

BROADWAY FINANCIAL CORP \DE\
Form DEF 14A
October 31, 2013

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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 (Amendment No.)

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
- Soliciting Material under §240.14a-12

Broadway Financial Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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- (4) Proposed maximum aggregate value of transaction:
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 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
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BROADWAY FINANCIAL CORPORATION

**5055 Wilshire Boulevard Suite 500
Los Angeles, California 90036**

October 31, 2013

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, 5055 Wilshire Boulevard, Suite 500, Los Angeles, California 90036, at 10:00 a.m. on November 27, 2013.

Stockholders will be asked at the Annual Meeting to vote on the election of two directors and on each of the other proposals listed in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement.

Your vote is very important, regardless of the number of shares you own. Whether or not you expect to attend the annual meeting, please complete, sign and date each proxy card you receive and return it to the Company as soon as possible in the postage-paid envelope that has been provided. You may revoke this proxy at any time prior to the Annual Meeting and, if you attend the Annual Meeting, you may vote your shares in person.

Sincerely,

Wayne-Kent A. Bradshaw

Chief Executive Officer

IMPORTANT: If your Broadway Financial Corporation shares are held in the name of a brokerage firm or other 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 on your behalf.

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 3231.

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BROADWAY FINANCIAL CORPORATION

**5055 Wilshire Boulevard Suite 500
Los Angeles, California 90036**

**Notice of Annual Meeting of Stockholders
Wednesday, November 27, 2013
10:00 a.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, 5055 Wilshire Boulevard, Suite 500, Los Angeles, California 90036, at 10:00 a.m. on November 27, 2013, for the following purposes:

- 1) To elect two directors of the Company to serve until the Annual Meeting of Stockholders to be held in the year 2016 and until their successors are elected and have been qualified. The Board of Directors has nominated Mr. Robert C. Davidson Jr. and Mr. Javier León.
- 2) To ratify the appointment of Crowe Horwath LLP as the Company's independent registered public accounting firm for 2013.
- 3) To cast an advisory (non-binding) vote on executive compensation.
- 4) To amend the Company's Certificate of Incorporation to increase the Company's number of authorized shares of common stock from 8,000,000 to 50,000,000.
- 5) To adopt an amendment to the Company's Certificate of Incorporation authorizing the Company to issue up to 5,000,000 shares of a new class of non-voting common stock.
- 6) To approve amendments to the Company's 2008 Long-Term Incentive Plan (the "LTIP"), including an increase in the number of shares of Common Stock that are reserved for issuance pursuant to the LTIP to 2,000,000 shares.
- 7) To approve adjournment of the Annual Meeting to a later time or date if requested by the Board of Directors.
- 8) To consider such other business as may properly come before and be voted upon by the stockholders at the Annual Meeting of Stockholders or any postponement or adjournment thereof.

The Board of Directors has selected October 8, 2013 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 Annual Meeting and will also be available for inspection at the Annual Meeting.

Whether or not you expect to attend the Annual Meeting, please mail your proxy in the postage-paid envelope that has been provided. You may revoke this proxy at any time prior to the Annual Meeting and, if you attend the Annual Meeting, you may vote your shares in person.

By Order of the Board of Directors

Daniele Johnson
Secretary
Los Angeles, California
October 31, 2013

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BROADWAY FINANCIAL CORPORATION

**5055 Wilshire Boulevard Suite 500
Los Angeles, California 90036**

**PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS**

Wednesday, November 27, 2013

GENERAL INFORMATION

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, 5055 Wilshire Boulevard, Suite 500, Los Angeles, California, 90036, at 10:00 a.m. on November 27, 2013, and at any postponement or adjournment thereof. This Proxy Statement and the accompanying form of proxy were first mailed to stockholders on or about October 31, 2013.

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.

**THIS PROXY STATEMENT AND THE COMPANY'S ANNUAL REPORT TO STOCKHOLDERS
ARE AVAILABLE AT <http://www.broadwayfederalbank.com>**

RECORD DATE AND VOTING OF SHARES

The Board has selected October 8, 2013 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting. A total of 6,145,451 shares of the Company's common stock, par value \$0.01 per share (the "Common Stock"), and a total of 13,299 shares of Series F Common Stock Equivalents (the "Common Stock Equivalents") with voting rights equivalent to 13,299,000 shares of Common Stock were outstanding at the close of business on that date. The holders of the Common Stock Equivalents will be entitled to vote as a single class with the Common Stock on all matters presented at the Annual Meeting, resulting in 19,444,451 votes eligible to be cast on all such matters, except with respect to Proposal 4, relating to a proposed increase in the number of authorized shares of Common Stock. The Common Stock and the Common Stock Equivalents are collectively referred to in this Proxy Statement as the "Voting Shares". The Common Stock will be entitled to vote as a separate class, in addition to voting with the Common Stock Equivalents as a single class, on the proposal to increase the number of authorized shares of Common Stock. On the record date, the Company also had 6,982 shares of Series G Non-Voting Preferred Stock outstanding, none of which are eligible to vote on any matter described in this Proxy Statement.

A majority of the Voting 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 and 1,000 votes per share of Common Stock Equivalents held by them of record at the close of business on the record date on any matter that may be

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presented at the Annual Meeting for consideration and action by the stockholders and on which they are entitled to vote. Abstentions will be treated as Voting 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. If a broker indicates on its proxy that the broker does not have discretionary authority to vote on a particular matter as to certain Voting Shares, those Voting Shares will be counted for general quorum purposes, but will not be considered as present and entitled to vote with respect to that matter.

A plurality of votes cast by the holders of Voting Shares is required for the election of directors. The affirmative vote of the majority of the Voting Shares represented and voting at the Annual Meeting, which must also constitute a majority of the required quorum, will be required to: (i) ratify the appointment of Crowe Horwath LLP as the Company's independent registered public accounting firm, (ii) adopt the non-binding proposal to approve executive compensation described in this Proxy Statement, and (iii) approve the increase in the shares reserved for issuance pursuant to the LTIP and other matters relating to the LTIP. Thus, broker nonvotes will not have any effect in the voting on these proposals. Abstentions could affect whether the majority of the quorum requirement is satisfied.

The affirmative vote of a majority of the outstanding Voting Shares will be required to adopt the amendment to the Company's Certificate of Incorporation authorizing the Company to issue a new class of non-voting common stock. The affirmative vote of a majority of the Company's outstanding shares of Common Stock, voting as a separate class, and the affirmative vote of a majority of the Company's outstanding Voting Shares will be required to adopt the amendment to the Company's Certificate of Incorporation increasing the number of shares of Common Stock that the Company is authorized to issue. Thus, both abstentions and broker nonvotes will have the same effect as a vote against these proposals. The holders of all of the 4,325,500 shares of Common Stock and the holders of 2,877 shares of the Common Stock Equivalents issued in exchange for the Company's outstanding preferred stock in the Recapitalization described in this Proxy Statement have agreed to vote all shares of Common Stock and Common Stock Equivalents held or controlled by them for the proposal to increase the number of shares of Common Stock the Company is authorized to issue. The shares held by these investors represent 73.18% of the Common Stock and 37.93% of the voting power of the Voting Stock, respectively, that will be entitled to vote on the proposal. The Treasury Department, and one other holder of preferred stock, which are collectively the holders of all of the remaining Common Stock Equivalents, have not entered into an agreement with the Company regarding how they will vote their shares on the proposal. The Company is required, however, pursuant to the Treasury Exchange Agreement the Company entered into in connection with the Recapitalization, to hold a meeting of stockholders as soon as possible to vote on this proposal.

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, and FOR approval of the other proposals described in this Proxy Statement. Although the Board currently knows of no other matter to be brought before the Annual Meeting, if other matters are properly brought before the Annual Meeting and may be acted upon properly, 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 solicited hereby will be voted in accordance with the best judgment of the persons named in such proxies.

REVOCATION OF PROXIES

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 5055 Wilshire Boulevard, Suite 500, Los Angeles, California 90036. 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.

Table of Contents**SOLICITATION OF PROXIES**

Proxies are being solicited by this Proxy Statement 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 for such solicitation. Proxies may be solicited by telephone, personal contact or other means. The Company will bear the cost of this 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.

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

The following table sets forth information as of September 30, 2013 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, each director, each Named Executive Officer, and all current directors and executive officers as a group.

Beneficial Owner	Common Stock Ownership	Percent of Class	Series F Common Stock Equivalent Ownership(1)	Percent of Class	Percent of Voting Shares
United States Department of the Treasury(1)(2)			10,146	76.29%	52.18%
CJA Private Equity Restructuring Master Fund I L.P.(3)	1,935,500	31.49%			9.95%
BBCN Bancorp, Inc.(1)(4)			1,925	14.47%	9.90%
National Community Investment Fund(1)(5)			952	7.16%	4.90%
Cathay General Bancorp, Inc.(6)	715,000	11.63%			3.68%
Valley Economic Development Center, Inc.(7)	500,000	8.14%			2.57%
Directors and Executive Officers:					
Wayne-Kent A. Bradshaw(8)	79,329	1.29%			0.41%
Paul C. Hudson(9)	80,979	1.32%			0.42%
Kellogg Chan(10)	43,139	0.70%			0.22%
Robert C. Davidson, Jr.(10)(11)	28,516	0.46%			0.15%
Javier León(10)	3,125	0.05%			0.02%
A. Odell Maddox(10)(12)	38,250	0.62%			0.20%
Daniel A. Medina(10)(13)	29,272	0.48%			0.15%
Virgil Roberts(10)(14)	32,079	0.52%			0.16%
Norman Bellefeuille(15)	52,500	0.85%			0.27%
Samuel Sarpong(16)	15,950	0.26%			0.08%
Wilbur McKesson(17)	32,330	0.53%			0.17%
All current directors and executive officers as a group (9 persons)	387,189	6.30%			1.99%

(1) Each share of Series F Common Stock Equivalents will be automatically converted into 1,000 shares of Common Stock if the stockholders approve Proposal 4 at the Annual Meeting or any postponement or adjournment thereof.

(2) The United States Department of the Treasury (the "Treasury") has agreed to vote its shares in the same proportion as the shares voted by all other stockholders, except in connection with certain Designated Matters. The resolutions to increase the number of authorized shares of Common Stock and to authorize a new class of non-voting common stock constitute Designated Matters. The Treasury will have the right to vote on those resolutions in the manner that it deems appropriate.

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- (3) Information based upon Schedule 13D, filed on August 30, 2013 with the SEC by CJA Private Equity Restructuring Master Fund I L.P. ("CJA"). The address for CJA is 654 Madison Avenue, Suite 601, New York, NY 10065. CJA is an affiliate of Gapstow Capital Partners located at 654 Madison Avenue, Suite 601, New York, NY 10065.
- (4) Includes holdings of BBCN Bancorp, Inc. and its subsidiary BBCN Bank. The address for BBCN Bancorp, Inc. is 3731 Wilshire Boulevard, Suite 1000, Los Angeles, CA 90010.
- (5) The address for National Community Investment Fund ("NCIF") is 135 South LaSalle, Suite 2040, Chicago, IL 60603. NCIF also holds all of the 6,982 shares of outstanding Series G Non-Voting Preferred Stock, which will be automatically converted into 698,200 shares of non-voting common stock if the stockholders approve Proposal 5 at the Annual Meeting or any postponement or adjournment thereof.
- (6) The address for Cathay General Bancorp, Inc. is 777 North Broadway Los Angeles, CA 90012.
- (7) The address for Valley Economic Development Center, Inc. is 5121 Van Nuys Boulevard, 3rd Floor, Van Nuys, CA 91403.
- (8) Includes 98 allocated shares under the Employee Stock Ownership Plan ("ESOP"), and 60,000 shares subject to options granted under the Company's 2008 Long Term Incentive Plan (the "LTIP"), which options are all currently exercisable as of September 30, 2013.
- (9) Includes 17,912 allocated shares under the ESOP.
- (10) Includes 3,125 shares subject to options granted under the LTIP, which options are all currently exercisable as of September 30, 2013.
- (11) Includes 25,391 shares held jointly with spouse with whom voting and investment power are shared.
- (12) Includes 35,125 shares held jointly with spouse with whom voting and investment power are shared.
- (13) Includes 25,341 held jointly with spouse with whom voting and investment power are shared.
- (14) Includes 28,954 shares held jointly with spouse with whom voting and investment power are shared.
- (15) Includes 52,500 shares held jointly with spouse with whom voting and investment power are shared.
- (16) Includes 950 allocated shares under the ESOP and 12,000 shares subject to options granted under the LTIP, which options are all currently exercisable as of September 30, 2013.
- (17) Includes 330 allocated shares under the ESOP and 32,000 shares subject to options granted under the LTIP, which options are all currently exercisable as of September 30, 2013.

Change in Control

On August 22, 2013, the Company exchanged shares of Common Stock Equivalents for all of the Company's formerly outstanding series of preferred stock, including Common Stock Equivalents with an agreed upon value of \$10.146 million for the Series D and Series E Fixed Rate

Cumulative Perpetual Preferred Stock and associated accumulated dividends thereon held by the Treasury Department. As a result of the exchange, the Treasury Department holds Common Stock Equivalents constituting 52.18% of the voting power of the Company's outstanding stock having general voting rights. The Treasury Department agreed in connection with the exchange that it would vote its shares of Company stock, including both Common Stock Equivalents and Common Stock it subsequently acquires on conversion of the Common Stock Equivalents, in the same proportions (for, against or abstain) as all other holders of Common Stock on all matters on which holders of the Common Stock are entitled to vote, except with respect to certain Designated Matters. The Designated Matters are: (i) election and removal of directors, (ii) approval of any business combination, (iii) approval of a sale of all or substantially all of the assets or property of the Company, (iv) approval of a dissolution of the Company, (v) approval of any issuance of any securities of the Company on which holders of Common Stock are entitled to vote, (vi) approval of any amendment to the Company's Certificate of

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Incorporation or bylaws on which holders of Common Stock are entitled to vote, which will include the amendments that will be presented as Proposal 4 and Proposal 5 at the Annual Meeting, and (vii) approval of any other matters reasonably incidental to the foregoing as determined by the Treasury Department. The Treasury Department also agreed to attend all meetings of the Company's stockholders, in person or by proxy, for purposes of obtaining a quorum. In order to effectuate the foregoing agreements by the Treasury Department, the Treasury Department also granted a proxy appointing the Chief Executive Officer and the Chief Financial Officer of the Company as attorneys-in-fact and proxies for the Treasury Department and its controlled affiliates, with full power of substitution, to vote, express consent or dissent or otherwise utilize such voting power in the manner and on the terms provided in the Treasury Exchange Agreement. Additional information regarding the exchange is provided in the discussion of Proposal 4 under the caption "Treasury Exchange Agreement."

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The Company's Certificate of Incorporation provides that the Board 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.

Information Concerning Nominees and Directors

The following table sets forth the names and information regarding the persons who are currently members of the Board, including those nominated by the Board for election at the Annual Meeting. If elected, Robert C. Davidson Jr. and Javier León 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.

Name	Age at September 30, 2013	Director Since	Term Expires	Positions Currently Held with the Company and the Bank
NOMINEES:				
Robert C. Davidson, Jr.	67	2003	2013	Director
Javier León	48	2007	2013	Director
CONTINUING DIRECTORS:				
A. Odell Maddox	67	1986	2014	Director
Daniel A. Medina	55	1997	2014	Director
Virgil Roberts	66	2002	2014	Director and Chairman
Wayne-Kent A. Bradshaw	66	2012	2015	President, CEO and Director
Kellogg Chan	74	1993	2015	Director
Paul C. Hudson	65	1985	2015	Director

**The Board of Directors unanimously recommends
that you vote for the above nominees.**

The following is a brief description of the business experience of the nominees and continuing directors for at least the past five years and their respective directorships, if any, with other public companies that are subject to the reporting requirements of the Securities Exchange Act of 1934 (the "Exchange Act"). Also set forth below for each director and nominee is a description of the specific experience, qualifications, attributes or skills that led to the Board's conclusion that such person should serve as a director of the Company.

Nominees

Robert C. Davidson, Jr. is the retired Chairman and CEO of Surface Protection Industries, a paint and specialty coatings manufacturing company he founded in 1978, which became one of the top African American-owned manufacturing companies in California. Previously, he co-founded and served as Vice President of Urban National Corporation, a private venture capital corporation that was focused specifically on investing in minority-controlled businesses. Mr. Davidson currently serves on the boards of Morehouse College (Chairman), Art Center College of Design (Chairman), Jacobs Engineering Group, Inc. (a publicly traded professional service company), Cedars-Sinai Medical Center and the University Of Chicago Graduate School Of Business Advisory Council.

Mr. Davidson has extensive entrepreneurial experience in developing and managing small and medium sized businesses. He has hands-on experience in marketing and sales, human resources and

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strategic planning and implementation. He has a long history with and extensive knowledge of the Company and of the markets and communities in which the Company operates.

Javier León is the Managing Director of Andell Sports Group, which oversees the sports and related assets of Andell Holdings and has served in that capacity since 2008. Mr. Leon oversees the business and operations of the Chicago Fire, a professional soccer team, on behalf of its owner. He is involved in strategic planning and marketing, as well as the development, of Hispanic community and public relations strategies and programs. Prior to joining Andell Sports Group, Mr. Leon served as the Chief Executive Officer of Chivas USA Enterprises in Los Angeles from 2004 to 2007. Mr. León was a managing director in investment banking for Merrill Lynch, Deutsche Bank and ING-Barings from 1992 to 2004. He received a bachelor's degree from Claremont McKenna College and a Masters of International Management from the University of California at San Diego.

Mr. Leon has extensive experience in managing, planning for and operating businesses. He has expertise in developing, reviewing and maintaining systems of internal controls and in financial reporting and analysis. He also has experience in the capital markets and in the areas of strategic planning and marketing, including marketing to Hispanic communities.

Continuing Directors

A. Odell Maddox is Manager of Maddox Co., a real estate property management and sales company, and has served in that capacity since 1986. Mr. Maddox has worked in property management, real estate brokerage and investment businesses for over 36 years.

Mr. Maddox has extensive experience in real estate in Los Angeles, as well as significant experience in real estate lending and loan workouts. He has extensive entrepreneurial experience developing and managing small and medium-sized businesses. Mr. Maddox has a long history with and knowledge of the Company and the communities and markets in which the Company operates.

Daniel A. Medina began working for Needham & Company, LLC, a New York based investment bank in October 2009. Prior to working for Needham & Company, LLC, Mr. Medina was Managing Director of Capital Knowledge, LLC, a consulting firm that provided financial advisory services. He had been with Capital Knowledge, LLC and its predecessor since April 1, 2000.

Mr. Medina has extensive experience in analyzing and valuing financial institutions and assessing their strengths and weaknesses. He also has extensive knowledge of the capital markets and mergers and acquisitions, specifically within the financial services industry.

Virgil Roberts has been Managing Partner of Bobbitt & Roberts, a law firm representing clients in the entertainment industry, since 1996. 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 and the James Irvine Foundation.

Mr. Roberts is the Chairman of the Board of Directors of the Company and the Bank. Mr. Roberts' qualifications to serve on the Board include his extensive legal and business experience and community leadership. Mr. Roberts serves on a number of local community boards and provides leadership to local community groups. Mr. Roberts serves as the Lead Director and Chair of the Company's Nominating Committee. Mr. Roberts brings leadership, management and regulatory experience to the Board.

Wayne-Kent A. Bradshaw is the President and Chief Executive Officer of the Company and the Bank. He joined the Company in February of 2009 as the President and Chief Operating Officer. Mr. Bradshaw was elected to serve as a director of both the Company and the Bank in September 2012. Mr. Bradshaw was the Regional President for Community and External Affairs of Washington Mutual Bank from 2003 to 2009. He was President and Chief Executive Officer of the

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Los Angeles-based Family Savings Bank from 1989 until 2002 and Chief Deputy Superintendent for the State Banking Department from 1981 to 1983. Mr. Bradshaw has served on many community and educational boards. He currently serves on the Board of California State University Northridge, Northridge Hospital Medical Center and California Community Reinvestment Corporation.

Mr. Bradshaw has over 43 years of experience in financial management and banking. Mr. Bradshaw has the proven ability to plan and implement programs which optimize opportunities to accelerate profitable growth in highly competitive environments. He has extensive experience in community banking, commercial banking and as a bank regulator.

Kellogg Chan served as the Chairman and Chief Executive Officer of Universal Bank, f.s.b from 1994 to 1995 and President and Chief Executive Officer of East-West Bank from 1976 to 1992. Mr. Chan is retired and has been a member of the Board since 1993.

Mr. Chan has extensive experience in the thrift industry through a wide variety of economic and interest rate cycles. He has served in executive management positions in thrift institutions and has experienced a diversity of corporate cultures. His extensive executive management experience includes strategic planning and implementation, and the development, implementation and evaluation of internal control structures, particularly in the thrift industry.

Paul C. Hudson is past Chairman of the Board of Directors of the Company and the Bank. Mr. Hudson joined the Bank in 1981, was elected to the Board in 1985 and has served in various positions at the Bank and Company. Mr. Hudson currently serves on several nonprofit boards, including the Center for Social Inclusion, African American Board Leadership Institute and the Tuskegee Airmen Scholarship Foundation.

Mr. Hudson has over 30 years of executive management experience with the Company and the Bank. He is responsible for developing the Company from a relatively small mutual thrift institution into one of the largest publicly traded African American thrift institutions in the United States. He has extensive knowledge of the history of the Bank and the markets in which it operates.

Director Independence

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

Board Leadership Structure

The position of Chairman of the Board is held by Mr. Roberts, who is an independent director. As the Chairman of the Board, Mr. Roberts provides leadership to the Board and works with the Board and executive management to define the Board's structure and coordinate its activities in the fulfillment of its responsibilities. In addition, he presides over periodic executive sessions of the Board, coordinates the agenda for meetings, serves as a liaison between the independent directors and management, and makes periodic reports to the Board regarding the actions and recommendations of the independent directors.

Mr. Bradshaw serves as President and Chief Executive Officer. As such, he has general charge, supervision and management of the business affairs of the Company, and is responsible for assuring that policy decisions of the Board are implemented as adopted. He, in conjunction with the Board, is responsible for the development and implementation of the Company's strategic plans.

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The Board intends to continue to separate the Chairman and Chief Executive Officer positions. This structure ensures a greater role for the independent directors in the oversight of the Company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of the Board. In addition, this structure will allow Mr. Bradshaw to focus his attention on guiding the Company through the current difficult regulatory and economic environment, while a separate Chairman can devote full attention to Board leadership functions.

Risk Oversight

The Board's role in the Company's risk management process includes reviewing regular reports from senior management on areas of material risk to the Company, including operational, financial, legal, regulatory, strategic and reputational risks. The Board reviews these reports to enable it to understand and assess the Company's risk identification, risk management and risk mitigation strategies. While the Board has the ultimate oversight responsibility for the risk management process, various committees of both management and the Board also have responsibility for risk management. In accordance with our audit committee charter, the Audit Committee assists the Board in its oversight of the Company's risk assessment and risk management policies as well as the procedures and the safety and soundness of the Company. The Loan Committee evaluates and manages credit risk and concentration risk, while the Internal Asset Review Committee reviews loan classifications and loss risk in the Bank's loan portfolio. In addition, the Asset and Liability Committee manages investment, interest rate, and financial risk exposure, the Compensation/Benefits Committee oversees the management of risks relating to our executive and non-executive compensation plans and arrangements and the Nominating Committee manages risks associated with the independence of the Board of Directors and potential conflicts of interest. While each committee oversees certain risks and the management of such risks, the entire Board is regularly informed of such risks through committee and management reports.

Identifying and Evaluating Nominees for Director

The Company's Nominating Committee is charged with the responsibilities of identifying and recommending candidates to the Board for election as directors. The committee considers candidates suggested by its members, other directors and stockholders in anticipation of upcoming director elections and other potential or expected Board vacancies. The committee will consider candidates nominated by stockholders provided that the stockholder submitting a nomination has complied with procedures set forth in the Company's Bylaws. See "Stockholder Proposals for Presentation at the Annual Meeting" for additional information regarding stockholder nominations of director candidates.

All director candidates, including those nominated by stockholders, are evaluated on the same basis. In determining the needs of the Board and the Company, the Nominating Committee considers the qualifications of current directors and consults with other members of the Board, the CEO and, where appropriate, external advisors. Generally the committee believes that all directors should exemplify the highest standards of personal and professional integrity, have broad experience in positions with a high degree of responsibility and the ability to commit adequate time and effort to serve as a director. Director candidates who are not current directors are interviewed by members of the committee and the CEO and the results of those interviews are considered by the committee and the Board in their deliberations.

Neither the Nominating Committee nor the Board has a formal policy on the consideration of diversity in identifying director candidates, although both may consider diversity when identifying and evaluating candidates. The Board may require a candidate to be sufficiently diverse from the other Board members, in ethnicity, gender, educational, professional and/or managerial backgrounds and experience, to provide a range of perspectives and interests among the members of the Board.

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Committees and Meetings of the Board

The Company has five Board committees: the Executive Committee, Audit Committee, Compensation/Benefits Committee, Special Capital Task Force Committee and Nominating Committee. The Board of Directors of the Bank has six committees: the Executive Committee, Audit/CRA/Compliance Committee, Compensation/Benefits Committee, Loan Committee, Internal Asset Review Committee and Nominating Committee.

Company Committees

The Executive Committee consists of Messrs. Roberts (Chairman), Chan, Medina and Bradshaw. This committee, together with the corresponding committee of the Bank's Board of Directors, serves as an interim decision-making body that functions between Board meetings, if required, to assist the CEO by providing input on critical issues and ensuring appropriate Board involvement in the strategic planning process. The Executive Committee did not hold a meeting in 2012, since the responsibilities were managed at the Board level.

The Audit Committee consists of Messrs Maddox (Chairman), Chan and Medina. The Audit Committee, together with the corresponding committee of the Bank's Board of Directors, is responsible for oversight of the internal audit function of the Company, assessment of accounting and internal control policies and monitoring of regulatory compliance. This committee is also responsible for the engagement and oversight of the Company's independent auditors. The Audit Committee held sixteen meetings during 2012. The Audit Committee has a written charter, which is included as Appendix A to this Proxy Statement. The members of the Audit Committee are independent directors as defined under the Nasdaq Stock Market listing standards.

The Compensation/Benefits Committee consists of Messrs Davidson (Chairman), León and Roberts. 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 matters at the Company level. The Compensation/Benefits Committee has a written charter, which is included as Appendix B to this Proxy Statement. The Compensation/Benefits Committee held five meetings during 2012.

The Special Capital Task Force Committee consists of Messrs. Chan (Chairman), León, Medina and Roberts. This committee is responsible for overseeing the development of capital raising strategies, compliance with the U.S. Department of the Treasury's Troubled Asset Relief Program ("TARP"), repayment of the Treasury Department's TARP investment in the Company, evaluations of merger and acquisition opportunities, joint ventures and private equity partnerships at the Company level. The Committee did not hold a meeting in 2012, since its responsibilities were managed by the full Board.

The Nominating Committee consists of Messrs. Roberts (Chairman), Davidson and Medina. This committee is responsible for the review of the qualifications of persons being considered for election, including existing directors, and for recommending candidates for nominations to the Board. The Nominating Committee held five meetings in 2012. Nominees for the 2013 Annual Meeting were recommended by the Nominating Committee and approved by the Board. There were no nominations by stockholders. The Nominating Committee's duties and responsibilities and the qualifications for director nominees are described in the Nominating Committee Charter, which is included as Appendix C to this Proxy Statement. The members of the Nominating Committee are independent directors as defined under the Nasdaq Stock Market listing standards.

Bank Committees

The Executive Committee consists of Messrs. Roberts (Chairman), Chan, Medina and Bradshaw. This committee serves as an interim decision-making body that functions between Board meetings, if required, and assists the CEO by providing input on critical issues and ensuring appropriate Board

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involvement in the strategic planning process. The Executive Committee did not hold a meeting in 2012.

The Audit/CRA/Compliance Committee consists of Messrs. Maddox (Chairman), Chan and Medina. The Audit/CRA/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 the engagement and oversight of the Bank's independent auditors. The Audit/CRA/Compliance Committee held sixteen meetings during 2012.

The Compensation/Benefits Committee consists of Messrs Davidson (Chairman), León and Roberts. This committee is responsible for the oversight of salary and wage administration and various employee benefits policies and incentive compensation matters, as well as the appraisal of the CEO's performance, determination of his salary and making recommendations regarding such matters for approval by the Board. The committee held five meetings during 2012.

The Internal Asset Review Committee consists of Messrs Medina (Chairman) and Davidson. This committee is responsible for the review and approval of asset classifications and for monitoring delinquent loans and foreclosed real estate. In addition, the Internal Asset Review Committee reviews the adequacy of the Bank's allowance for loan losses. This committee held eleven meetings during 2012.

The Loan Committee consists of Messrs. Chan (Chairman), Maddox, Roberts, Bradshaw and Bellefeuille, who is not a Board member but serves as the Bank's Chief Loan Officer. 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. The committee held seventeen meetings during 2012.

The Nominating Committee consists of Messrs. Roberts (Chairman), Davidson and Medina. This committee is responsible for the review of the qualifications of persons being considered for election, including existing directors, and for nominating candidates for election to the board of directors of the Bank. The Nominating Committee held five meetings during 2012. Nominees for the 2013 Annual Meeting were recommended by the Nominating Committee and approved by the Board. There were no nominations by stockholders of the Company.

Board Meetings

The Boards of Directors of the Bank and the Company each held eleven regular meetings during 2012. The Company's Board of Directors held eight special meetings in 2012 and the Bank's Board of Directors held six special meetings in 2012. All directors attended at least 75% of all meetings held during 2012 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 to attend the annual meeting of stockholders. Four of the seven outside directors of the Company attended the 2012 Annual Meeting of Stockholders.

Communications with the Board

The Board has an established process for stockholder communications with the Board. Stockholders may send communications to the Board or any individual director by mail addressed to: Board of Directors, Broadway Federal Bank, 5055 Wilshire Boulevard, Suite 500, Los Angeles, California 90036. Communications addressed to the Board are reviewed by the Secretary and directed to the Chairman of the Board for further review and distribution to all members of the Board. Communications addressed to individual directors are forwarded directly to the office of the named director.

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AUDIT COMMITTEE REPORT

The following Audit Committee Report does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any other filings by the Company under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent we specifically incorporate this Report by reference.

The Audit Committee oversees the Company's financial reporting process on behalf of the Board. 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 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 Statement of Accounting Standards ("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 has 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 that the audited financial statements be included in the Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2012 on April 1, 2013. The Committee has also recommended to the Board the selection of the Company's independent registered public accounting firm.

Audit Committee

Mr. A. Odell Maddox, Chairman

Mr. Kellogg Chan

Mr. Daniel A. Medina

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EXECUTIVE OFFICERS

The following table sets forth information with respect to current 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)	Principal Occupation during the Past Five Years
Brenda Battey	56	Senior Vice President / Chief Financial Officer of the Company since June 2013 and the Bank since April 2013. Senior Vice President / Senior Controller at Bank of Manhattan from September 2011 to June 2012. Senior Vice President / Controller at Community Bank from February 2010 to September 2010. Senior Vice President / Controller of First Federal Bank of California from 1997 to 2009.
Norman Bellefeuille	60	Senior Vice President / Chief Loan Officer of the Company since July 2012. Lending Division Manager at Luther Burbank Savings from 2005 to July 2012.

(1) As of September 30, 2013

Table of Contents**EXECUTIVE COMPENSATION****Compensation Tables**

The Summary Compensation Table includes information concerning the compensation paid to or earned by each of the persons listed who were executive officers of the Company with respect to the years indicated. These persons are referred to in this Proxy Statement as Named Executive Officers or NEOs.

Summary Compensation Table

Name and Principal Position	Year	Salary(1)	Nonqualified Deferred Compensation Earnings(2)	All Other Compensation(3)	Total (\$)
Wayne-Kent A. Bradshaw(4) <i>Chief Executive Officer</i>	2012	\$ 272,292		\$ 47,045	\$ 319,337
	2011	\$ 210,000		\$ 36,587	\$ 246,587
	2010	\$ 210,000		\$ 33,725	\$ 243,725
Paul C. Hudson(4) <i>Former Chief Executive Officer</i>	2012	\$ 204,375	\$ 157,455	\$ 32,332	\$ 394,162
	2011	\$ 330,000	\$ 150,505	\$ 39,586	\$ 520,091
	2010	\$ 300,000	\$ 141,761	\$ 37,633	\$ 479,394
Samuel Sarpong(5) <i>Former Chief Financial Officer</i>	2012	\$ 172,601		\$ 22,039	\$ 194,640
	2011	\$ 172,601		\$ 21,783	\$ 194,384
	2010	\$ 172,601		\$ 21,457	\$ 194,058
Norman Bellefeuille(6) <i>Chief Loan Officer</i>	2012	\$ 93,125		\$ 12,347	\$ 105,472
Wilbur McKesson(7) <i>Former Chief Loan Officer</i>	2012	\$ 135,992		\$ 26,158	\$ 162,150
	2011	\$ 165,191		\$ 31,400	\$ 196,591
	2010	\$ 165,191		\$ 25,866	\$ 191,057

- (1) Includes amounts deferred and contributed to the 401(k) Plan by the named executive officer.
- (2) The Bank has a Salary Continuation Agreement with Mr. Hudson. The amount listed reflects the change in the actuarial present value of the accumulated benefits under this agreement. The income from a bank owned life insurance policy reduces the expense related to the Salary Continuation Agreement. The present value of the accumulated benefit under this agreement, which is determined using a discount rate of 6%, is reflected in our Consolidated Financial Statements as of December 31, 2012.
- (3) Includes amounts paid by the Company to the 401(k) account of the named executive officer, and estimated allocations under our Employee Stock Ownership Plan. Also includes perquisites and other benefits consisting of automobile and phone allowances, and premiums paid for medical, dental and group term life insurance policies.
- (4) Effective February 2012, Mr. Wayne-Kent A. Bradshaw was appointed Chief Executive Officer and Mr. Paul C. Hudson continued to serve as Chairman of the Board until September 2012.
- (5) Mr. Sarpong's employment was terminated effective January 31, 2013.
- (6)

Mr. Norman Bellefeuille commenced his employment as the Bank's Chief Loan Officer in July 2012.

(7)

Effective July 2012, Mr. McKesson became Chief Loan Production Lead and Mr. Norman Bellefeuille was appointed Chief Loan Officer. Mr. McKesson resigned on December 31, 2012.

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The following table sets forth information concerning outstanding equity awards held by each named executive officer as of December 31, 2012.

Outstanding Equity Awards at December 31, 2012

Name	Number of Securities Underlying Unexercised Options (Exercisable)(1)	Option Awards		Option Exercise Price(3)	Option Expiration Date(4)
		Number of Securities Underlying Unexercised Options (Unexercisable)(2)			
Wayne K. Bradshaw	45,000	30,000		\$ 4.98	03/18/19
Samuel Sarpong	10,000			\$ 13.11	04/21/14
	15,000			\$ 10.25	05/24/16
	12,000	3,000		\$ 5.95	10/22/18
Wilbur McKesson	32,000	8,000		\$ 5.95	10/22/18

- (1) The stock options shown are immediately exercisable.
- (2) The stock options vest in equal annual installments on each anniversary date over a period of five years commencing on the date of the grant.
- (3) Based upon the fair market value of a share of Common Stock on the date of grant.
- (4) The stock options shown are exercisable for a period of ten years from the date of grant.

Salary Continuation

Under the 2006 Salary Continuation Agreement, upon termination of employment after Mr. Paul Hudson reaches age 65, he will receive an annual benefit of \$100 thousand, divided into 12 equal monthly payments, for 15 years. The normal retirement age is defined as age 65. The agreement includes provisions for early termination, disability, termination for cause, death and change in control. No payments are permitted to be made pursuant to this agreement during the period the Company is subject to the limits on executive compensation that apply to companies who issued preferred stock to the Treasury under the TARP. The Company will remain subject to such restrictions until the Treasury has sold or otherwise transferred to third parties all of the Common Stock Equivalents issued to it in the Recapitalization described in this Proxy Statement, and all Common Stock issued on conversion thereof.

Table of Contents**DIRECTOR COMPENSATION**

Each director is paid an annual retainer fee of \$6,000, an additional annual retainer fee of \$3,000 for a director who is chairman of a committee of the Board and board meeting fees of \$1,000 per meeting. The following table summarizes the compensation paid to non-employee directors for the year ended December 31, 2012.

Name	Fees Earned or Paid in Cash(1)	All Other Compensation(2)	Total
Kellogg Chan	\$ 23,000		\$ 23,000
Robert C. Davidson	\$ 23,000	\$ 15,554	\$ 38,554
Javier León	\$ 18,000		\$ 18,000
A. Odell Maddox	\$ 23,000		\$ 23,000
Daniel Medina	\$ 23,000		\$ 23,000
Virgil Roberts	\$ 23,000		\$ 23,000

- (1) Includes payments of annual retainer fees, fees paid to chairmen of Board committees, and meeting attendance fees.
- (2) Includes premiums paid for medical, dental and group term life insurance.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company's current loan policy provides that all loans made by the Company or its subsidiaries to its directors and executive officers must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and must not involve more than the normal risk of collectability or present other unfavorable features.

On September 30, 1999, the Bank made a loan of \$550 thousand to Maddox & Stabler LLC. Mr. A. Odell Maddox is a director of the Company and the Bank. The loan was secured by a 24-unit multi-family property located in Los Angeles, California. The terms of the 30-year loan include an initial interest rate of 8% fixed for the first five years and a variable rate thereafter equal to 2.50% over the one-year Treasury Bill rate. All payments on the loan were made as agreed and the loan was repaid in full in December 2012.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's executive officers and directors, and persons who own more than 10% of the Company's Common Stock, to report to the SEC their initial ownership of shares of the Company's common stock and any subsequent changes in that ownership. Specific due dates for these reports have been established by the SEC and any late filings or failures to file are to be disclosed in this Proxy Statement. Officers, directors and greater than 10% stockholders are required by SEC rules to furnish the Company with copies of all forms that they file pursuant to Section 16(a) of the Exchange Act.

Based solely on our review of copies of such forms received, the Company believes that, during the last fiscal year, all filing requirements under Section 16(a) of the Exchange Act applicable to its officers, directors and greater than 10% stockholders were timely met.

Table of Contents**PROPOSAL 2. RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board has appointed Crowe Horwath LLP ("Crowe Horwath") as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2013. This appointment is being submitted to the stockholders for their consideration and ratification. If the appointment of Crowe Horwath is not ratified by the stockholders, the Audit Committee will consider the stockholders' vote in deciding whether to reappoint Crowe Horwath as independent registered public accounting firm in the future.

It is anticipated that representatives of Crowe Horwath will be present at the Annual Meeting. The Crowe Horwath representatives will be given an opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions from the stockholders. Crowe Horwath performed the independent audit of the Company's financial statements for the fiscal years ended December 31, 2012 and 2011.

**The Board of Directors unanimously recommends that you vote "FOR"
the proposal to ratify the appointment of Crowe Horwath LLP
as the Company's independent registered public accounting firm.**

Principal Accountant Fees and Services

The Audit Committee approves each engagement before the Company's independent accountants are engaged to render non-audit services for the Company or the Bank. The Audit Committee also preapproved all of the audit and audit-related services provided by Crowe Horwath LLP for the year ended December 31, 2012 and 2011. The following table sets forth the aggregate fees billed to us by Crowe Horwath LLP for the years indicated.

	2012	2011
	(In thousands)	
Audit fees(1)	\$ 186	\$ 268
Audit-related fees(2)		12
Total fees	\$ 186	\$ 280

(1) Aggregate fees billed for professional services rendered for the audit of the Company's consolidated annual financial statements included in the Company's Annual Report on Form 10-K and for the reviews of the Company's consolidated financial statements included in the Company's Quarterly Reports on Form 10-Q.

(2) Consultation fees billed for professional services rendered for the 2011 Independent Accountant's Report on Management's Assertion About Compliance with Minimum Servicing Standards (USAP).

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PROPOSAL 3. NON-BINDING STOCKHOLDER APPROVAL OF EXECUTIVE COMPENSATION

The Company issued two series of preferred stock to the U.S. Department of the Treasury (the "Treasury Department") pursuant to the Capital Purchase Program component of the Treasury Department's Troubled Asset Relief Program, or TARP. The American Recovery and Reinvestment Act of 2009, which was signed into law on February 17, 2009, imposes a number of requirements for participants in the TARP Capital Purchase Program. These requirements will remain applicable to the Company until the Treasury has sold or otherwise transferred to third parties all of its holdings of capital stock of the Company. One of the requirements is that at each annual meeting of stockholders during the period in which any TARP obligation (which term includes the preferred stock that the Company issued to the Treasury Department) remains outstanding, TARP recipients must include a separate nonbinding "say on pay" stockholder vote on the compensation of their executive officers among the matters to be considered and voted upon at each annual meeting of stockholders.

This proposal gives you, as a stockholder, the opportunity to vote for or against the following resolution:

"RESOLVED, that the stockholders of Broadway Financial Corporation approve the compensation of executive officers as described in the executive compensation tables and the related disclosure contained in the Proxy Statement."

Because your vote is advisory, it will not be binding upon the Board and may not be construed as overruling any decision by the Board or the Company's Compensation/Benefits Committee. However, the Compensation/Benefits Committee may, in its sole discretion, take into account the outcome of the stockholders' vote when considering future executive compensation arrangements.

We believe that our compensation policies and procedures are aligned with the long-term interests of our stockholders and that our commitment to responsible compensation practices justifies a vote by stockholders FOR the resolution approving the compensation of our executive officers as disclosed in this Proxy Statement.

The Board of Directors unanimously recommends that you vote "FOR" the proposal to approve the Company's compensation of executive officers.

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PROPOSAL 4. AMENDMENT OF CERTIFICATE OF INCORPORATION TO INCREASE THE COMPANY'S AUTHORIZED NUMBER OF SHARES OF COMMON STOCK

On October 30, 2013, the Board of Directors of the Company approved an amendment to Article FOURTH of the Company's Certificate of Incorporation to increase the number of shares of Common Stock that the Company is authorized to issue to 50,000,000 shares. The Company currently has authority under its Certificate of Incorporation to issue 8,000,000 shares of Common Stock, par value \$0.01 per share, of which 6,145,451 shares were issued and outstanding as of September 30, 2013.

The Board is hereby submitting this proposal to stockholders seeking their approval of the amendment and recommends that it be adopted by the Company's stockholders at the Annual Meeting. To become effective, this amendment must be approved by the holders of a majority of the issued and outstanding shares of the Company's Common Stock, voting separately as one class, and by a majority of the outstanding shares of Common Stock and Common Stock Equivalents voting together as a single class.

The full text of Article FOURTH as it would be amended pursuant to this proposal and Proposal 5 is set forth in Appendix D to this Proxy Statement.

As discussed in greater detail below, the Board has determined that this amendment is advisable because the Board believes the proposed increase in the Company's authorized Common Stock is essential for putting the Company on a sound financial footing and positioning the Company for future profitability and growth. In the immediate term, it will result in completion of the Company's Recapitalization, as described below, by triggering the automatic conversion of all of the Company's currently outstanding Common Stock Equivalents, which is a series of mandatorily convertible preferred stock, into 13,299,000 shares of Common Stock, thereby substantially increasing the Company's equity attributable to common stock and simplifying the Company's capital structure. The additional shares of Common Stock that would be authorized will also be available for other corporate purposes, including raising additional capital, completing possible future business combinations and granting stock-based incentive compensation awards for key employees.

The Board of Directors unanimously recommends that you vote "FOR" the proposal to amend the Company's Certificate of Incorporation to increase the number of shares of Common Stock that the Company is authorized to issue.

Effects of the Adoption of the Amendment

If the stockholders adopt the amendment, then immediately prior to the close of business on the fifth business day following the date of such adoption all of the Common Stock Equivalents will automatically convert into shares of our Common Stock at a conversion rate of 1,000 shares of Common Stock for each share of Common Stock Equivalents. This will result in an immediate and corresponding increase in the Company's common equity and greatly simplify the Company's capital structure. We expect that these effects will make the Company's Common Stock more attractive to prospective investors and thereby assist the Company's efforts to raise additional capital. We intend to raise additional capital through the sale of Common Stock to meet the working capital requirements of the parent company, increase the capital of both the parent company and the Bank, and maintain compliance with the Bank's regulatory capital requirements and expected future regulatory capital requirements for the parent company.

Stockholder adoption of the Amendment will have the following additional effects:

Eliminate Dividend, Liquidation and Other Rights of Holders of Common Stock Equivalents. The conversion of the Common Stock Equivalents will eliminate the dividend and liquidation preferences over the Common Stock, and also eliminate the separate class voting rights, of the Common Stock

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Equivalents. While the Company currently does not have any plans to pay dividends and its ability to do so is restricted due to recent losses and the cease and desist order issued to it by the Federal Reserve Board, eliminating the dividend rights of the Common Stock Equivalents will enhance the ability of the Company to pay dividends on the Common Stock in the future.

Eliminate Restrictions on Share Repurchases. The restrictions on our ability to repurchase or redeem shares of our Common Stock or other stock that currently exist under the terms of the Common Stock Equivalents will be eliminated. The Board has no current plans regarding any such repurchases or redemptions.

Dilution. We will issue, through the automatic conversion of the Common Stock Equivalents, an aggregate of 13,299,000 shares of Common Stock. This will result in an increase of \$13.30 million in the Company's common equity. The existing owners of the Company's Common Stock will thereafter own a much smaller percentage of our outstanding Common Stock. This will not, however, affect their percentage ownership of our outstanding voting stock because the holders of the Common Stock Equivalents are currently entitled to vote on an as converted basis with the Common Stock as a single class on all matters on which the Common Stock is entitled to vote, in addition to having certain separate class voting rights. The issuance of the shares of Common Stock on conversion of the Common Stock Equivalents will also not decrease the Company's fully diluted earnings per share as calculated for financial reporting purposes because the dilutive effect of such shares has been required to be taken into account under generally accepted accounting principles since the date that the Common Stock Equivalents were issued in connection with the Recapitalization.

Effects of Failure to Adopt the Amendment

If the amendment is not adopted by the stockholders at the Annual Meeting, or any postponement or adjournment thereof, the Common Stock Equivalents will remain outstanding, which will have the following effects:

Dividend Rights and Preference. In addition to their rights to participate in any dividends that may be declared on the Common Stock prior to February 14, 2014 (and in certain circumstances thereafter), the holders of Common Stock Equivalents will continue to be entitled to receive dividends, when, as and if declared by the Board, in preference and priority to dividends on the Common Stock. Such dividends, if and to the extent declared by the Board, would be at rates commencing at an annual dividend rate of 9% from and including February 14, 2014 and increasing, in quarterly increments of 2% per annum, to 19% from and including May 15, 2015 and continuing thereafter as long as the Common Stock Equivalents remain outstanding. Also, no dividends may be declared or paid on the Common Stock, and no Common Stock may be repurchased by the Company, if all accrued dividends on the Common Stock Equivalents are not concurrently declared and paid. As a result, if the Board wished to pay dividends at some point in the future, assuming that it had the financial capacity to do so and that the regulatory restrictions were removed, then the Board would have to pay the vast majority, or all, of any amount allocated for dividends to the holders of the Common Stock Equivalents rather than the holders of the Common Stock. Dividends on the Common Stock Equivalents would only be payable if declared by the Board and are not cumulative, which means that holders of the Common Stock Equivalents would not be entitled to receive payment of any amounts in the future, whether on dissolution and liquidation of the Company or otherwise, to make up for dividends not declared. However, if full preferred dividends have not been declared and paid on the Common Stock Equivalents for six quarterly Dividend Periods after February 14, 2014, whether or not consecutive, the Company's authorized number of directors will be increased by two and the holders of the Common Stock Equivalents will have the right, voting together with the holders of any other then outstanding Voting Parity Stock as a single class, to elect two directors to fill the newly created director positions. The holders of the Common Stock Equivalents and any such Voting Parity Stock would continue to

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have the right to elect two directors to fill such director positions until all accrued and unpaid dividends on the Common Stock Equivalents have been paid in full. The term Voting Parity Stock is defined for this purpose to mean all other classes or series of stock of the Company the terms of which do not expressly state that such stock ranks senior or junior to the Common Stock Equivalents and which have similar rights to elect directors on passage of dividends.

Liquidation Preference. The holders of the Common Stock Equivalents would continue to have the preferential right to receive distributions of the Company's net assets remaining, if any, after payment or provision for payment of all creditors' claims in the event of dissolution and liquidation of the Company before any liquidating distributions may be made on the Common Stock. The amount of such liquidation preference for the Common Stock Equivalents would be \$1,000 per share of Common Stock Equivalents, or a total of \$13.30 million based on the 13,299 shares of Common Stock Equivalents currently outstanding.

Voting Rights. The holders of the Common Stock Equivalents will continue to have the right to vote, together with the holders of the Common Stock as a single class of voting stock, on all matters on which the holders of the Common Stock are entitled to vote, including without limitation, the election of directors. Based on the respective numbers of shares of Common Stock and Common Stock Equivalents outstanding at September 30, 2013, the holders of the Common Stock Equivalents hold 68.4% of the total voting rights of the Company's outstanding Voting Shares, with the Treasury Department holding 52.18% of such total voting rights. The holders of the Common Stock Equivalents will also continue to have separate class voting rights with respect to certain matters affecting the terms or rights, preferences or privileges of the Common Stock Equivalents, as well as the right to elect two directors in the event dividends are not declared and paid on the Common Stock Equivalents for six quarterly Dividend Periods commencing after February 14, 2014, whether or not consecutive.

Impairment of Company's Ability to Raise Additional Capital. The Board approved the issuance of the Common Stock Equivalents in connection with the Recapitalization because the Company did not have sufficient authorized but unissued Common Stock available to complete all of the transactions that comprised the Recapitalization, including the Preferred Stock Exchanges, Subscription Offering and loan transactions described below. The elimination of the Common Stock Equivalents that will occur through their automatic conversion to Common Stock on adoption of the proposed amendment by the Company's stockholders will complete the Recapitalization and ensure achievement of its principal objectives simplifying the Company's capital structure, increasing its common equity and substantially reducing the cost of its parent-level senior securities. The Board believes that failure to adopt the amendment, and thereby convert the Common Stock Equivalents to Common Stock, will significantly impair the Company's ability to raise additional capital because prospective investors in the Company's Common Stock will likely be concerned about the continuing senior position and rights of the Common Stock Equivalents.

Background and Reasons for the Amendment

Starting in 2009 the Company experienced elevated levels of loan delinquencies and non-performing assets, which have resulted in substantial operating losses. Due to these factors and an assessment of the Company's business and assets in the course of a regulatory examination of the Bank in March 2010, the Company and the Bank were designated by the Office of Thrift Supervision, which was then their primary federal regulator, as being "in troubled condition." The Company and the Bank subsequently agreed to the issuance of cease and desist orders to them by the Office of Thrift Supervision in September 2010. The cease and desist orders mandated improvements in enumerated aspects of the business operations of the Bank and the Company and placed financial and other limitations on the Bank and the Company, including prohibition of the payment of dividends by the Bank or the Company, or the incurrence of any new debt or payment on or renewal of existing debt by

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the Company, in each case without prior regulatory approval. The cease and desist orders also required that the Bank maintain ratios of Tier 1 capital to adjusted total assets and total capital to risk weighted assets of 8% and 12%, respectively, which exceed the normal requirements for such ratios of 4% and 8%, respectively. In addition, since the middle of 2010 the Company has been in default on a senior bank loan, which had an original principal amount of \$5 million. Also, the Company has incurred other payment obligations that it has not been able to pay on a current basis, including amounts owed to the Bank under a tax sharing agreement and for reimbursement of operating expenses, as well as interest payments on \$6 million of Floating Rate Junior Subordinated Debentures (which are suspended while the Company's senior debt is in default). Due to applicable regulatory restrictions, including the borrowing restrictions under the cease and desist orders, the Company has not been able to address these liquidity issues at the holding company through dividends or borrowings from the Bank or through renegotiation of the existing indebtedness.

These conditions and the Company's operating losses have raised substantial doubt about the Company's ability to continue as a going concern. These and related matters, including the potential effects on the Company's financial statements and other financial information included in the Annual Report on Form 10-K for the year ended December 31, 2012, are discussed in "Item 1. Business," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Notes 2 and 11 of the Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplemental Data" of such Annual Report. All of the financial statements and other financial information contained in such Annual Report, which accompanies this Proxy Statement, have been prepared on the basis that the Company will continue as a going concern. Each of the portions of the Annual Report listed above is incorporated herein by reference.

To address the financial issues facing the Company, the Company's management and the Board initiated a concerted effort to raise capital for the Company commencing in May 2010. When that effort did not result in sufficient interest from prospective investors, the Board authorized management to explore the possibility of a business combination as a means of addressing the Company's financial problems. Over the course of almost two years, the Company's financial advisor approached approximately 175 investors, confirmed contact with approximately 140 of those investors (institutions, banks, individuals and foundations), sent executive summaries and presentations to approximately 90 potential investors, sent non-disclosure agreements to 33 potential investors, sent private placement memoranda to 29 potential investors, held meetings with over a dozen potential investors and invited approximately 20 parties to visit the Company's virtual data site. Directors and officers of the Company contacted and held discussions with more than 12 additional potential investors consisting of persons known to them in the markets served by the Bank or through other business and investment contacts. In addition, the Company and another financial advisor approached several candidates regarding potential business combinations. Many of the prospective investors and candidates for a potential business combination that management and its financial advisors approached stated that they would not consider an investment in or a business combination with the Company due to the amount of preferred stock and debt that had been issued by the Company at the parent company level. The investors were concerned that the aggregate amount of preferred stock, senior bank debt and subordinated debt of the Company could not be adequately supported by the Company's business operations or assets, and would represent a prior claim on the Company's net assets in the event of dissolution or liquidation of the Company that would not leave any material amount available for distribution to the holders of the Company's common equity. The candidates for a potential business combination expressed similar concerns, coupled with concerns regarding the Bank's problem assets and operating results and trends.

Based on the expressed concerns of the potential investors, and with the advice and assistance of its financial advisor, management and the Board concluded that the first step in restoring the Company to a financially sound condition would require issuing new common stock in exchange for the Company's five then outstanding series of preferred stock, including accrued dividends thereon, and as

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much of the Company's debt as possible, in conjunction with raising as much new common equity through private sales of Common Stock as could reasonably be accomplished in the near term. These transactions, which are collectively referred to herein as the "Recapitalization," would then position the Company to conduct further sales of Common Stock over time to satisfy increasing regulatory capital requirements, accelerate a return to profitable operations, facilitate removal of the restrictions imposed by the cease and desist orders, increase liquidity for the Company's Common Stock, and support future growth. The amount of additional capital that the Company will seek over the near to intermediate term will depend on a variety of factors, including operating results and future regulatory capital requirements, but is currently expected to be in the range of \$10 million or more.

Substantial Completion of Recapitalization Transactions

The Company substantially completed the planned Recapitalization transactions on August 22, 2013, with stockholder adoption of the Certificate of Incorporation amendments proposed in this Proxy Statement (Proposals 4 and 5) being the sole remaining steps to fully complete the Recapitalization. On August 22, 2013, the Company exchanged Common Stock Equivalents having an aggregate agreed upon value of approximately \$11.42 million for all of the Company's five formerly outstanding series of preferred stock and the associated accumulated but unpaid dividends the shares of the two series of such preferred stock held by the Treasury Department. The exchanges were completed at 50% of the aggregate liquidation preferences of the preferred stock, totaling \$17.55 million, and 100% of the accumulated dividends of approximately \$2.65 million. In addition, the Company raised approximately \$4.24 million of new equity capital through the sale of Common Stock at a price of \$1.00 per share to twelve institutional investors, including both new and current stockholders.

Also as part of the Recapitalization, the Company exchanged Common Stock Equivalents having an agreed value of approximately \$2.57 million for a portion of its bank debt, reducing the Company's senior bank debt from \$5.0 million to approximately \$2.43 million. The Company concurrently entered into a modified loan agreement for the remaining senior debt that provides for quarterly payments of interest only for the next 18 months, and equal monthly payments of principal and interest to final maturity in February 2019. In addition, the bank lender forgave the accrued but unpaid interest on the entire amount of the original loan, which will be reported as a pre-tax gain of approximately \$1.75 million in the Company's third quarter.

The combination of the Recapitalization transactions increased the book value of the Company's common equity by approximately \$27.81 million, and increased the number of outstanding shares of the Company's Common Stock, as determined on a fully diluted basis, by approximately 18.23 million shares, which represents approximately 90.48% of the total number of pro forma outstanding shares of Common Stock (assuming conversion of the Common Stock Equivalents and Series G Non-Voting Preferred Stock as described in Proposals 4 and 5 in this Proxy Statement). The Recapitalization also increased the Company's pro forma book value to \$1.31 per share of Common Stock as of June 30, 2013, as shown in this Proxy Statement under the caption "Pro Forma Financial Information."

More detailed descriptions of the Recapitalization transactions and related agreements entered into by the Company are provided in the following paragraphs.

Treasury Exchange Agreement

Implementation of the Company's Recapitalization began with negotiation of an Exchange Agreement, dated February 10, 2012, with the Treasury Department, which agreement was subsequently amended by Amendment No. 1 to Exchange Agreement, dated as of August 8, 2013. The Exchange Agreement as so amended is referred to herein as the "Treasury Exchange Agreement".

In the Treasury Exchange Agreement, the Treasury Department agreed to exchange all of the 9,000 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series D and the 6,000

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shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series E, each having a liquidation amount of \$1,000 per share, which the Company had issued to the Treasury under the Treasury Department's Troubled Asset Relief Program (collectively, the "TARP Preferred Stock"), including all accrued but unpaid dividends thereon, for shares of the Company's Common Stock. The Treasury Exchange Agreement further provided that the exchanges of the TARP Preferred Stock would be conducted on a discounted basis in which Common Stock having a value equal to 50% of the aggregate liquidation amount of the TARP Preferred Stock, plus 100% of the unpaid accrued dividends on the TARP Preferred Stock, would be issued in the exchange. The Treasury Exchange Agreement required as conditions to the Treasury Department's exchange of the TARP Preferred Stock that the Company concurrently complete one or more private placements of Common Stock (the "Subscription Offering") for the purpose of raising at least \$5 million of new common equity capital, enter into exchange agreements with the holders of each of the Company's other outstanding series of preferred stock providing for the exchange by such holders of their shares of preferred stock on terms substantially similar to those provided in the Treasury Exchange Agreement and pay down a portion of the Company's senior bank debt through an exchange for Common Stock. The Common Stock was to be deemed for purposes of each of the contemplated exchange transactions to have a value equal to the per share price at which the Common Stock was sold in the Subscription Offering. The Treasury subsequently agreed in Amendment No. 1 to the Treasury Exchange Agreement to reduce the requirement for new capital from \$5 million to \$4.42 million, including \$200 thousand raised from directors and officers in 2012.

In recognition of the fact that the Company did not then have a sufficient number of shares of authorized Common Stock to complete the contemplated exchanges and stock sale transactions, the Treasury Department agreed to exchange its shares of TARP Preferred Stock for shares of a new series of preferred stock of the Company, designated as Series F Common Stock Equivalent (the "Common Stock Equivalents"). The Common Stock Equivalents will automatically convert into Common Stock, at a conversion ratio of 1,000 shares of Common Stock for each share of Common Stock Equivalents, upon approval of Proposal 4 to this Proxy Statement by the Company's stockholders, which will amend the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock. The Company is required under the Treasury Exchange Agreement and the Subscription Agreements described below to seek stockholder approval for this purpose. For purposes of the exchange of TARP Preferred Stock and the other contemplated exchange transactions, the Common Stock Equivalents were to be valued on an as-converted basis pursuant to which each share of Common Stock Equivalent would be deemed to have a value equal to the aggregate price of 1,000 shares of Common Stock sold in the Subscription Offering.

The terms of the Common Stock Equivalents were established by action of the Company's board of directors pursuant to authority granted to the board of directors by the Company's Certificate of Incorporation. The Common Stock Equivalents are entitled to vote on an as-converted basis of 1,000 votes per share of Common Stock Equivalents, voting together with the Common Stock as a single class of voting stock, on all matters on which the holders of the Common Stock are entitled to vote. No dividends will accrue or be payable on the Common Stock Equivalents during the period prior to February 14, 2014. Thereafter, dividends would only be payable on the Common Stock Equivalents if declared by the Board. Dividends on the Common Stock Equivalents are not cumulative. The Common Stock Equivalents have a liquidation preference of \$1,000 per share. A more detailed description of the Common Stock Equivalents is provided under the caption "Description of Series F Common Stock Equivalents."

In the Treasury Exchange Agreement, the Treasury Department agreed that it would vote its shares of Company stock, including both Common Stock Equivalents and Common Stock, in the same proportions (for, against or abstain) as all other holders of Common Stock on all matters on which holders of the Common Stock are entitled to vote, except with respect to certain Designated Matters.

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The Designated Matters are: (i) election and removal of directors, (ii) approval of any business combination, (iii) approval of a sale of all or substantially all of the assets or property of the Company, (iv) approval of a dissolution of the Company, (v) approval of any issuance of any securities of the Company on which holders of Common Stock are entitled to vote, (vi) approval of any amendment to the Company's Certificate of Incorporation or bylaws on which holders of Common Stock are entitled to vote and (vii) approval of any other matters reasonably incidental to the foregoing as determined by the Treasury Department. The Treasury Department also agreed to attend all meetings of the Company's stockholders, in person or by proxy, for purposes of obtaining a quorum.

In order to effectuate the foregoing agreements by the Treasury Department, the Treasury Department also granted a proxy appointing the Chief Executive Officer and the Chief Financial Officer of the Company as attorneys-in-fact and proxies for the Treasury Department and its controlled affiliates, with full power of substitution, to vote, express consent or dissent or otherwise utilize such voting power in the manner and on the terms provided in the Treasury Exchange Agreement.

Subscription Agreements

The Company entered into separate Subscription Agreements, each dated on or about August 22, 2013, with CJA Private Equity Financial Restructuring Master Fund I L.P. ("CJA"), an affiliate of Gapstow Capital Partners, and 11 other investors not affiliated with CJA providing for the sale of Common Stock at a price of \$1.00 per share. The Company sold an aggregate of 4,325,500 shares of Common Stock to the investors in the Subscription Offering, of which CJA purchased 1,935,500 shares. The terms of each Subscription Agreement were substantially the same, except that the Subscription Agreement for CJA and one other investor also provided for certain rights for CJA and that investor that were set forth in separate letter agreements (each an "Investor Rights Agreement"). The Subscription Agreements each provide certain securities registration rights that are substantially similar to those provided for in the Registration Rights Agreement described below.

Under the Investor Rights Agreement for CJA, CJA is given: (i) the right to nominate one person for election as a director of the Company, subject to certain exceptions and limitations, including, among others, regulatory approval of or non-objection to the person so nominated, (ii) certain board observation and related information rights pursuant to which CJA may designate a representative to attend all meetings of the Board in a non-voting observer capacity and to receive materials distributed to members of the Board, subject to certain limitations and confidentiality requirements, (iii) the right to exchange a portion of its holdings of Common Stock for shares of a new series of non-voting preferred stock, designated as Series G Non-Voting Preferred Stock or, if authorized by an amendment of the Company's Certificate of Incorporation, non-voting common stock to be issued by the Company at CJA's request, in either case if CJA desires to reduce its holdings of voting stock of the Company to 4.9% as determined for bank regulatory purposes, and (iv) certain pre-emptive rights to participate in future sales of Common Stock or similar securities to the extent necessary to maintain CJA's percentage ownership in the Company's capital stock on a fully diluted basis, subject to applicable bank regulatory requirements. CJA has chosen not to exercise its right to nominate a person for election as a director at the current time. The Investor Rights Agreement also provides CJA with certain securities registration rights pursuant to the Registration Rights Agreement described below. The Investor Rights Agreement for the other investor provides the investor with board observation and related information rights.

A description of the Series G Non-Voting Preferred Stock is included in the discussion in this Proxy Statement captioned "Proposal 5. Amendment to Certificate of Incorporation to Authorize a New Class of Non-Voting Common Stock."

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Series A Exchange Agreement

The Company entered into an Exchange Agreement, dated March 19, 2012 (the "Series A Exchange Agreement"), with the Automobile Club of Southern California and its affiliate, the Interinsurance Exchange of the Automobile Club (collectively, "AutoClub/IEAC") with respect to the 16,560 shares and 38,639 shares of the Company's Noncumulative Perpetual Preferred Stock, Series A (the "Series A Preferred Stock"), liquidation preference \$10.00 per share, held by them, respectively. The Series A Preferred Stock held by AutoClub/IEAC comprised all of the outstanding shares of Series A Preferred Stock.

The Series A Exchange Agreement provided for the exchange of the Series A Preferred Stock for Common Stock or Common Stock Equivalents on substantially the same 50% of liquidation amount as provided in the Treasury Exchange Agreement with respect to the TARP Preferred Stock. The Series A Exchange Agreement did not provide for any exchange of Common Stock or Common Stock Equivalents for accrued dividends because the Series A Preferred Stock did not bear cumulative dividends. The Series A Exchange Agreement provides AutoClub/IEAC with certain rights to participate in Common Stock repurchases initiated by the Company by selling to the Company up to that number of shares of Common Stock or Common Stock Equivalents that would maintain AutoClub/IEAC's ownership of Common Stock at a level of less than 5% after giving effect to such repurchases by the Company. In addition, the Company agreed not to issue any preferred stock for a period of two years following the closing of the exchange of the Series A Preferred Stock, except for issuances in connection with a shareholder rights plan, issuances in connection with a rights offering or other distribution to shareholders, or issuances approved by a majority of the outstanding Common Stock.

Series B Exchange Agreement

The Company entered into an Exchange Agreement, dated August 22, 2013 (the "Series B Exchange Agreement"), with BBCN Bancorp, Inc. ("BBCN") providing for the exchange by BBCN of all of the 100,000 shares of the Company's outstanding Noncumulative Perpetual Preferred Stock, Series B (the "Series B Preferred Stock"), each having a liquidation preference of \$10.00 per share, for Common Stock or Common Stock Equivalents on substantially the same discounted basis as provided in the Treasury Exchange Agreement for the exchange of the Company's TARP Preferred Stock. The Series B Exchange Agreement did not provide for any exchange of Common Stock or Common Stock Equivalents for accrued dividends because the Series B Preferred Stock did not bear cumulative dividends. The Series B Preferred Stock held by BBCN comprised all of the outstanding shares of Series B Preferred Stock.

The Series B Exchange Agreement provides BBCN with certain rights to participate in Common Stock repurchases initiated by the Company by selling to the Company up to that number of shares of Common Stock or Common Stock Equivalents that would maintain BBCN's ownership of Common Stock at a level not exceeding 9.90% after giving effect to such repurchases by the Company. In addition, the Company agreed not to issue any preferred stock for a period of two years following the closing of the exchange of the Series B Preferred Stock, except for issuances in connection with a shareholder rights plan, issuances in connection with a rights offering or other distribution to shareholders, or issuances approved by a majority of the outstanding Common Stock.

The Company concurrently entered into an Investor Rights Agreement with BBCN that provides BBCN with substantially the same rights as those provided in the Investor Rights Agreement with CJA described above, other than the right to nominate a person for election as a director of the Company.

Series C Exchange Agreement

The Company entered into an Exchange Agreement, dated August 22, 2013 with National Community Investment Fund ("NCIF"), providing for the exchange by NCIF of all of the 76,950 shares

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of the Company's Noncumulative Convertible Perpetual Preferred Stock, Series C, having a liquidation preference and a conversion price of \$13.00 per share (the "Series C Preferred Stock"), held by NCIF for Common Stock or Common Stock Equivalents on substantially the same terms as provided in the Series B Exchange Agreement with respect to the Series B Preferred Stock. The Series C Preferred Stock held by NCIF comprised all of the outstanding shares of Series C Preferred Stock.

The Company concurrently entered into an Investor Rights Agreement with NCIF having substantially the same provisions as the Investor Rights Agreement that the Company entered into with CJA as described above, as well as the separate Registration Rights Agreement described below. NCIF has chosen not to exercise the director nomination right provided in its Investor Rights Agreement at the current time.

Agreement for Partial Satisfaction of Debt Previously Contracted; Related Agreements

As previously reported in the Company's reports filed with the SEC, including its Annual Report on Form 10-K for the year ended December 31, 2012 and its quarterly report on Form 10-Q for the quarter ended June 30, 2013, the Company has been, and remains, in default on a loan from BBCN Bank, which is BBCN's bank subsidiary, in the original principal amount of \$5 million. The Company entered into an Agreement for Partial Satisfaction of Debt Previously Contracted, dated August 22, 2013 (the "DPC Agreement"), with BBCN Bank and NCIF in connection with the Recapitalization. The DPC Agreement provides for the exchange of a portion of the principal amount of the BBCN Bank loan, and forgiveness of all interest accrued on the entire \$5 million principal amount of the loan to the date of the exchange, for Common Stock or Common Stock Equivalents having a value equal to 100% of the loan principal amount exchanged. The Common Stock or Common Stock Equivalents to be exchanged were valued for this purpose at the same value as provided in the Treasury Exchange Agreement with respect to the exchange of the TARP Preferred Stock.

The DPC Agreement provides that certain of the original terms of the BBCN Bank loan that would otherwise continue to apply to the Company's loan payment and related obligations would be modified as set forth in a separate Change in Terms Agreement. The changes in loan terms that have become effective pursuant to that agreement include, among others, extension of the maturity of the loan and a change to the repayment schedule on the loan to six quarterly payments of interest only beginning three months following the closing of the Recapitalization, followed by 48 fully amortizing equal monthly payments of principal and interest on the loan beginning 19 months after the closing of the Recapitalization; provided, that each payment on the loan must receive prior approval from the Federal Reserve Bank of San Francisco. Failure to make such a payment due to an inability to obtain such approval despite the exercise by the Company of required efforts to obtain such approval will not constitute an event of default under the revised loan terms. In addition the interest rate on the loan has been increased to the Wall Street Journal Prime Rate plus 2%, with a floor (minimum) rate of 6%, from the original loan interest rate of the Wall Street Journal Prime Rate plus 1%, with a floor rate of 6%, although the Default Rate Margin of 5% has been forgiven.

The DPC Agreement further provided that \$1.15 million of the principal amount of the BBCN Bank loan would be sold by BBCN Bank to NCIF for cash in the amount of \$575 thousand pursuant to a separate Loan Purchase and Sale Agreement, dated August 22, 2013 entered into between BBCN Bank and NCIF. NCIF was required pursuant to the Loan Purchase and Sale Agreement to concurrently exchange the loan principal amount so purchased by NCIF for Common Stock or Common Stock Equivalents valued at 100% of face value of the loan principal amount exchanged. The shares of Common Stock or Common Stock Equivalents issued in that exchange were required to be valued for such purpose at the same value as provided in the Treasury Exchange Agreement with respect to the exchange of the TARP Preferred Stock. Contemporaneously with the exchange by NCIF of the portion of the BBCN Bank loan that it purchased, NCIF exchanged 698 shares of the Common Stock Equivalents that it received for 6,982 shares of Series G Non-Voting Preferred Stock, which will

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automatically be converted into 698,200 shares of non-voting common stock if the stockholders approve the amendment to the Company's Certificate of Incorporation authorizing the Company to issue non-voting common stock that is described in this Proxy Statement under the caption "Proposal 5. Amendment to Certificate of Incorporation to Authorize Issuance of Non-Voting Common Stock."

Registration Rights Agreement

The Company entered into a Registration Rights Agreement, dated August 22, 2013, with CJA, NCIF and BBCN (collectively, the "Investors") pursuant to which the Company is required to prepare and file a "shelf registration statement" under the Securities Act of 1933, as amended (the "Securities Act") for use in connection with resales by the respective Investors from time to time of the stock issued to them in the Recapitalization. The stock to be included in the registration statement (the "Registrable Securities") will include the Common Stock Equivalents and Common Stock initially issued in connection with the Recapitalization and Common Stock issued on conversion of the Common Stock Equivalents. The registration statement is required to be filed within 90 days after the date on which the Recapitalization transactions were completed. The Company is further required to use its best efforts to have the registration statement declared effective as soon as practical and in no event later than 90 days after filing or, if earlier, the fifth day after the staff of the SEC informs the Company that the staff will not review the registration statement, or will not review it further. The Company is further required, with certain exceptions, to keep the registration statement effective, in compliance with the Securities Act, and available for resale of the Registrable Securities until the date that is twelve months after the initial effective date thereof. Under the Registration Rights Agreement, the Investors each also have certain "piggyback" registration rights permitting each of the Investors to require, subject to certain exceptions, inclusion of their Registrable Securities in offerings of securities that the Company may decide to conduct.

The Registration Rights Agreement provides that all expenses incurred in connection with the shelf registration provided for therein will be borne by the Company, except that the Company will not be required to pay underwriters fees, discounts or commissions relating to Registrable Securities or fees of separate legal counsel for the Investors. The Company also agreed in the Registration Rights Agreement to indemnify the Investors against losses, claims and expenses to which the Investors may become subject, under the Securities Act or otherwise, arising out of or based upon any actual or alleged false or misleading statements contained in the registration statement, or any violation by the Company of any rule or regulation promulgated under the Securities Act or any state securities law applicable to the Company and relating to action or inaction required of the Company in connection with any such registration. The Investors are also required to indemnify the Company against certain losses, claims and expenses arising out of actual or alleged material misstatements or omissions in information supplied to the Company by the Investors for use in the registration statement.

Historical and Pro-Forma Financial Information

The historical financial statements of the Company as of December 31, 2012 and 2011 and for each of the two years then ended that are included in the Company's Annual Report on Form 10-K which accompanies this Proxy Statement, together with the Company's financial statements included in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, which are attached as Appendix E hereto. Unaudited pro forma condensed consolidated financial information and explanatory notes giving effect to the Recapitalization completed on August 22, 2013, and giving prospective effect to stockholder adoption of the proposed amendments to the Company's Certificate of Incorporation described herein, are set forth in this Proxy Statement under the caption "Pro Forma Financial Information." Stockholders are urged to read carefully the unaudited pro forma condensed consolidated financial information and explanatory notes and the historical financial statements, as well

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as the other information contained or incorporated by reference in this Proxy Statement, in considering how to vote at the Annual Meeting.

Description of Common Stock Equivalents

General. The Common Stock Equivalents constitute a single series of our authorized preferred stock, designated as Series F Common Stock Equivalents and having a par value \$0.01 per share. The terms of the Common Stock Equivalents have been established by the Board pursuant to authority granted to the Board in the Company's Certificate of Incorporation. The total number of shares of Common Stock Equivalents authorized to be issued is 14,000.

Automatic Conversion of Common Stock Equivalents. Each share of Common Stock Equivalents will automatically convert into 1,000 shares of Common Stock, subject to the anti-dilution adjustments in certain events described below, at the close of business on the fifth business day after the date on which stockholder approval is obtained to amend the Company's Certificate of Incorporation to increase the number of shares of Common Stock the Company is authorized to issue. Stockholder approval of Proposition 4 described in this Proxy Statement will constitute such approval. Cash would be paid in lieu of issuance of any fractional shares of Common Stock on conversion of the Common Stock Equivalents.

Dividends. Holders of the Common Stock Equivalents would be entitled to share on an as-converted basis with the holders of the Common Stock any dividends that may be declared and paid on the Common Stock in respect of the period prior to February 14, 2014. No preferred dividends will accrue or be payable on the Common Stock Equivalents prior to February 14, 2014. Thereafter, holders of the Common Stock Equivalents would be entitled to receive non-cumulative preferred dividends, but only if, as, and when declared by our Board, or a duly authorized committee thereof, out of our assets legally available under Delaware law for the payment of such dividends. Such dividends, if and to the extent declared by the Board, would be (i) at rates commencing at an annual dividend rate of 9% of the \$1,000 per share liquidation preference amount of the Common Stock Equivalents from and including February 14, 2014 and increasing, in quarterly increments of 2% per annum, to 19% from and including May 15, 2015 and continuing thereafter as long as the Common Stock Equivalents remain outstanding, or (ii) if greater, in an amount equal to the aggregate dividends payable during the applicable Dividend Period on the number of shares of Common Stock into which the Common Stock Equivalents would then be convertible. The holders of the Common Stock Equivalents have no right to receive any dividend for any period in respect of which our Board does not declare a dividend, and we have no obligation to declare or pay any dividend for any period, whether or not dividends are declared and paid for any past or future period with respect to shares of the Common Stock Equivalents.

Our Board may not declare or pay any cash dividend on, or make a cash distribution in respect of, our Common Stock or any other shares of junior stock or parity stock (other than dividends payable solely in shares of Common Stock or in shares of the same series of the junior or parity stock, respectively, for which the dividend is being paid), unless all accrued and unpaid dividends for all past Dividend Periods (as defined in the Certificate of Designations), including the latest completed Dividend Period on all outstanding shares of Common Stock Equivalents, have been or are contemporaneously declared and paid in full (or have been declared and a sum sufficient for the payment thereof has been set aside for the benefit of the holders of shares of Common Stock Equivalents on the applicable record date).

If full preferred dividends have not been declared and paid on the Common Stock Equivalents for six quarterly Dividend Periods after February 14, 2014, whether or not consecutive, the Company's authorized number of directors will be increased by two and the holders of the Common Stock Equivalents will have the right, voting together with the holders of any other then outstanding Voting

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Parity Stock as a single class, to elect two directors to fill the newly created director positions. The holders of the Common Stock Equivalents and any such Voting Parity Stock would continue to have the right to elect two directors to fill such director positions until all accrued and unpaid dividends on the Common Stock Equivalents have been paid in full. The term Voting Parity Stock is defined for this purpose to mean all classes or series of stock of the Company the terms of which do not expressly state that such stock ranks senior or junior to the Common Stock Equivalents and which have similar rights to elect directors on failure to pay dividends.

Liquidation Rights. The holders of the Common Stock Equivalents have the preferential right to receive distributions of the Company's net assets remaining, if any, after payment or provision for payment of all creditors' claims in the event of any dissolution, liquidation or winding up of the affairs of the Company before any liquidating distributions may be made on the Common Stock. The amount of such liquidation preference for the Common Stock Equivalents would be \$1,000 per share of Common Stock Equivalents, or a total of \$13.30 million based on the 13,299 shares of Common Stock Equivalents currently outstanding.

In addition, if the amount of assets that would have been distributable in liquidation to the holder of a share of Common Stock Equivalents if such share had been converted into Common Stock immediately prior to such liquidation exceeds the liquidation preference amount, the holder of each share of Common Stock Equivalents will be entitled to participate, to the extent of such excess, in the assets available for distribution in respect of the Common Stock.

A consolidation or merger of the Company with one or more other entities will not be deemed to be a voluntary or involuntary liquidation, dissolution, or winding up of the Company for purposes of the provisions described in the preceding two paragraphs.

Anti-Dilution Adjustments. Initially, each share of Common Stock Equivalents will automatically convert into Common Stock upon the occurrence of the stockholder approval of the amendment to the Company's Certificate of Incorporation described above at a rate of 1,000 shares of Common Stock for each share of Common Stock Equivalents. If we do any of the following, we will be required under the terms of the Common Stock Equivalents to make such provision as is necessary to result in the holders of the Common Stock Equivalents receiving the same dividend, distribution or other assets or property as such holders would have received if they had been holders of the number of shares of Common Stock into which the Common Stock Equivalents held by such holders would convert at the conversion rate that is applicable on the date of such issuance, distribution, subdivision or combination:

- (1) issue Common Stock as a dividend or distribution to all holders of Common Stock;
- (2) effect a subdivision or combination of the Common Stock;
- (3) issue certain rights or warrants to all holders of Common Stock to purchase shares of Common Stock at less than the then current market value of the Common Stock;
- (4) make certain dividends and other distributions of capital stock, evidences of indebtedness or cash to all holders of Common Stock; or
- (5) purchase shares of Common Stock pursuant to a tender offer or exchange offer at a price that exceeds the then current market price for the Common Stock.

Amounts resulting from any calculation in connection with the foregoing will be rounded to the nearest 1/10,000th of one share of Common Stock.

Reorganization Events. In the event of:

- (1) consolidation or merger of the Company with or into another person (other than a merger or consolidation in which the Company is the continuing corporation and in which the shares of

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Common Stock outstanding immediately prior to the merger or consolidation are not exchanged for, or converted into, cash, securities or other property of the Company or another corporation);

(2) any sale, transfer, lease, or conveyance to another person of all or substantially all of our property and assets; or

(3) any statutory exchange of our securities with another person (other than in connection with a merger or acquisition), any reclassification or any binding share exchange which reclassifies or changes the outstanding Common Stock;

each of which is referred to as a "reorganization event," each share of the Common Stock Equivalents outstanding immediately prior to such reorganization event will, without the consent of the holders of the Common Stock Equivalents, become convertible into the kind of securities, cash, and other property receivable in such reorganization event per share of Common Stock by a holder of Common Stock that is not a person with which we consolidated or into which we merged or which merged with us or to which such sale or transfer was made, as the case may be, or certain of their affiliates to the extent the reorganization provides for different treatment of common stock held by our affiliates.

Fractional Shares. No fractional shares of our Common Stock will be issued to holders of the Common Stock Equivalents upon conversion. In lieu of any fractional shares of Common Stock otherwise issuable in respect of the aggregate number of shares of the Common Stock Equivalents of any holder that are converted, that holder will be entitled to receive an amount in cash equal to the fraction of a share of Common Stock, calculated on an aggregate basis in respect of the shares of Common Stock Equivalents being converted, multiplied by the closing price of the Common Stock on the trading day immediately prior to the mandatory conversion date.

Voting Rights. The holders of the Common Stock Equivalents are entitled to vote together with the holders of the Common Stock (and any other securities that are entitled to vote together, or that may in the future be entitled to vote together, with the holders of the Common Stock) as a single class of voting stock and securities, on all matters upon which the holders of Common Stock are entitled to vote, except with respect to those matters which under Delaware law would require the vote of the Common Stock Equivalents or the Common Stock voting as a separate voting class or series of voting securities. Holders of the Common Stock Equivalents are entitled to a number of votes per share equal to the number of shares of Common Stock into which a share of Common Stock Equivalents would be convertible at the then applicable conversion rate. The Common Stock Equivalents will not have any other voting rights, except in the case of certain dividend arrearages as described above and except as specifically required by Delaware law. Under Delaware law, the holders of the Common Stock Equivalents would be entitled to vote as a class separate from the Common Stock with respect to proposed changes in the terms or rights, preferences or privileges of the Common Stock Equivalents.

Redemption. We do not have the right to redeem the Common Stock Equivalents at our option and the holders thereof cannot require that we redeem the Common Stock Equivalents at their option. The Common Stock Equivalents are not subject to any sinking fund or similar provision.

Preemptive Rights. The terms of the Common Stock Equivalents do not include any preemptive rights.

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**PROPOSAL 5. AMENDMENT OF CERTIFICATE OF INCORPORATION
TO AUTHORIZE A NEW CLASS OF NON-VOTING COMMON STOCK**

An additional amendment to Article FOURTH of the Company's Certificate of Incorporation is hereby being presented for adoption by the stockholders at the Annual Meeting. This amendment would authorize the Company to issue up to 5,000,000 shares of a new class of common stock that would not have general voting rights. The proposed new class of stock is referred to in this description as "Non-Voting Common Stock." The Board has approved this amendment to Article FOURTH, has determined that it is desirable and recommends that it be adopted by the stockholders at the Annual Meeting. The full text of Article FOURTH as it would be amended pursuant to this proposal and Proposal 4 is set forth in Appendix D to this Proxy Statement.

The Board has proposed this amendment, and is recommending that it be adopted by the Company's stockholders, in order to complete the Recapitalization described in the preceding discussion of Proposal 4 in this Proxy Statement. Pursuant to the terms of the Company's currently outstanding Series G Non-Voting Preferred Stock described therein, all of the outstanding shares of such preferred stock will automatically convert into Non-Voting Common Stock as of the close of business on the fifth business day following the effective date of an amendment to the Company's Certificate of Incorporation that authorizes the Company to issue such stock, provided the Non-Voting Common Stock so authorized conforms to criteria specified in the Certificate of Designations for the Series G Non-Voting Preferred Stock. The terms of the proposed Non-Voting Common Stock have been designed to comply with such criteria. Upon such conversion, the Company will no longer have any outstanding shares of preferred stock.

If the stockholders do not adopt this proposal, the Series G Non-Voting Preferred Stock will remain outstanding and the Company will not have completely achieved its objective of eliminating all of its outstanding series of preferred stock.

**The Board of Directors unanimously recommends that you vote "FOR"
the proposal to authorize issuance of Non-Voting Common Stock.**

Description of the Proposed Non-Voting Common Stock

The Non-Voting Common Stock will have all of the attributes and rights of the Company's Common Stock, other than as described below with respect to voting rights and provisions regarding conversion to Common Stock. Holders of the Non-Voting Common Stock would be entitled to share ratably with the holders of Common Stock, based on the numbers of shares held by each, in any dividends declared on the Common Stock by the Board and in distributions of any net liquidation proceeds upon dissolution and liquidation of the Company, after payment or provision for payment of creditors' claims and distribution of net liquidation proceeds to the extent legally required on any then outstanding shares of preferred stock.

The holders of the Non-Voting Common Stock will not have any voting rights, except as required by the Delaware General Corporation Law. Under the Delaware General Corporation Law, the holders of stock that by its terms is stated not to have voting rights nonetheless have the right to vote as a separate class on proposed amendments to the issuing corporation's certificate of incorporation that would change the authorized number of shares of such class, change their par value or alter or change the powers, preferences or special rights of the shares of such class so as to affect them adversely.

As is the case with the Company's currently outstanding Series G Non-Voting Preferred Stock, the Non-Voting Common Stock will be transferable, subject to certain limitations, and will be convertible into Common Stock in connection with transfers that are made to new holders of the Non-Voting Common Stock that are not affiliated with the holder to whom it was initially issued and which

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conform to the criteria specified in clauses (iii), (iv) or (v) listed below. These criteria are intended to comply with bank regulatory requirements used to determine whether the holders of the Non-Voting Common Stock may be found or presumed to have control (as defined in applicable regulations) of a savings and loan holding company or bank holding company. The shares of Non-Voting Common Stock will only be transferrable by the initial holder thereof or an affiliate of the initial holder (i) to an affiliate of the initial holder, (ii) to the Company, (iii) in a widespread public distribution, (iv) in a transfer in which no transferee (or group of associated transferees) would receive 2% or more of any class of voting securities of the Company, or (v) to a transferee that would control more than 50% of the voting securities of the Company without any transfer from the initial holder or any affiliate of the initial holder. The terms of the proposed Non-Voting Common Stock further provide that notwithstanding the foregoing, the Company may restrict such conversion to the extent it would be inconsistent with, or in violation of, the requirements of any bank regulator (as defined) with respect to the restrictions on the transfer of the Non-Voting Common Stock that are required in order to preserve the "non-voting" classification of the Non-Voting Common Stock for bank regulatory purposes. Any such restriction would be imposed and deemed effective immediately upon the transmittal by the Company of written notice to such holder specifying in reasonable detail the reason for such restriction; and in the event such notice is transmitted after the event giving rise to such automatic conversion, the restriction would be deemed to have been imposed and effective retroactively to the time of such event, and such conversion would be deemed not to have occurred, so long as such notice is transmitted within 180 days after the event giving rise to such conversion.

Description of Series G Non-Voting Preferred Stock

The Series G Non-Voting Preferred Stock is subordinate and junior to all other series of preferred stock of the Company and ranks on parity with the Common Stock, except with respect to the declaration and payment of dividends, if any. Holders of the Series G Non-Voting Preferred Stock do not have general voting rights. They only have voting rights to the extent required by the Delaware General Corporation Law with respect to proposals to amend the Company's Certificate of Incorporation that would alter or change the powers, preferences or special rights of the shares of Series G Non-Voting Preferred Stock so as to affect them adversely. The Series G Non-Voting Preferred Stock is not entitled to any liquidation preference over the Common Stock upon dissolution and liquidation of the Company. The Series G Non-Voting Preferred Stock is entitled to a priority of \$0.001 per share over the Common Stock with respect to the payment of dividends, but only if the Board declares a dividend on the Common Stock. The Series G Non-Voting Preferred Stock is not entitled to any dividends independently from dividends declared on the Common Stock. The terms of the Series G Non-Voting Preferred Stock provide that such stock will automatically convert into Non-Voting Common Stock at a conversion ratio of 100 shares of Non-Voting Common Stock for each share of Series G Non-Voting Preferred Stock upon approval by the Company's stockholders of an amendment to the Company's Certificate of Incorporation authorizing the issuance of Non-Voting Common Stock. The Series G Non-Voting Preferred Stock is subject to the same restrictions on transfer by the initial holders thereof and their affiliates as outlined above for the Non-Voting Common Stock, and would be convertible into Common Stock having full voting rights only in connection with the same types of transfers of stock by the original holders thereof to third parties, that are described above with respect to the proposed Non-Voting Common Stock.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial information and explanatory notes have been prepared to illustrate the combined pro forma impact of the transactions comprising the Recapitalization that were completed on August 22, 2013 and further adjusted to show the pro forma impact of stockholder adoption of the proposed amendments to the Company's Certificate of Incorporation that would increase the number of shares of Common Stock the Company is authorized to issue and authorize the Company to issue up to 5,000,000 shares of Non-Voting Common Stock, which proposals are referred to in this Proxy Statement as Proposal 4 and Proposal 5, respectively.

The transactions comprising the Recapitalization were:

- (1) The issuance of 8,776 shares of Common Stock Equivalents in exchange for the five series of the Company's formerly outstanding preferred stock with an aggregate liquidation value or preference of \$17.55 million, including the TARP Preferred Stock that was issued to the Treasury Department pursuant to the Capital Purchase Program component of the Treasury Department's Troubled Asset Relief Program, which the parties agreed to value at \$8.766 million based on the price at which shares of the Common Stock were sold in the Subscription Offering referred to below;
- (2) The issuance of 2,646 shares of Common Stock Equivalents in exchange for all of the accumulated dividends on the TARP Preferred Stock, totaling \$2.646 million as of the date of the exchange;
- (3) The issuance of 2,575 shares of Common Stock Equivalents in exchange for \$2.575 million principal amount of the Company's bank debt (the "Debt Exchange");
- (4) The forgiveness of the \$1.755 million of accrued interest on the entire amount of the Company's bank debt as of the date of the exchange;
- (5) The exchange of 698 shares of Common Stock Equivalents issued in the Debt Exchange for 6,982 shares of Series G Non-Voting Preferred Stock; and
- (6) The issuance of 4,235,500 shares of Common Stock in private sales (the "Subscription Offering") at a price of \$1.00 per share, yielding \$4.24 million in gross proceeds.

The unaudited pro forma condensed combined balance sheet as of June 30, 2013 assumes that the Recapitalization was completed and the amendments to the Company's Certificate of Incorporation became effective (collectively, the "Combined Transactions") on that date. The unaudited pro forma condensed consolidated statements of income for the six months ended June 30, 2013 and the year ended December 31, 2012 assume the Combined Transactions had been completed on January 1, 2012.

The terms of the Common Stock Equivalents provide that all outstanding shares of such stock will automatically convert into shares of Common Stock upon the effectiveness of an amendment to the Company's Certificate of Incorporation increasing the number of shares of Common Stock the Company is authorized to issue (Proposal 4). The terms of the Series G Non-Voting Preferred Stock provide that all outstanding shares of such stock will automatically convert to shares of non-voting common stock upon the effectiveness of an amendment to the Company's Certificate of Incorporation authorizing the Company to issue shares of such non-voting common stock (Proposal 5). The pro forma condensed consolidated financial information reflects the effect of the automatic conversion of all of the 13,299 shares of Common Stock Equivalents that are currently outstanding into 13,299,000 shares of Common Stock and the automatic conversion of the 6,982 shares of Series G Non-Voting Preferred Stock that are currently outstanding into 698,200 shares of Non-Voting Common Stock assuming that the foregoing proposals are adopted. For purposes of computing earnings (loss) per share, the Common Stock Equivalents and the Series G Non-Voting Preferred Stock are treated as Common Stock on an as-converted basis.

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The unaudited pro forma condensed combined financial information has been derived from and should be read in conjunction with Broadway's historical consolidated audited financial statements as of and for the year ended December 31, 2012 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 and Broadway's historical consolidated quarterly financial statements as of and for the six months ended June 30, 2013 as included in the Company's Quarterly Report on Form 10-Q for the quarter then ended, which accompany or are included in this Proxy Statement and are incorporated herein by reference. The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and does not indicate the financial position or results of operations that would have been realized had the Combined Transactions been completed as of the dates indicated or that will be realized in the future following stockholder adoption or failure to adopt the amendments to the Company's Certificate of Incorporation described in the Proxy Statement, nor does it represent the impact of possible changes to the Company's business model or potential changes to asset valuations due to current market conditions. The unaudited pro forma condensed consolidated financial information also does not consider any potential effects of changes in current market conditions on interest income and expenses, operating efficiencies, asset dispositions, and non-performing assets, among other factors.

Table of Contents**BROADWAY FINANCIAL CORPORATION AND SUBSIDIARIES****Pro Forma Condensed Consolidated Balance Sheet**

As of June 30, 2013

(unaudited)

The following unaudited pro forma condensed consolidated balance sheet gives effect to the Combined Transactions assuming that they occurred on June 30, 2013.

	Actual at June 30, 2013	Pro Forma Adjustments	Pre-Conversion of Series F and G Preferred Stock As Adjusted	Conversion Upon Stockholder Approval Pro Forma Adjustments	Post-Conversion of Series F and G Preferred Stock As Further Adjusted
(In thousands except share and per share amounts)					
Assets					
Cash	\$ 15,188	\$ 3,496 (a)	\$ 18,684	\$	\$ 18,684
Federal funds sold	59,280		59,280		59,280
Cash and cash equivalents	74,468	3,496	77,964		77,964
Securities available-for-sale, at fair value	11,117		11,117		11,117
Loans receivable held-for-sale, at lower of cost or fair value	9,126		9,126		9,126
Loans receivable held for investment, net of allowance of \$10,579 and \$11,869	225,391		225,391		225,391
Other assets	25,097	(361) (b)	24,736		24,736
Total assets	\$ 345,199	\$ 3,135	\$ 348,334	\$	\$ 348,334
Liabilities and stockholders' equity					
Liabilities:					
Deposits	\$ 229,365		\$ 229,365	\$	\$ 229,365
FHLB advances	79,500		79,500		79,500
Junior subordinated debentures	6,000		6,000		6,000
Other borrowings	5,000	(2,575) (c)	2,960		2,960
		535 (d)			
Accrued interest payable	2,308	(1,674) (d)	634		634
Dividends payable	2,554	(2,554) (e)			
Other liabilities	3,883	(339) (f)	3,544		3,544
Total liabilities	328,610	(6,608)	322,002		322,002
Stockholders' Equity:					
Fixed Rate Perpetual Cumulative Preferred Stock, Series D	8,963	(8,963) (g)			
Fixed Rate Perpetual Cumulative Preferred Stock, Series E	5,974	(5,974) (g)			
Perpetual Non-Cumulative Preferred Stock, Series A, B and C	2,457	(2,457) (g)			
Preferred, non-cumulative, voting stock, \$.01 par value, pro forma authorized 14,000 shares; pro forma issued 13,997 shares of Series F Common Stock Equivalents; pro forma no shares outstanding and no liquidation preference, post conversion at June 30, 2013		13,997 (g)	13,299	(13,299) (j)	
		(698) (h)			
Preferred, non-cumulative, non-voting stock, \$.01 par value, pro forma authorized 35,000 shares; pro forma issued 6,982 shares of Series G at June 30, 2013; pro forma no shares outstanding and no liquidation preference, post conversion at June 30, 2013		698 (h)	698	(698) (j)	
Preferred stock discount (Series D and E)	(396)	396 (g)			
Common Stock	20	42 (i)	62	133 (i)	195
				7 (i)	7

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Non-Voting Common Stock, \$.01 par value, no actual authorized, issued or outstanding at June 30, 2013; 5,000,000 authorized and 698,200 shares issued and outstanding, post conversion

Additional paid-in capital	10,117	(361) (b)	21,774	13,857 (j)	35,631
		12,018 (j)			
Accumulated deficit	(9,484)	1,139 (d)	(8,345)		(8,345)
Accumulated other comprehensive income, net of taxes of \$400 at June 30, 2013	172		172		172
Treasury stock-at cost	(1,234)	(95) (k)	(1,329)		(1,329)
Total stockholders' equity	16,589	9,743	26,332	(0)	26,332
Total liabilities and stockholders' equity	\$ 345,199	\$ 3,135	\$ 348,334	\$ (0)	\$ 348,334

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

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BROADWAY FINANCIAL CORPORATION AND SUBSIDIARIES

**Pro Forma Condensed Consolidated Statement of Income (Loss)
for the Six Months Ended June 30, 2013**

(unaudited)

The following unaudited pro forma condensed consolidated statement of income (loss) gives effect to the Combined Transactions assuming that they occurred on January 1, 2012.