchased on a given Investment Date.

**11. What will be the price of shares of Union Financial common stock purchased under the Plan?**

The price of shares of Union Financial common stock purchased by the Plan Administrator from Union Financial for participants will be equal to the closing market price on the Nasdaq National Market on the Investment Date, computed to three decimal places. If there is no trading in the shares of common stock on any Investment Date, the purchase price will be based on the average of the bid and ask prices on the Investment Date. Union Financial will bear all costs of administering the Plan, except as described under Question 14.

**12. May dividends on shares purchased through the Plan be sent directly to the beneficial owner?**

No. The purpose of the Plan is to have the dividends on shares of Union Financial common stock reinvested. Accordingly, dividends paid on shares held in the Plan will be automatically reinvested in additional shares of common stock unless and until the participant elects to terminate participation in the Plan as to any or all shares in the Plan as described below. See Questions 19 and 22. If a stockholder withdraws a portion of his or her shares from the Plan, dividends will continue to be reinvested in shares of common stock for the common stock remaining in the Plan.

**13. Will the Plan have a dilutive effect on Union Financial's book value per share?**

Possibly. The issuance of common stock purchased with reinvested cash dividends will have a dilutive effect on the book value per share of Union Financial's common stock if such shares are issued at a price below the then prevailing book value of Union Financial common stock. The exact amount of such dilution will depend upon the number of shares issued under the Plan and the issue price of such shares.

**COSTS**

**14. Are there any expenses to participants in connection with purchases of common stock from Union Financial under the Plan?**

All costs or expenses arising out of the purchase of shares pursuant to the Plan, including the Plan Administrator's fees, will be paid by Union Financial. There will be no brokerage fees for shares purchased under the Plan. All administrative costs of the Plan will be paid by Union Financial.

## **REPORTS TO PARTICIPANTS**

### **15. How will participants be advised of their purchases of stock?**

As soon as practicable after each purchase, participants will receive a statement of his or her account from the Plan Administrator. These statements are participants' continuing record of the cost of shares purchased and the number of shares acquired, and should be retained for tax purposes.

## **CASH DIVIDENDS**

### **16. Will participants be credited with dividends on shares held in their account under the Plan?**

Yes. Participants' accounts will be credited with dividends on shares held in their accounts. The Plan Administrator will reinvest the dividends in additional shares of Union Financial common stock.

## **STOCK SPLITS, STOCK DIVIDENDS, AND RIGHTS OFFERINGS**

### **17. What is the effect of a stock split, stock dividend or rights offering by Union Financial under the Plan?**

Any stock dividend or stock split declared by Union Financial on shares held by the Plan Administrator for participants will be credited to participants' accounts without charge. If Union Financial makes available to its stockholders the right to purchase additional shares, debentures or other securities, such rights accruing on the shares held by the Plan Administrator for participants will be sold and the proceeds of the sale will be promptly applied to the purchase of additional shares of Union Financial for participants' accounts. If, however, participants wish to exercise such rights, they may, by written request received by the Plan Administrator prior to the record date for such rights, obtain a certificate for the full shares in their accounts so that such rights to purchase additional shares accruing to those certificates will flow directly to the participants.

## **STOCK CERTIFICATES**

### **18. Will stock certificates be issued for shares of Union Financial common stock purchased?**

No. Certificates for Union Financial common stock purchased under the Plan will not be issued to participants. This service protects against the loss, theft and destruction of stock certificates evidencing shares of Union Financial's common stock. However, stock certificates will be issued to participants upon specific written request. See Question 19. The number of shares credited to an account under the Plan will be shown on the participant's statement of account.

Participants' rights under the Plan and shares credited to the accounts of participants under the Plan may not be pledged. Participants who wish to pledge such shares must request that certificates for such shares be issued in their name.

Accounts under the Plan are maintained in the names in which the certificates of participants were registered at the time they entered the Plan. Consequently, certificates for whole shares will be similarly registered when issued.

## **WITHDRAWAL OF SHARES FROM THE PLAN**

### **19. How may participants withdraw shares previously purchased under the Plan?**

A stockholder who has previously purchased shares under the Plan may withdraw all or a portion of such shares from their Plan account by notifying the Plan Administrator in writing to that effect and specifying in the notice the number of shares to be withdrawn. Certificates for whole shares so withdrawn will be registered in the name of and issued to the participant. Certificates representing fractional interests will not be issued. Whether or not shares have been withdrawn, dividends will continue to be reinvested and shares will be credited to the participant's account if the participant has not withdrawn from the Plan.

### **20. What happens to any fractional interest when participants withdraw from the Plan?**

Any fractional interest withdrawn will be liquidated at the then current market value and a cash payment made promptly from the proceeds less brokerage commissions and transfer taxes, if any. The current market value will be determined in the same manner as the price for shares purchased through the Plan. See Question 11. The net sales proceeds for any fractional interest together with certificates for whole shares will be mailed to the withdrawing participant by the Plan Administrator.

### **21. What happens to participants' Plan accounts if all shares held in the Plan by the participant are transferred or sold?**

If you cease to be a stockholder of record, you cease to be eligible to participate in the Plan. Periodically, the Plan Administrator will review nonrecord-stockholder Plan accounts and may issue a certificate for whole shares and a cash payment for any fractional share (as described above) to close each such account.

## **TERMINATION OF PARTICIPATION**

### **22. How may participation in the Plan be terminated?**

Participants may terminate participation in the Plan at any time by notifying the Plan Administrator in writing. Any notice of termination received by the Plan Administrator less than five business days before the next dividend record date will not be effective until dividends paid for such record date have been reinvested and the shares credited to the participant's account.

Upon termination of participation in the Plan, the Plan Administrator will send the participant a stock certificate for the number of whole shares in the participant's account and a check in the amount equal to the value of any fractional share, based upon the market price of Union Financial common stock. See Question 11.

## **ADDITIONAL SERVICES**

### **23. Safekeeping of Shares**

As an additional service to the Plan participants, you may deposit certificates for shares of Union Financial common stock held by you with the Plan Administrator for safekeeping. If you wish to use this service, you should send your stock certificates to the Plan Administrator at the address set forth in Question 3. Delivery of certificates is at the risk of the stockholder and, for delivery by mail, insured registered mail with return receipt requested is recommended. The receipt of any shares delivered for safekeeping will be shown on your account statement. Participating shareholders may withdraw their shares from the Plan Administrator's custody at any time by requesting in writing that a certificate be issued for some or all of the full shares held by it.

## **OTHER INFORMATION**

### **24. What happens when participants sell or transfer all of the shares registered in their name?**

If participants dispose of all shares of Union Financial common stock registered in their name (other than shares credited to their account under the Plan), the Plan Administrator will continue to reinvest the dividends on the shares credited to their account under the Plan until the participant withdraws from the Plan; provided, however, that if following such a disposition of stock the participant's account under the Plan contains less than five shares of common stock, then at Union Financial's election, a certificate will be issued for the full shares in the account, any fractional shares in the account will be sold and the proceeds paid to the participant, and the account will be terminated.

### **25. How will participants' shares held under the Plan be voted at meetings of stockholders?**

Shares credited to the account of participants under the Plan (other than fractional shares) will be automatically added to the shares covered by the proxy sent to the stockholder with respect to their other shares in Union Financial and may be voted by such holder pursuant to such proxy.

### **26. What are the income tax consequences of participation in the Plan?**

In general, participants in the Plan have the same federal and state income tax obligations with respect to dividends credited to their accounts under the Plan as other holders of shares of Union Financial common stock who elect to receive cash dividends directly.

Participants are treated for income tax purposes as having received, on the dividend payment date, a dividend in an amount equal to the fair market value of the Union Financial common stock credited to their account under the Plan, even though that amount was not actually received by the participant in cash but, instead, was applied to the purchase of additional shares for their account.

The basis of each share credited to participants' accounts pursuant to the dividend reinvestment aspect of the Plan is the fair market value of the common stock, and the holding period for such shares begins on the day following the dividend payment date. The difference between the fair market value of the common stock and the cash payment for those shares, will be taxable to the stockholder as ordinary income.

The receipt by participants of certificates representing whole shares previously credited to their account under the Plan upon withdrawal from the Plan or pursuant to the request of the participant will not result in the recognition of taxable income. Participants will recognize a gain or loss when fractional shares are sold on behalf of the participant upon withdrawal from the Plan or when the participant sells shares after the participant's withdrawal from the Plan.

Each stockholder should consult his or her own tax adviser regarding the income tax effect of participation in the Plan.

## **27. What are the responsibilities of Union Financial under the Plan?**

Union Financial and the Plan Administrator in administering the Plan will not be liable for any act done in good faith or for the good faith omission to act, including, without limitation, any claim of liability arising out of failure to terminate participants' accounts upon the participant's death or judicially declared incompetency prior to receipt by the Plan Administrator of notice in writing of such death or incompetency or with respect to the prices at which shares are purchased for the participant's account, and the times when such purchases are made, or with respect to any loss or fluctuation in the market value after purchase of shares.

## **28. Who bears the risk of market price fluctuations in the common stock?**

Participants' investments in shares acquired under the Plan are no different from direct investments in shares of Union Financial. The participant bears the risk of loss and realizes the benefits of any gain from market price changes with respect to all such shares held in the Plan, or otherwise.

## **29. May the Plan be changed or discontinued?**

The Plan may be amended, suspended, modified or terminated at any time by the Board of Directors of Union Financial without the approval of the participants. Notice of any such suspension or termination or material amendment or modification will be sent to all participants, who shall at all times have the right to withdraw from the Plan.

Union Financial or the Plan Administrator may terminate a stockholder's individual participation in the Plan at any time by written notice to the stockholder. In such event, the Plan Administrator will request instructions from the participant for disposition of the shares in the account. If the Plan Administrator does not receive instructions from the participant, it will send the participant a certificate for the number of full shares held for the participant under the Plan and a check for any fractional share.

## **DESCRIPTION OF CAPITAL STOCK**

Union Financial is authorized to issue 5,000,000 shares of common stock and 500,000 shares of preferred stock, par value \$0.01 per share. Each share of common stock has the same relative rights and is identical in all respects with every other share of common stock. The following summary does not purport to be a complete description of the applicable provisions of Union Financial's Certificate of Incorporation and Bylaws or of applicable statutory or other law. See "WHERE YOU CAN FIND MORE INFORMATION."

### **Common Stock**

*Voting Rights.* The holders of common stock possess exclusive voting rights in Union Financial. Each holder of common stock is entitled to one vote for each share held of record on all matters submitted to a vote of holders of common stock. Holders of shares of common stock are not entitled to cumulate votes for the election of directors.

*Dividends.* The holders of common stock are entitled to such dividends as the Board of Directors may declare from time to time out of funds legally available for the payment of dividends. Dividends from Union Financial may depend upon the receipt by Union Financial of dividends from Provident Community Bank because Union Financial generally has no source of income other than dividends from the Bank.

*Liquidation.* In the event of liquidation, dissolution or winding up of Union Financial, the holders of shares of common stock are entitled to share ratably in all assets remaining after payment of all debts and other liabilities of Union Financial.

*Other Characteristics.* Holders of common stock do not have any preemptive, conversion or other subscription rights with respect to any additional shares of common stock that may be issued. Therefore, the Board of Directors may authorize the issuance and sale of shares of capital stock of Union Financial without first offering them to existing shareholders of Union Financial. The common stock is not subject to any redemption or sinking fund provisions.

### **Preferred Stock**

Union Financial's Certificate of Incorporation authorizes the Board of Directors to issue from time to time one or more series of preferred stock with such designations and preferences, relative, participating, optional and other special rights and qualifications, limitations and restrictions thereon, as permitted by law and as fixed from time to time by resolution of

the Board of Directors. Because of its broad discretion with respect to the creation and issuance of any series of preferred stock without stockholder approval, the Board of Directors could adversely affect the voting power of the holders of common stock, and by issuing shares of preferred stock with certain voting, conversion and/or redemption rights, could discourage any attempt to obtain control of Union Financial in any transaction not approved by the Board of Directors.

### **USE OF PROCEEDS**

Union Financial does not know the number of shares of common stock that ultimately will be sold under the Plan, or the prices of those shares, but Union Financial intends to use the net proceeds from the sale of common stock offered pursuant to the Plan for general corporate purposes, including increased lending.

### **LEGAL OPINIONS**

The validity of the shares of common stock offered hereby have been passed upon for Union Financial by Muldoon Murphy Faucette & Aguggia LLP, special counsel for Union Financial.

### **EXPERTS**

The consolidated balance sheets of Union Financial as of September 30, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and comprehensive income and cash flows for the three years ended September 30, 2003, incorporated in this prospectus by reference to the Union Financial's Annual Report on Form 10-KSB for the year ended September 30, 2003, have been so incorporated in reliance upon the report of Elliott Davis, LLC, independent accountants, given on the authority of that firm as experts in auditing and accounting.

### **INDEMNIFICATION**

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or persons controlling Union Financial pursuant to the foregoing provisions, Union Financial has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in such Act and is therefore unenforceable.



You should rely only on the information contained in this prospectus. Union Financial Bancshares, Inc. has not authorized anyone to provide you with different information.

This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered by this prospectus in any jurisdiction in which, or to any person to whom, such offer or solicitation would be unlawful. Neither the delivery of this prospectus nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of Union Financial since any of the dates as of which information is furnished in this prospectus or since the date of this prospectus.

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## UNION FINANCIAL BANCSHARES, INC.

Common Stock  
(\$0.01 Par Value)

### DIVIDEND REINVESTMENT PLAN

### PROSPECTUS

September 1, 2004

# Dividend Reinvestment Plan Authorization Form

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**UNION FINANCIAL BANCSHARES, INC.**

203 West Main Street  
Union, South Carolina 29379

Please sign the authorization located on the reverse side of this form and complete the information below only if it has changed.

Name 1

---

Name 2

---

Street Address

---

City/State/Zip Code

---

Home Telephone Number

(       )

---

Business Telephone Number

(       )

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**NOTE: This Is Not A Proxy**

Completion and return of this Authorization Form authorizes your enrollment in the Union Financial Bancshares, Inc. Dividend Reinvestment Plan. Do not return this form unless you wish to participate in the Plan.

If you sign and return this form, you authorize the purchase of additional shares of common stock with the cash dividends on all shares of common stock currently or subsequently registered in your name, as well as on the shares of common stock credited to your Plan account.

Please return this Authorization Form to: Registrar and Transfer Company, P.O. Box 664, Cranford, New Jersey 07016, Attn: Dividend Reinvestment Department.

If you wish to reinvest dividends on your common stock, check the following:

**Full Common Stock Dividend Reinvestment.**

Sign here exactly as name(s) appear on stock certificate(s). If shares are held jointly, all holders must sign.

Stockholder X \_\_\_\_\_ Date \_\_\_\_\_ Stockholder X \_\_\_\_\_ Date \_\_\_\_\_