

BROADWAY FINANCIAL CORP \DE\
Form DEF 14A
May 14, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
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Broadway Financial Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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BROADWAY FINANCIAL CORPORATION

4800 Wilshire Boulevard

Los Angeles, California 90010

Dear Stockholder:

On behalf of the Board of Directors, I cordially invite you to attend the Annual Meeting of Stockholders of Broadway Financial Corporation (the Company), which will be held at the Company's principal executive offices, 4800 Wilshire Boulevard, Los Angeles, California 90010, at 2:00 p.m., on June 25, 2008.

As described in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement, stockholders will be asked to vote on the election of three directors, to ratify the appointment of the Company's independent auditors for 2008, to approve the Broadway Financial Corporation 2008 Long-Term Incentive Plan to replace our prior stock option plans which have expired, and to transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.

Your vote is very important, regardless of the number of shares you own. Even if you currently plan to attend the Annual Meeting, I urge you to complete, sign and date each proxy card you receive and to return it to the Company as soon as possible in the postage-paid envelope that has been provided. Returning your proxy card will not prevent you from voting in person, but will assure that your vote is counted if you are unable to attend.

Sincerely,

Paul C. Hudson

Chief Executive Officer

IMPORTANT: *If your Broadway Financial Corporation shares are held in the name of a brokerage firm or nominee, only that brokerage firm or nominee may execute a proxy on your behalf. To ensure that your shares are voted, we urge you to telephone the individual responsible for your account today and obtain instructions on how to direct him or her to execute a proxy.*

If you have any questions or need any assistance in voting your shares, please telephone Daniele Johnson, the Company's Investor Relations Representative, at (323) 634-1700, Ext 231.

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BROADWAY FINANCIAL CORPORATION

4800 Wilshire Boulevard

Los Angeles, California 90010

Notice of Annual Meeting of Stockholders

Wednesday, June 25, 2008

2:00 p.m.

Dear Stockholder:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Broadway Financial Corporation (the Company) will be held at the Company's principal executive offices, 4800 Wilshire Boulevard, Los Angeles, California 90010, at 2:00 p.m., on June 25, 2008, for the following purposes:

- 1) To elect three directors of the Company to serve until the Annual Meeting of Stockholders to be held in the year 2011 and until their successors are elected and have been qualified. The Board of Directors has nominated Mr. A. Odell Maddox, Mr. Daniel A. Medina, and Mr. Virgil Roberts;
- 2) To ratify the appointment of Crowe Chizek and Company LLP as the Company's independent audit firm for 2008;
- 3) To approve the Broadway Financial Corporation 2008 Long-Term Incentive Plan; and
- 4) To consider such other business as may properly come before and be voted upon at the Annual Meeting of Stockholders or any postponement or adjournment thereof.

The Board of Directors has selected April 28, 2008 as the record date for the Annual Meeting. Only those stockholders of record at the close of business on that date will be entitled to notice of and to vote at the Annual Meeting or any postponement or adjournment thereof. A list of stockholders entitled to vote at the Annual Meeting will be available at the Company's principal executive offices during the ten days prior to the meeting. The list will also be available for inspection at the Annual Meeting of Stockholders.

Please complete, sign, date, and return the accompanying proxy card in the enclosed postage-paid envelope at your earliest convenience, whether or not you currently plan to attend the Annual Meeting.

By Order of the Board of Directors

Daniele Johnson

Secretary
Los Angeles, California

May 19, 2008

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BROADWAY FINANCIAL CORPORATION

4800 Wilshire Boulevard

Los Angeles, California 90010

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the **Board**) of Broadway Financial Corporation, a Delaware corporation (the **Company**), for use at the Annual Meeting of Stockholders of the Company (the **Annual Meeting**) to be held at the Company's principal executive offices, 4800 Wilshire Boulevard, Los Angeles, California, 90010, at 2:00 p.m., on June 25, 2008, and at any postponement or adjournment thereof. This Proxy Statement and the accompanying form of proxy were first mailed to stockholders on or about May 19, 2008.

The Company was incorporated under Delaware law in September 1995 for the purpose of acquiring and holding all of the outstanding capital stock of Broadway Federal Bank, f.s.b. (**Broadway Federal** or the **Bank**) as part of the Bank's conversion from a federally chartered mutual savings and loan association to a federally chartered stock savings bank (the **Conversion**). The Conversion was completed, and the Bank became a wholly owned subsidiary of the Company, on January 8, 1996. Unless otherwise indicated, references in this Proxy Statement to the Company include the Bank as its predecessor.

RECORD DATE AND VOTING OF SHARES

The Board of Directors has selected April 28, 2008 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting. A total of 1,758,089 shares of the Company's common stock, par value \$.01 per share (the **Common Stock**), were outstanding at the close of business on that date. A majority of the shares entitled to vote, represented in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. Stockholders will be entitled to cast one vote for each share of Common Stock held by them of record at the close of business on the record date on any matter that may be presented at the Annual Meeting for consideration and action by the stockholders. Abstentions will be treated as shares that are present and entitled to vote for purposes of determining the presence of a quorum, but as unvoted for purposes of determining the approval of any matter submitted for a vote of the stockholders. A plurality of votes cast is required for the election of directors. The affirmative vote of the majority of shares represented and voting at the Annual Meeting will be required to approve the Long Term Incentive Plan and to ratify the appointment of Crowe Chizek and Company LLP (**Crowe Chizek**) as the Company's independent audit firm. If a broker indicates on its proxy that the broker does not have discretionary authority to vote on a particular matter as to certain shares, those shares will be counted for general quorum purposes but will not be considered as present and entitled to vote with respect to that matter.

VOTING AND REVOCATION OF PROXIES

All valid proxies received in response to this solicitation will be voted in accordance with the instructions indicated thereon by the stockholders giving such proxies. If no contrary instructions are given, such proxies will be voted FOR the election of the nominees named in this Proxy Statement as directors, FOR approval of the appointment of Crowe Chizek as the Company's independent audit firm for the fiscal year ending December 31, 2008, and FOR approval of the 2008 Long Term Incentive Plan. Although the Board of Directors currently knows of no other matter to be brought before the Annual Meeting, if other matters properly come before the Annual Meeting and may properly be acted upon, including voting on a substitute nominee for director in the event that any director nominee named in this Proxy Statement becomes unwilling or unable to serve before the Annual Meeting, the proxies will be voted in accordance with the best judgment of the persons named in the proxies.

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Any stockholder may revoke his or her proxy at any time before it is voted at the Annual Meeting by delivering a later signed and dated proxy card or other written notice of revocation to Daniele Johnson, Secretary of the Company, at 4800 Wilshire Boulevard, Los Angeles, California 90010. A proxy will also be considered revoked if the stockholder executing the proxy is present at the Annual Meeting and chooses to vote in person.

SOLICITATION OF PROXIES

Proxies are being solicited on behalf of the Board. The principal solicitation of proxies is being made by mail. Computershare, the Company's transfer agent, will assist in the solicitation of proxies at no additional fee except for reimbursement of certain expenses. To the extent necessary, proxies may be solicited by officers, directors and employees of the Company, or its wholly owned subsidiaries, none of whom will receive additional compensation, and may be solicited by telephone, personal contact or other means. The Company will bear the cost of the solicitation of proxies, including postage, printing and handling, and will reimburse brokers and other nominee holders of shares for their expenses incurred in forwarding solicitation material to beneficial owners of shares.

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
AND MANAGEMENT**

The following table sets forth information, as of March 31, 2008, concerning the shares of the Company's Common Stock owned by each person known to the Company to be a beneficial owner of more than 5% of the Company's Common Stock, by each director, each of the executive officers named in the Summary Compensation Table on page 14, and by all directors and executive officers as a group.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Beneficial Owners:		
Cathay General Bancorp	215,000(1)	12.23%
777 North Broadway		
Los Angeles, CA 90012		
First Financial Fund, Inc.	129,280(2)	7.35%
2344 Spruce Street, Suite A		
Boulder, CO 80302		
Directors and Executive Officers:		
Paul C. Hudson	95,224(3)	5.41%
Kellogg Chan	37,590	2.14%
Robert C. Davidson, Jr.	7,427(4)(5)	0.42%
Javier León		0.00%
A. Odell Maddox	16,494(6)	0.94%
Daniel A. Medina	7,805(7)(8)	0.44%
Virgil Roberts	9,589(9)(10)	0.55%
Elrick Williams	169,290(11)	9.63%
Sam Sarpong	9,943(12)	0.57%
Wilbur McKesson		0.00%
Candis Hurdle-Noel		0.00%
All directors and executive officers as a group (11 persons)	353,362	20.09%

- (1) Information based upon Schedule 13G, filed on May 26, 2006 with the SEC by Cathay General Bancorp.
- (2) Information based upon Schedule 13G/A, filed on February 13, 2008 with the SEC by First Financial Fund, Inc.
- (3) Includes 16,022 allocated shares under the ESOP, and 35,366 shares subject to options granted under the LTIP, which options are currently exercisable.
- (4) Includes 5,356 shares held jointly with spouse with whom voting and investment power are shared.
- (5) Includes 1,428 shares subject to options granted under the Director's Stock Option Plan, which options are all currently exercisable.

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- (6) Includes 600 shares subject to options granted under the Director's Stock Option Plan, which options are all currently exercisable.
- (7) Includes 2,522 shares held jointly with spouse with whom voting and investment power are shared.
- (8) Includes 1,000 shares subject to options granted under the Director's Stock Option Plan, which options are all currently exercisable.
- (9) Includes 3,888 shares held jointly with spouse with whom voting and investment power are shared.
- (10) Includes 1,784 shares subject to options granted under the Director's Stock Option Plan, which options are all currently exercisable.

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- (11) Information based upon Schedule 13G, filed on April 10, 2008 with the SEC by Elrick Williams. Mr. Williams is a majority owner of Williams Group Holdings LLC which owns 169,290 shares of the Company's Common Stock.
- (12) Includes 9,000 shares subject to options granted under the Long Term Incentive Plan, which options are all currently exercisable.

PROPOSAL 1. ELECTION OF DIRECTORS

The Company's Certificate of Incorporation provides that the Board of Directors shall be divided into three classes, with the term of one class of directors to expire each year. Three directors are to be elected at the Annual Meeting. The Certificate of Incorporation does not provide for cumulative voting in the election of directors.

Information Concerning Nominees and Directors

The following table sets forth the names and information regarding the persons who are currently members of the Company's Board of Directors, including those nominated by the Board of Directors for election at the Annual Meeting. If elected, A. Odell Maddox, Daniel A. Medina, and Virgil Roberts will each serve for a term of three years and until their respective successors are elected and qualified. Each has consented to be named in this Proxy Statement and has indicated his intention to serve if elected. If any of the nominees becomes unable to serve as a director for any reason, the shares represented by the proxies solicited hereby may be voted for a replacement nominee selected by the Board of Directors.

Name	Age at December 31, 2007	Director Since	Term Expires	Positions Currently Held with The Company and the Bank
NOMINEES:				
A. Odell Maddox	61	1986	2011	Director
Daniel A. Medina	50	1997	2011	Director
Virgil Roberts	60	2002	2011	Director
CONTINUING DIRECTORS:				
Paul C. Hudson	59	1985	2009	Chairman of the Board and Chief Executive Officer
Kellogg Chan	68	1993	2009	Director
Robert C. Davidson, Jr.	62	2003	2010	Director
Javier León	42	2007	2010	Director
Elrick Williams	60	2007	2010	Director

The Board of Directors unanimously recommends

that you vote for the above nominees.

The principal occupation and business experience of the nominees for election as director and each continuing director are set forth below. Unless otherwise indicated, each of the following persons has held his or her present position for the last five years.

Nominees:

A. Odell Maddox is Manager of Maddox Co., a real estate property management and sales company.

Daniel A. Medina is Managing Director of Capital Knowledge, LLC, a consulting firm that provides financial advisory services. He has been with Capital Knowledge and its predecessor since April 1, 2000.

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Virgil Roberts is Managing Partner of Bobbitt & Roberts, a law firm representing clients in the entertainment industry. He currently serves on the Board of Directors of Community Build, Inc., Claremont Graduate School, Families in Schools, the Alliance for College Ready Public Schools, Southern California Public Radio (SCPR), the Alliance of Artists and Record Companies (AARC), the Bridgespan Group, and is co-chair of the Mayor's Council on Education.

Continuing Directors:

Paul C. Hudson is Chief Executive Officer and Chairman of the Company and the Bank. Mr. Hudson joined the Bank in 1981, was elected to the Board of Directors in 1985, and served in various positions prior to becoming President and Chief Executive Officer in 1992. Mr. Hudson is a member of the California and District of Columbia Bars. He currently serves on the Board of the Los Angeles Universal Preschool and Los Angeles County Employee Retirement Association Investment Board.

Kellogg Chan has served as President of Asia Capital Group, Ltd., a biotechnology holding company since 2001.

Robert C. Davidson, Jr. is retired Chairman/CEO of Surface Protection Industries, a company he formed in 1978 and one of the largest African American owned manufacturing companies in California. He is a member of the Boards of Directors of Jacobs Engineering Group, Inc., Morehouse College, Cedars Sinai Medical Center, Fulcrum Venture Capital Corporation, Art Center College of Design in Pasadena, the South Coast Air Quality Management District Brain Tumor and Air Pollution Foundation, and the University of Chicago Graduate School of Business Advisory Council.

Javier León is the Managing Director of Andell Sports Group, which oversees the sports and related assets for Andell Holdings. Mr. León oversees the business and operations of the Fire, a professional soccer team, on behalf of owner Andrew Hauptman. He works closely with Fire management team and staff, and is involved in strategic planning, marketing, as well as the development of Hispanic, community and public relations strategies and programs. Additionally, Mr. León is responsible for building and growing Andell's sports business in local and international markets. Prior to joining Andell, Mr. León spent three years as the Chief Executive Officer for Chivas USA Enterprises in Los Angeles.

Elrick Williams is Chairman of Allston Trading LLC, a firm that specializes in algorithmic electronic trading of stocks, Treasury bonds, currencies, futures and options. Prior to founding Allston Trading LLC in 2003, Mr. Williams was a trader from 1981 to 2003 with various trading companies.

Director Independence

We have adopted standards for director independence pursuant to Nasdaq listing standards. The Board considered relationships, transactions and/or arrangements with each of its directors and determined that all seven of the Company's non-employee directors are independent under applicable Nasdaq listing standards and SEC rules.

Committees of the Board of Directors and Meeting Attendance

The Company has four standing Board committees: the Executive Committee, the Audit Committee, the Compensation/Benefits Committee and the Nominating Committee. The Bank has five committees: the Executive Committee, the Audit/CRA/Compliance Committee, the Compensation/Benefits Committee, the Loan Committee, and the Nominating Committee.

Company Committees

The Executive Committee consists of Messrs. Hudson (Chairman), Maddox, Medina, and Roberts. This committee, together with the corresponding committee of the Bank's Board of Directors, serves as an interim

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decision-making body that functions between Board of Directors meetings, if required, to assist the chief executive officer by providing input on critical issues and ensuring appropriate Board of Directors involvement in the strategic planning process. The Executive Committee did not meet in 2007.

The Audit Committee consists of Messrs Medina (Chairman), Chan, and Williams. The Audit Committee, together with the corresponding committee of the Bank's Board of Directors, is responsible for oversight of the internal audit function for the Company, assessment of accounting and internal control policies and monitoring of regulatory compliance. This committee is also responsible for oversight of the Company's independent auditors. The Audit Committee met twelve times during 2007. The Audit Committee has a written charter which was included as Appendix A to the Company's 2007 annual meeting proxy statement. The members of the Audit Committee are independent directors as defined under the Nasdaq listing standards. In addition, Mr. Chan meets the definition of audit committee financial expert, as defined by the Securities and Exchange Commission (SEC). See Audit Committee Report on page 7.

The Compensation/Benefits Committee consists of Messrs Davidson (Chairman), Roberts, and León. This committee, together with the corresponding committee of the Bank's Board of Directors, is responsible for the oversight of salary and wage administration and various employee benefits, policies and incentive compensation issues at the Company level. The Compensation/Benefits Committee has a written charter which was included as Appendix B to the Company's 2007 annual meeting proxy statement. The Compensation/Benefits Committee held four meetings during 2007. See Compensation/Benefits Committee Report on page 16.

The Nominating Committee consists of Messrs. Roberts (Chairman), Davidson and Medina. This committee is responsible for the review of the qualifications of existing directors standing for re-election and new directors standing for election and making nomination recommendations of such directors to the Company's Board of Directors. The Nominating Committee did not meet in 2007. Nominees for this 2008 Annual Meeting of Stockholders were recommended by the Nominating Committee and approved by the Board of Directors. There were no shareholder nominations. The nomination procedures, qualifications for director nominees, and procedures for shareholder nominations are described in the Nominating Committee Charter, which was included as Appendix C to the Company's 2007 annual meeting proxy statement. The members of the Nominating Committee are independent directors as defined under the Nasdaq listing standards.

Bank Committees

The Executive Committee consists of Messrs. Hudson (Chairman), Maddox, Medina, and Roberts. This committee monitors financial matters, including capital adequacy and liquidity, and analyzes overall earnings performance, focusing on trends, regulations, projections and problem anticipation and resolution. It also monitors the status of litigation and serves as an interim decision-making body that functions between Board meetings, if required, to assist the chief executive officer by providing input on critical issues and ensuring appropriate Board involvement in the strategic planning process. The Executive Committee did not meet in 2007.

The Audit/CRA/Compliance Committee consists of Messrs. Medina (Chairman), Chan and Williams. The Audit/Compliance Committee is responsible for oversight of the internal audit function, assessment of accounting and internal control policies and monitoring Community Reinvestment Act/regulatory compliance. This committee is also responsible for oversight of the Bank's independent auditors. The Audit/Compliance Committee met twelve times during 2007. The members of the Audit/Compliance Committee are independent directors as defined under the Nasdaq listing standards. In addition, Mr. Chan meets the definition of audit committee financial expert, as defined by the Securities and Exchange Commission (SEC). See Audit Committee Report on page 7.

The Compensation/Benefits Committee consists of Messrs Davidson (Chairman), Roberts, and León. This committee is responsible for the oversight of salary and wage administration and various employee benefits

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policies and incentive compensation issues, as well as the appraisal of the chief executive officer's performance, determination of his salary and bonus, and making recommendations regarding such matters for approval by the Board of Directors. The committee met four times during 2007.

The Loan Committee consists of Messrs. Chan (Chairman), Hudson, Maddox, Roberts, and McKesson, Chief Loan Officer, a non-Board member. The Loan Committee is responsible for developing the lending policies of the Bank, monitoring the loan portfolio and compliance with established policies, and approving specific loans in accordance with the Bank's loan policy. To expedite loan approvals, the Loan Committee communicates on an as needed basis by formal meetings, telephonic conferences or electronic correspondence, but at least monthly.

Board Meetings

The Boards of Directors of the Company and the Bank each held eleven regular meetings during 2007. The Company's Board of Directors held one special meeting and the Bank's Board of Directors held three special meetings during 2007. All directors attended at least 75% of the aggregate meetings held during 2007 by the Board and the committees of the Board on which they served.

Director Attendance at Annual Meetings

The Company encourages all members of the Board of Directors to attend the annual meeting of stockholders. All nine directors of the Company as of the 2007 Annual Meeting attended that meeting.

Communications with the Board of Directors

The Board of Directors has an established process for stockholders to communicate with the Board of Directors. Stockholders may send communications to the Board of Directors or any individual director by mail addressed to: Board of Directors, Broadway Federal Bank, 4800 Wilshire Boulevard, Los Angeles, California 90010. Communications addressed to the Board of Directors will be reviewed by the Secretary and directed to the Chairman of the Board for further review and distribution to all members of the Board of Directors. Communications addressed to individual directors will be forwarded directly to the office of the named director.

CODE OF ETHICS

The Board of Directors has adopted a Code of Ethics for the Company's directors and executive officers. Our directors and executive officers are expected to adhere at all times to this code of ethics. Stockholders may obtain a copy of the Company's Code of Ethics, free of charge, upon written request to: Broadway Financial Corp., 4800 Wilshire Boulevard, Los Angeles, California 90010, Attention: Daniele Johnson.

AUDIT COMMITTEE REPORT

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the Company's systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements in the Annual Report with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of the audited financial statements with accounting principles generally accepted in the United States of America, their judgments as to the quality, as well as the acceptability, of the Company's accounting

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principles and such other matters as are required to be discussed with the Committee under auditing standards generally accepted in the United States of America, including SAS 61. In addition, the Committee has discussed with the independent auditors the auditors' independence from management and the Company, including the matters in the written disclosures required by Independence Standards Board Standard No. 1, and considered the compatibility of non-audit services provided by the auditor with the auditors' independence.

The Committee discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. The Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-KSB filed with the Securities and Exchange Commission for the year ended December 31, 2007. The Committee has also recommended to the Board the selection of the Company's independent auditors.

This report of the Audit Committee shall not be deemed incorporated by reference into the Company's filings under the Securities Act of 1933, or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

Audit Committee

Mr. Daniel A. Medina, Chairman

Mr. Kellogg Chan

Mr. Elrick Williams

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The following table sets forth information with respect to executive officers of the Company and the Bank who are not directors. Officers of the Company and the Bank serve at the discretion of, and are elected annually by the respective Boards of Directors.

Name	Age (1)	Positions Held With the Company and the Bank
Samuel Sarpong	47	Senior Vice President / Chief Financial Officer of the Company and the Bank
Wilbur A. McKesson Jr.	54	Senior Vice President / Chief Loan Officer of the Bank
Candis Hurdle-Noel	49	Senior Vice President / Chief Retail Banking Officer of the Bank

(1) As of December 31, 2007.

The business experience of each of the executive officers is as follows:

Samuel Sarpong was appointed Senior Vice President/Chief Financial Officer of the Company and the Bank in September 2005. Mr. Sarpong joined Broadway Federal in February 2004 as First Vice President/Chief Compliance Officer and Internal Audit Director. Prior to joining Broadway Federal, Mr. Sarpong was an Audit Manager at Citibank from 2000 to 2004. Mr. Sarpong is a member of the Financial Manager's Society (Internal Audit Division) and a member of the Institute of Internal Auditors.

Wilbur A. McKesson Jr. joined Broadway Federal Bank in March 2007 as Senior Vice President/Chief Loan Officer. Prior to joining Broadway Federal, Mr. McKesson served as Vice President for Affordable Housing at Option One Mortgage from December 2002 through February 2007. In addition, Mr. McKesson has over twenty years of lending experience, which includes three years at CitiMortgage and twelve years at Washington Mutual.

Candis Hurdle-Noel joined Broadway Federal Bank in November 2006 as Senior Vice President/Chief Retail Banking Officer. Prior to joining Broadway Federal, Ms. Noel worked at Comerica Bank from 1992 to 2006, where she recently served as Vice President, Regional Deposit Officer.

EXECUTIVE COMPENSATION**Compensation Discussion and Analysis**

The Board of Directors (Board) of Broadway Federal Bank (Bank) has appointed a Compensation/Benefits Committee (Committee) of the Board that is tasked to establish, supervise and review policies involving the Bank's personnel performance, compensation and benefits. The Committee is made up of three independent outside Directors. The Committee has developed a formal accountability schedule and meets on a regular basis to review and approve both policy recommendations and compensation actions that impact the senior officers of the organization. The Committee has a defined Committee Charter which provides for a broad scope of responsibilities to establish, supervise and review all matters related to compensation within the organization and in particular with matters of compensation affecting officers that are members of executive management.

In compliance with the SEC Proxy Disclosure requirements, the following is the Compensation Discussion and Analysis (CD&A) as it pertains to the 2007 fiscal year. This discussion and analysis is focused on the material principles that underlie the Bank's executive compensation policies and decisions.

Philosophy

It is the philosophy of the Committee and the Board of Directors to insure that the Bank has the policies and processes in place that will enable the Bank to attract, motivate and retain the highest quality workforce while at

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the same time balancing those needs with the duty to enhance shareholder value. To achieve these goals the Committee reviews competitive market data and acts on it when warranted. The Committee retains an outside independent compensation consultant to assist with the development of market data.

The Committee has a pay for performance philosophy. This means that compensation actions approved for executives are consistent with results achieved against predetermined objectives. The Board believes this philosophy enhances shareholder value.

For 2007, the Committee defined its bank peer group as financial institutions operating on the West Coast of California that have assets ranging between \$250 million and \$500 million. The Bank uses asset size and geographic location as key elements in determining the appropriate peer group. The Bank utilizes multiple survey sources to assist with this process. The Bank's asset size as of December 31, 2007 was \$357 million.

Process

The Committee follows a defined process throughout the year. The Committee retains the services of an outside independent human resource consulting company to insure that the Committee has sufficient knowledge about the competitive market to make sound decisions regarding the competitiveness of the overall compensation package. In that regard, the Committee utilizes the services of John Parry and Alexander (JPA). Stephen Enna, JPA Director, is on retainer to the Committee and serves as an advisor on an ongoing basis. JPA specializes in community banks and works with more than 100 institutions throughout the Western United States.

The process begins in the fall of the preceding plan year when the Board meets to establish the Bank and Company goals for the plan year. The Committee generally meets at least four times per year. Goal achievement is reviewed by the Committee after the plan year has been completed and decisions are made regarding the total compensation merited by the CEO. The Committee, consistent with its Charter, determines compensation for the named executive officers. The Committee evaluates the CEO's performance against overall corporate goals and performance. With respect to compensation decisions for the other named executive officers, the CEO annually reviews the performance of each of the other named executive officers. The conclusions reached and recommendations based on this review, including any recommendations for salary adjustments and annual bonus awards, are presented to the Committee. The Committee considers the recommendations of the CEO. The elements of compensation and the Committee's view on each are outlined later in this report.

Objectives

The Committee's focus is on objectives that align the executive compensation plan with the interests of shareholders. The pay for performance philosophy links the Bank's performance and individual performance and is designed to support Broadway Financial Corporation's (Company) strategic plan. It is the Bank's intention, where applicable, to insure that measurable objectives are developed and communicated to participants prior to the commencement of a plan year and that following the completion of the plan year the results achieved are tied directly to the compensation received by plan participants.

The Bank objectives change each year; however, a minimum threshold of achievement is established before the bonus plan is funded. Earnings growth as well as growth in both loans and deposits is consistently included in the goals and objectives established.

Compensation Elements

In developing its overall compensation strategy, the Committee reviews each element of compensation and the purposes of each. It then reviews the total of all elements of compensation in order to insure the Bank maintains an overall compensation strategy that is competitive. The elements of compensation included in this discussion and reflected in the tables are the following:

Base Salary

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Short-Term Incentive (Annual Bonus)

Total Cash Compensation (Combination of Base Salary and Short-Term Incentive)

Long-Term Incentives (Equity Awards)

Benefits

Executive Perquisites

The strategy behind each element of compensation has been defined as follows.

Base Salary

The Committee has defined base salary as the fixed direct compensation paid an executive for performing specific job responsibilities. The Committee targets base salary at market median. The base salaries of the executives are reviewed from time to time against the competitive market and adjustments made in accordance with the market data.

Short-Term Incentive (Annual Bonus)

The Committee has defined the short-term incentive as a cash bonus that is a form of variable pay paid in addition to base pay for results achieved over the Board approved minimum earnings threshold. The Committee approved for use in 2007 an Incentive Plan for Management (Plan). The Plan is designed to reward management for productivity, high performance and implementing the business plan and vision of the Bank. In order for the Plan participants to receive any form of payout, a minimum level of financial performance by the Bank must be achieved.

The Plan has two types of objectives. The first are Bank objectives which are set by the Board of Directors in advance of the Plan year. The second are individual objectives that are set by the CEO for Plan participants. Targets are established and weighted for each objective. Executives are advised in advance of the Plan year what they can achieve as a percent of their base salary if bonus targets are achieved. For 2007, the Board established five specific objectives for the CEO in the following areas:

1. Net Earnings
2. Safety and Soundness Ratings
3. Net Loan Growth
4. Core Deposit Growth
5. Management Effectiveness

At the end of the Plan year each goal was assessed and results calculated. The Bank achieved 80% of its goals and, thus, the Plan paid out bonus amounts to the named executives for the 2007 Plan year.

The bonus plan is performance based. In years where the objectives are achieved, the bonus payments are made. In years where the objectives are not met, payments are not made.

Total Cash Compensation (Combination of Base Salary and Short-Term Incentive)

Total cash compensation is defined as the sum of base salary and short-term incentive received over an annual (12) month reporting period. The Committee's philosophy regarding total cash compensation is to insure that total cash compensation exceeds the market median in years in which the short-term objectives have been achieved.

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The Committee defines long-term incentives as Equity Compensation. Equity Compensation is an incentive designed to reward and retain executives for long term performance. This type of compensation is linked to shareholder return and aligns the executives' rewards with those achieved by shareholders.

The Company has the following equity plans: a) Performance Equity Program for Officers and Employees; b) Long Term Incentive Plan; c) Recognition and Retention Plan for Outside Directors; and d) Stock Option Plan for Outside Directors. Past decisions regarding equity grants to executives and Directors have been made on a discretionary basis. The current Programs are in need of share replenishment. The Company will submit to shareholders for their review and approval at the 2008 Shareholder Meeting a proposal to approve the 2008 Long-Term Incentive Plan to replace the 1996 Long Term Incentive Plan and the 1996 Stock Option Plan for Outside Directors, each as amended, which plans have expired and are no longer effective.

The Bank has an approved Employee Stock Ownership Plan (ESOP) that was established in January 1996. The purpose of the ESOP is to promote the mutual interests of the Company's shareholders and Bank employees. All employees that have attained the age of 21 years and completed one year of service are eligible to receive Company shares under the ESOP.

Benefits

Benefits are defined as those plans not related to cash compensation or equity that are needed to insure that a competitive total compensation package is maintained. Benefits may be qualified or non-qualified.

The Committee's strategy regarding benefits has been to insure that the plans in place are competitive and assist the Bank in attracting and retaining the talent needed. They are designed to provide for the basic health and welfare needs of employees. The Committee has adopted the strategy not to lead the market in benefits and to adopt benefit strategies that are likely to reduce future growth in benefit costs. This decision is in keeping with the Committee's desire to continue to foster a pay for performance rather than an entitlement culture. At the present, the Bank has a basic benefit package which includes health and insurance benefits and a 401(k) with a matching provision. The Bank has no pension plan.

Executive Employment Contracts/Executive Perquisites

The Committee has approved Severance Benefits for Named Executive Officers in the event of a change in control. The agreements have two triggers. The first trigger is that a change in control must occur, and the second is that the acquiring organization makes the determination not to employ the officer covered. The approved benefits are as follows:

Named Officers	Severance Benefit
Paul C. Hudson	30 months
Samuel Sarpong	18 months
Wilbur McKesson	12 months
Candis Hurdle-Noel	12 months
Mildred O. Cayton	12 months

The Bank has established a Non Qualified Deferred Compensation Plan (Plan) for a select group of executive officers and directors of the Company and/or the Bank. Under the Plan, the executive officer or director may elect to defer annually a stated maximum amount of his or her salary until a specified date or until he or she is no longer employed by Broadway. No executive officer or director participated in the Plan during 2007.

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In addition, the Bank has a Non Qualified Deferred Compensation Plan in the form of a Salary Continuation Agreement (Agreement) for Paul C. Hudson. The Agreement is designed as a retention tool. The Agreement provides an annual benefit of \$100,000 per year for 15 years beginning at age 65. For Mr. Hudson to receive the benefits under the Agreement, he must remain with the Bank and/or Company until he is 65. Should he leave prior to that time, he will forfeit this benefit. The Bank purchased a Bank Owned Life Insurance (BOLI) policy on Paul C. Hudson. The income from BOLI reduces the expense related to the Salary Continuation Agreement.

Mr. Hudson also receives a car and telephone allowance and is subsidized for a club membership. The other named officers receive both car and telephone allowances.

Director Compensation

In 2005, the Bank developed a compensation strategy for its Directors which is based on the same pay for performance philosophy that it uses for its executives. The program developed was designed with input from an outside third party consulting firm. The recommendations made were based on a market analysis of financial institutions operating in the West with assets between \$250 million and \$500 million. The recommendations were presented to the full Board; the following resolutions were approved and form the basis for Director Compensation:

1. Each Independent Director receives \$1,000 for attendance at each Board Meeting.
2. Each Independent Director receives a retainer of \$6,000 annually in lieu of Board Committee fees.
3. The Chairman of the Board, if independent, receives a \$5,000 retainer for his work as Chairman.
4. The respective Chairmen of the Loan, Audit/Compliance, and Compensation/Benefits Committees receive an annual retainer of \$3,000 for his service as Chairman.
5. The respective Chairmen of the Executive, Investment and Nominating Committees (if Outside Directors) receive an annual retainer of \$2,000 for his service as Chairman.

The Plan is designed to differentiate Director cash compensation based on the Directors' duties and responsibilities to the Board. In addition to cash compensation, the Directors are entitled to health insurance coverage.

The Directors did not receive any new equity compensation during 2007.