

**BROADWAY FINANCIAL CORPORATION  
AND  
BROADWAY FEDERAL BANK**

**EXCESSIVE OR LUXURY EXPENDITURE POLICY**

This policy fulfills the requirements outlined in Section 111 of the Emergency Economic Stabilization Act of 2008 (EESA), as amended by the American Recovery and Reinvestment Act of 2009 ("ARRA") enacted on February 17, 2009. ARRA requires each recipient of funds under the Capital Purchase Program ("CPP") of the Troubled Assets Relief Program ("TARP") to have in place a company-wide policy regarding excessive or luxury expenditures, as identified by the Secretary of the Department of the U.S. Treasury ("Treasury").

It is the policy of Broadway Financial Corporation ("Broadway"), Broadway Federal Bank (the "Bank") and its Subsidiaries (collectively the "Company") to prohibit excessive or luxury expenditures on entertainment and events, office or facility renovations, aviation or other transportation services or other activities or events that are not reasonable expenditures for conferences, staff development, reasonable performance incentives or other similar reasonable measures conducted in the normal course of the Company's business operations. This policy applies to all employees, officers and directors of Broadway Financial Corporation and Broadway Federal Bank and its Subsidiaries. Failure to comply with this policy can result in disciplinary action up to and including termination.

All expenditures by the Company must have a legitimate business purpose, follow a defined approval process, and be reasonable in nature and amount as determined by senior management or the Board of Directors as required herein.

In the normal course of business, the Company provides expense reimbursement to employees for business related expenses in reasonable amounts. To be reimbursed for such legitimate business expenses, the employee must comply with proper documentation requirements, approval processes and timing of reimbursements as set forth in the Company's "Expense Reimbursement Policy and Procedures". The Broadway Federal Bank reimbursable business expense procedure and guidelines and other expense policies and procedures are additions to this policy. Should this policy conflict with any other expense policy this policy shall control.

**ENTERTAINMENT AND EVENTS**

**DEFINITIONS**

**Entertainment and Events**

Entertainment is defined as an activity for which an employee or executive would use Company funds, and which relates to business development purposes for current customers or prospective customers, or which further enhances the Company's marketing efforts. Our expectation is that all expenses incurred by the Company would be for Company purposes, and used to create goodwill with customers and prospective customers, and would drive business to the Company.

Legitimate expenditures for entertainment and events may include, but are not limited to, the following:

- Investor relations trips, conferences and meetings.
- Annual shareholders meetings.
- Board of directors meetings, both on and offsite.
- Management or employee meetings called by appropriate Company personnel for legitimate business purposes.
- Conferences, schools, or other professional development activities.
- Training and staff development meetings to improve participants' skills and/or their familiarity with the Company's products or services, procedures and policies, and corporate values.
- Employee recognition programs to motivate and reward employees for achievement and/or productivity.

- Customer meetings or Company sponsored events to offer the Company's products or services, obtain feedback, show appreciation to customers or for other legitimate business purposes.
- Company sponsored events, typically within local markets, that advance charitable or civic purposes where the Company can enhance its public image while supporting the local community and fulfilling its obligation for good corporate citizenship.

All such expenditures must be for legitimate business purposes and reasonable in nature and amount and shall be made in accordance with the Company's procurement policy. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") shall be responsible for implementing adequate controls to assure that all entertainment and/or event expenses paid by the Company are for legitimate business purposes, are reasonable in nature and amount and are not excessive. All entertainment and/or event expenses shall be properly documented. The more substantial the expenditure, the more thorough the documentation required. Any entertainment and/or event expense that does not serve a legitimate business purpose or is not reasonable in nature and amount is prohibited.

Any entertainment or events that are not with a customer or prospective customer are considered employee events. If not previously approved through our normal budgeting process, such entertainment or events must be approved by the CFO and should be reasonable in cost and scope.

### **Conferences**

The Company encourages its employees to attend conferences that present appropriate educational opportunities. Typically these conferences are sponsored by vendors, banking associations, or other industry related entities. These conferences should be related to the financial services industry and have a direct correlation to the employees' respective jobs personal job function. The conferences should be approved in accordance with the Reimbursable Business Expense Procedure and Guideline under *II.A. Training, Conference, Seminars* for further guidelines and instructions.

### **Holiday Parties**

Holiday parties for our employees are part of an employee appreciation process. Holiday parties should be local in geographic nature, reasonable in cost and scope, and should be approved in accordance with the Company's normal budgeting process.

### **Board Retreats**

Board retreats should only be used for educational, development or strategic planning purposes, and should be reasonable in cost and scope, and should have a business purpose consistent with all other Company expenses. Board education is a vital part of maintaining, and keeping a dynamic director base, and this policy should not limit any Board retreat that is reasonable and focused on strategic planning or education.

### **Office or Facility Renovations**

Renovations of facilities and office spaces should be relative to an approved project plan budget. An exception to this can be allowed if management must deal with an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational for use.

### **Aviation and Other Transportation Services:**

Transportation for Company staff to outlying locations, including bank locations, for conferences and for business development purposes, and for other work related travel should be justified by a reasonable business purpose, and reasonably priced available options should be used whenever possible. Private air services are not allowed.

The Company acknowledges that travel is an important element of the job. However, when it is necessary to travel, employees must use good judgment in choosing the method of travel. The Company does not own corporate aircraft or own fractional interest in corporate aircraft. The Company does not provide for everyday use of chauffeured automobiles or personal luxury vehicles.

- When traveling on Company business, air or rail travel reservations should be made so as to secure the best available fare consistent with the reasonable time of travel and convenience requirements for the trip.

- All travel must be coach class unless the duration of the trip and the working requirements of the employee or employees on the trip necessitate business class travel. All expenditures for business class travel must be approved in advance by the CEO or CFO, or their designee. Except for emergency travel, all employees and officers, with the exception of the CEO, must submit their written request for business class travel at least five days before the travel date(s),
- When needed for Company business, Company personnel may, but are not required to, rent a vehicle if it is less expensive than other available modes of transportation such as taxis, limousines and airport/hotel shuttles or when travel requirements necessitate having the flexibility of a rental car. Whenever multiple employees are traveling together, every effort to ride share or carpool should be made.

### **Other Similar Items, Activities or Events**

To the extent other expenditures are incurred, which are similar in nature to the foregoing expenses, such expenditures should be previously approved as part of the normal budgeting process or in accordance with the procedures set forth below and should otherwise be reasonable in cost and scope.

### **Spouses**

The Company acknowledges that spouses or significant others may accompany employees, officers and directors to Company events or entertainments, including business trips and conferences. Employees, officers and directors are responsible for the spouses or significant others travel. This policy does not prevent the Company from inviting spouses or significant others to Company sponsored events and for paying for related expenses.

### **Prior Approval**

Any expenditure in excess of \$5,000, related to a Covered Activity, is required to be submitted for approval to the Company's CFO at least three weeks in advance of the anticipated incurring of said expense unless previously approved or budgeted. Prior approval is not required in the case of an emergency Office or Facility Renovation as discussed above, but such emergency expense must be submitted to the Company's CFO as soon thereafter as possible for review.

Any expenditure in excess of \$25,000 related to a Covered Activity, is required to be submitted for approval to the Company's Audit Committee of the Board at least three weeks in advance of the anticipated incurring of said expense.

The Company's CEO or CFO shall have the ultimate authority to decide whether or not any expenditure is reasonable, except, expenditures approved by the Board. In the case of expenditures proposed to be incurred on behalf of the CFO, the CEO shall have the ultimate authority to decide whether or not the expenditure is reasonable. In the case of expenditures proposed to be incurred on behalf of the CEO, any expenditure in excess of \$10,000 or in excess of the approved budget must be submitted for approval to the Board.

If expenditure is found to be reasonable, the CFO will direct the Company to pay for the expenditure.

### **Violations**

Any violations of this policy shall be promptly reported to the Company's Audit Committee. Any employees found to have violated this policy will be subject to appropriate discipline in accordance with the Company's Employee Handbook which may include an action by the Company to recover funds that were disbursed in violation of this policy.

### **Review**

The Board of Directors shall review and approve this Excessive and Luxury Expenditures Policy at least annually.

### **Access to Policy**

This Excessive and Luxury Expenditures Policy shall be provided to the United States Department of the Treasury ("UST") and the primary federal bank regulatory agency of the Company. In addition, this policy shall be posted on the Company's corporate website. If the Board of Directors makes any material

amendments to this policy, within 90 days of the adoption of such amendments, this policy, as amended, shall be provided to the UST and the Company's primary federal bank regulatory agency, and such amended policy shall be posted on the Company's corporate website.

**CEO and CFO Certification**

The CEO and CFO of the Company are required to certify annually or more frequently if required by the Treasury.

The terms of this policy are meant to comply with the requirements of ARRA (and the guidance thereunder) and any ambiguity or conflict will be resolved in favor of the requirements instituted under ARRA.