

Village Bank & Trust Financial Corp.

Form S-4/A

August 05, 2008

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As filed with the Securities and Exchange Commission on August 5, 2008

Registration No. 333-152346

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1
to
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Village Bank and Trust Financial Corp.

(Exact name of registrant as specified in its charter)

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Virginia <i>(State or other jurisdiction of incorporation or organization)</i>	6021 <i>(Primary Standard Industrial Classification Code Number)</i>	54-2053718 <i>(I.R.S. Employer Identification No.)</i>
----------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------	----------------------------------------------------------------------

1231 Alverser Drive, P.O. Box 330
Midlothian, Virginia 23113
(804) 897-3900

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Thomas W. Winfree
President and Chief Executive Officer
Village Bank and Trust Financial Corp.
1231 Alverser Drive

P.O. Box 330
Midlothian, Virginia 23113
(804) 897-3900

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Karl M. Strait
McGuireWoods LLP
One James Center
901 East Cary Street
Richmond, Virginia 23219
(804) 775-1133

Charles W. Kemp
Williams Mullen
Two James Center
1021 East Cary Street
Richmond, Virginia 23219
(804) 783-6929

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions to the merger described in the joint proxy statement/prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

(Do not check if smaller reporting company)

Accelerated filer

Smaller reporting company

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

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THE INFORMATION IN THIS JOINT PROXY STATEMENT/PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED

SUBJECT TO COMPLETION

JOINT PROXY STATEMENT/PROSPECTUS

FOR THE PROPOSED MERGER OF

VILLAGE BANK AND

RIVER CITY BANK

The boards of directors of Village Bank and Trust Financial Corp. and River City Bank have agreed to a merger of River City Bank with and into Village Bank, a wholly-owned subsidiary of Village Bank and Trust Financial Corp. If the proposed merger is completed, River City Bank shareholders will receive \$11.00 in cash, one share of Village Bank and Trust Financial Corp. common stock, or a combination of both, for each share of River City Bank common stock they own, subject to possible adjustment as described in this joint proxy statement/prospectus.

Village Bank and Trust Financial Corp. common stock is listed on the NASDAQ Capital Market under the symbol VBFC. River City Bank common stock is listed on the NASDAQ Capital Market under the symbol RCBK.

This joint proxy statement/prospectus provides detailed information about the merger and the annual meeting of Village Bank and Trust Financial Corp. shareholders and the special meeting of River City Bank shareholders. It also provides information about the Village Bank and Trust Financial Corp. common stock to be issued to River City Bank shareholders in the event the merger is approved. As described in this joint proxy statement/prospectus, we cannot complete the merger unless we obtain the necessary government approvals and unless the shareholders of both Village Bank and Trust Financial Corp. and River City Bank approve the merger proposal.

Please carefully review and consider this joint proxy statement/prospectus which explains the merger proposal in detail, including the discussion under the heading Risk Factors beginning on page 25.

It is important that your shares are represented at your shareholders meeting, whether or not you plan to attend. Accordingly, please complete, date, sign, and return promptly your proxy card in the enclosed envelope. You may attend the meeting and vote your shares in person if you wish, even if you have previously returned your proxy.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the securities to be issued under this joint proxy statement/prospectus or determined if this joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities to be issued in the merger are not savings or deposit accounts and are not insured by the Federal Deposit Insurance Corporation or any other federal or state governmental agency.

This joint proxy statement/prospectus is dated August 12, 2008. It is first being mailed to Village Bank and Trust Financial Corp. and River City Bank shareholders on or about August 12, 2008.

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MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT

You are cordially invited to attend the annual meeting of the shareholders of Village Bank and Trust Financial Corp. to be held on September 30, 2008 at 6:00 p.m. Eastern Daylight Time at Village Bank at Watkins Centre, 15521 Midlothian Turnpike, Midlothian, Virginia. At the annual meeting, you will be asked to:

approve the proposed merger of River City Bank into Village Bank, a wholly-owned subsidiary of Village Bank and Trust Financial Corp.;

elect the three nominees named in the attached joint proxy statement/prospectus as Class B directors, each to serve a three year term;

ratify the appointment of BDO Seidman, LLP, as Village Bank and Trust Financial Corp.'s independent registered public accounting firm for the year ending December 31, 2008; and

adjourn the meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the meeting to approve the matters to be considered by the shareholders at the meeting.

Your board recommends that you vote for the merger. **We need your vote to complete the merger.** Whether or not you plan to attend the annual meeting, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed envelope. If you do not vote your shares by proxy or in person, the effect will be to vote against the merger.

*Chairman of the Board
Village Bank and Trust
Financial Corp.*

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VILLAGE BANK AND TRUST FINANCIAL CORP.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON SEPTEMBER 30, 2008

YOU ARE HEREBY NOTIFIED of and invited to attend the annual meeting of shareholders of Village Bank and Trust Financial Corp., a Virginia corporation, to be held on September 30, 2008 at 6:00 p.m. Eastern Daylight Time at Village Bank at Watkins Centre, 15521 Midlothian Turnpike, Midlothian, Virginia, for the purpose of considering and voting upon the following:

1. A proposal to approve and adopt the Agreement and Plan of Reorganization and Merger dated as of March 9, 2008, by and among Village Bank and Trust Financial Corp., Village Bank and River City Bank, and the transactions contemplated thereby. The merger agreement provides that River City Bank will merge with and into Village Bank upon the terms and subject to the conditions set forth in the agreement, as more fully described in the accompanying joint proxy statement/prospectus. (See Proposal I)
2. The election of the three nominees named in the joint proxy statement/prospectus as Class B directors for terms of three years each. (See Proposal II)
3. The ratification of the appointment of BDO Seidman, LLP as Village Bank and Trust Financial Corp.'s independent registered public accounting firm for the year ending December 31, 2008. (See Proposal III)
4. A proposal to adjourn the meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the meeting to approve the matters to be considered by the shareholders at the meeting, as more fully described in the accompanying joint proxy statement/prospectus. (See Proposal IV)
5. To transact any other business as may properly be brought before the Village Bank and Trust Financial Corp. annual meeting or any adjournments or postponements thereof.

Our board of directors has determined that the terms of the merger are fair to and in the best interest of Village Bank and Trust Financial Corp. and our shareholders, has approved and adopted the agreement and plan of reorganization and merger and the related transactions.

Our board of directors also unanimously recommends that our shareholders vote **FOR** the approval and adoption of the agreement and plan of reorganization and merger and the related transactions, **FOR** the election of each of the nominees for director listed in the joint proxy statement/prospectus, and **FOR** the ratification of the appointment of BDO Seidman, LLP, as Village Bank and Trust Financial Corp.'s independent registered public accounting firm for the year ending December 31, 2008.

Our board of directors has fixed the close of business on August 6, 2008 as the record date for determination of our shareholders entitled to receive notice of and to vote at the annual meeting. The annual meeting may be adjourned or postponed from time to time upon approval of our shareholders without any notice other than by announcement at the annual meeting of the adjournment or postponement thereof, and any and all business for which notice is hereby given may be transacted at such adjourned or postponed annual meeting.

The affirmative vote of the holders of a majority of the outstanding shares of our common stock on the record date is required to approve and adopt the merger agreement, the merger and the related transactions. Please complete, date, sign and promptly return the enclosed proxy card, which is solicited by our board of directors, in the enclosed envelope, whether or not you expect to attend the annual meeting. You may revoke the proxy at any time before its exercise by delivering to us a written notice of revocation, delivering to us a duly executed proxy card bearing a later date or by voting in person at the annual meeting. Failure to return a properly executed proxy card, or to vote at the annual meeting, will have the same effect as a vote against the agreement and plan of reorganization and merger and the transactions contemplated thereby.

By Order of the Board of Directors

President and Chief Executive Officer

August 12, 2008

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MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT

You are cordially invited to attend a special meeting of the shareholders of River City Bank to be held on September 30, 2008 at 4:00 p.m. Eastern Daylight Time at Village Bank at Watkins Centre, 15521 Midlothian Turnpike, Midlothian, Virginia. At the special meeting, you will be asked to approve the proposed merger of River City Bank into Village Bank, a wholly-owned subsidiary of Village Bank and Trust Financial Corp.

In the merger, each share of River City Bank common stock that you own will be exchanged for either \$11.00 cash or one share of Village Bank and Trust Financial Corp. common stock.

You may elect whether to receive cash, stock or a combination of cash and stock for your shares of River City Bank common stock, except that 20% of the total number of shares of River City Bank common stock must be exchanged for cash in the merger. If the total cash elections are more or less than 20%, you may receive a different proportion of cash and/or stock than you elected.

We expect the merger to be tax-free with respect to the shares of Village Bank and Trust Financial Corp. common stock that you receive. If you receive cash in the merger, you may have to recognize income or gain for tax purposes.

Your board recommends that you vote for the merger. **We need your vote to complete the merger.** Whether or not you plan to attend the special meeting, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed envelope. If you do not return your card or vote in person, the effect will be to vote against the merger.

You can obtain current market price quotations on shares of Village Bank and Trust Financial Corp. common stock and River City Bank common stock, which are listed on the NASDAQ Capital Market under the symbols VBFC and RCBK, respectively.

*Chairman of the Board
River City Bank*

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RIVER CITY BANK

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON SEPTEMBER 30, 2008

YOU ARE HEREBY NOTIFIED of and invited to attend a special meeting of shareholders of River City Bank, a Virginia corporation, to be held on September 30, 2008 at 4:00 p.m. Eastern Daylight Time at Village Bank at Watkins Centre, 15521 Midlothian Turnpike, Midlothian, Virginia, for the purpose of considering and voting upon the following:

1. A proposal to approve and adopt the Agreement and Plan of Reorganization and Merger dated as of March 9, 2008, by and among River City Bank, Village Bank and Trust Financial Corp. and Village Bank, a wholly-owned subsidiary of Village Bank and Trust Financial Corp., and the transactions contemplated thereby. The merger agreement provides that River City Bank will merge with and into Village Bank upon the terms and subject to the conditions set forth in the merger agreement, as more fully described in the accompanying joint proxy statement/prospectus. (See Proposal I)
2. A proposal to adjourn the meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the meeting to approve the matters to be considered by the shareholders at the meeting, as more fully described in the accompanying joint proxy statement/prospectus. (See Proposal IV)

Our board of directors has determined that the terms of the merger are fair to and in the best interest of River City Bank and our shareholders, has approved and adopted the merger agreement, the merger and the related transactions, and unanimously recommends that our shareholders vote **FOR** the approval and adoption of the merger agreement, the merger and the related transactions.

Our board of directors has fixed the close of business on August 6, 2008 as the record date for determination of our shareholders entitled to receive notice of and to vote at the special meeting. The special meeting may be adjourned or postponed from time to time upon approval of our shareholders without any notice other than by announcement at the special meeting of the adjournment or postponement thereof, and any and all business for which notice is hereby given may be transacted at such adjourned or postponed special meeting.

The affirmative vote of the holders of a majority of the outstanding shares of our common stock on the record date is required to approve and adopt the merger agreement, the merger and the related transactions. Please complete, date, sign and promptly return the enclosed proxy card, which is solicited by our board of directors, in the enclosed envelope, whether or not you expect to attend the special meeting. You may revoke the proxy at any time before its exercise by delivering to us a written notice of revocation, delivering to us a duly executed proxy card bearing a later date or by voting in person at the special meeting. Failure to return a properly executed proxy card, or to vote at the special meeting, will have the same effect as a vote against the merger agreement, the merger and the transactions contemplated thereby.

By Order of the Board of Directors

President and Chief Executive Officer

August 12, 2008

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Annex A	Agreement and Plan of Reorganization and Merger dated as of March 9, 2008, by and among Village Bank and Trust Financial Corp., Village Bank and River City Bank
Annex B	Opinion of Davenport & Company LLC to the Board of Directors of River City Bank
Annex C	Opinion of Scott & Stringfellow, Inc. to the Board of Directors of Village Bank and Trust Financial Corp.
Annex D	Village Bank and Trust Financial Corp. Annual Report on Form 10-KSB for the year ended December 31, 2007
Annex E	Village Bank and Trust Financial Corp. amendment to its Annual Report on Form 10-KSB/A for the year ended December 31, 2007
Annex F	Village Bank and Trust Financial Corp. Quarterly Report on Form 10-Q for the quarter ended March 31, 2008
Annex G	River City Bank Annual Report on Form 10-KSB for the year ended December 31, 2007
Annex H	River City Bank Quarterly Report on Form 10-Q for the quarter ended March 31, 2008
Annex I	Employment Agreement between Village Bank and William D. Stegeman dated as of March 9, 2008
Annex J	Village Bank And Trust Financial Corp. s Earnings Release for the quarter ended June 30, 2008.
Annex K	River City Bank s Earnings Release for the quarter ended June 30, 2008.

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ADDITIONAL INFORMATION

Additional important information relating to Village Bank and Trust Financial Corp. is found in the following documents attached as annexes:

Village Bank and Trust Financial Corp. s Annual Report on Form 10-KSB for the year ended December 31, 2007, which is attached as Annex D;

Village Bank and Trust Financial Corp. s amendment to its Annual Report on Form 10-KSB/A for the year ended December 31, 2007, which is attached as Annex E; and

Village Bank and Trust Financial Corp. s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, which is attached as Annex F.

Village Bank and Trust Financial Corp. s Earnings Release for the quarter ended June 30, 2008, which is attached as Annex J.
Additional important information relating to River City Bank is found in the following documents attached as annexes:

River City Bank s Annual Report on Form 10-KSB for the year ended December 31, 2007, which is attached as Annex G; and

River City Bank s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, which is attached as Annex H.

River City Bank s Earnings Release for the quarter ended June 30, 2008, which is attached as Annex K.
This information is also available to you without charge upon oral or written request to:

River City Bank
6127 Mechanicsville Turnpike
Mechanicsville, Virginia 23111
(804) 569-0422
*Attn: William D. Stegeman,
President and CEO*

Village Bank and Trust Financial Corp.
1231 Alverser Drive
Midlothian, Virginia 23113
(804) 897-3900
*Attn: Thomas W. Winfree,
President and CEO*

If you would like to request any documents, please do so by September 23, 2008 in order to receive them before the shareholder meeting.

You should rely only on the information contained in this joint proxy statement/prospectus regarding the matters to be considered at the respective shareholder meetings. No one has been authorized to provide you with information that is different from that contained in this joint proxy statement/prospectus. This joint proxy statement/prospectus is dated August 12, 2008. You should not assume that the information contained in this joint proxy statement/prospectus is accurate as of any date other than that date. Neither the mailing of this joint proxy statement/prospectus to River City Bank or Village Bank and Trust Financial Corp. shareholders nor the issuance by Village Bank and Trust Financial Corp. of Village Bank and Trust Financial Corp. common stock in connection with the merger will create any implication to the contrary.

Information contained in this joint proxy statement/prospectus regarding Village Bank and Trust Financial Corp. has been provided by it and information contained in this joint proxy statement/prospectus regarding River City Bank has been provided by River City Bank.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SHAREHOLDER MEETINGS

Q: Why are River City Bank and Village Bank and Trust Financial Corp. proposing the merger transaction?

A: We believe the proposed merger is in the best interest of River City Bank, Village Bank and Trust Financial Corp. and our respective shareholders. Our boards of directors believe that merging River City Bank with and into Village Bank, a wholly-owned subsidiary of Village Bank and Trust Financial Corp., will provide significant value to our shareholders. The merger provides River City Bank shareholders who elect to receive stock in the merger the option to participate in the opportunities for growth offered by the combined company.

You should review the reasons for the merger described in greater detail under the captions Proposal I Approval of the Merger and Related Matters Background of the Merger, Village Bank and Trust Financial Corp. s Reasons for the Merger and River City Bank s Reasons for the Merger beginning on pages 43 and 45.

Q: When and where are the shareholder meetings?

A: The River City Bank special meeting is scheduled to take place on September 30, 2008 at 4:00 p.m., Eastern Daylight Time, at Village Bank at Watkins Centre, 15521 Midlothian Turnpike, Midlothian, Virginia.

The Village Bank and Trust Financial Corp. annual meeting is scheduled to take place on September 30, 2008 at 6:00 p.m., Eastern Daylight Time, at Village Bank at Watkins Centre, 15521 Midlothian Turnpike, Midlothian, Virginia.

Q: What do the boards of directors recommend?

A: The boards of directors of River City Bank and Village Bank and Trust Financial Corp. have approved and adopted the merger agreement and recommend that shareholders vote **FOR** the proposal to approve the merger agreement, the merger and the transactions contemplated thereby.

Q: What will shareholders receive for their stock?

A: For each share of River City Bank common stock that you own, you may request to receive:

(1) \$11.00 in cash; or

(2) one share of Village Bank and Trust Financial Corp. common stock.

Shareholders of River City Bank will be able to elect to receive cash, shares of Village Bank and Trust Financial Corp. common stock, or a combination of cash and stock for their shares of River City Bank common stock, subject to the allocation and prorationing mechanism described in this joint proxy statement/prospectus in greater detail under the captions Proposal I Approval of the Merger and Related Matters Cash or Common Stock Election; Surrender of Stock Certificates beginning on page 59 and Allocation and Proration Procedures beginning on page 61. Village Bank and Trust Financial Corp. shareholders will continue to hold their existing shares, which will not change as a result of the merger.

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Q: What must shareholders of River City Bank do to elect to receive cash, Village Bank and Trust Financial Corp. common stock, or both?

A: To elect to receive cash, Village Bank and Trust Financial Corp. common stock or a combination of both for your shares of River City Bank common stock, you must indicate in the place provided on the election

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form, which you will receive as part of the letter of transmittal in a separate mailing, the number of shares with respect to which you prefer to receive cash or stock, sign the form, and return to the exchange agent the form along with your original stock certificate in the separate envelope provided so that it is received prior to 5:00 p.m. Eastern Daylight Time on September 25, 2008, which we refer to as the election deadline.

If you are a River City Bank shareholder, you will be able to make one of the following elections on the election form:

to elect to receive shares of Village Bank and Trust Financial Corp. common stock with respect to all of your shares of River City Bank common stock;

to elect to receive cash with respect to all of your shares of River City Bank common stock;

to elect to receive shares of Village Bank and Trust Financial Corp. common stock with respect to 80% of your shares of River City Bank common stock and cash with respect to 20% of your shares of River City Bank common stock; or

to indicate that you make no election, and thus have no preference, with respect to your shares of River City Bank common stock and you will receive a combination thereof consistent with the mixed election.

If a River City Bank shareholder (i) does not submit a properly completed election form by the election deadline, (ii) revokes (as opposed to changes) his or her election form prior to the election deadline and does not submit a new properly executed election form prior to the election deadline or (iii) revokes his or her election form during the election modification period (which begins 30 days after the election deadline), such shareholder shall be deemed to have made a non-election. See Proposal I Approval of the Merger and Related Matters Cash or Common Stock Election; Surrender of Stock Certificates beginning on page 59.

Q: If I am a River City Bank shareholder, can I revoke or change my election after I mail my form of election?

A: Yes. You may revoke or change your election at any time **before the election deadline**. You can do this by sending a written notice of such revocation or change in your election to the exchange agent at the address contained on the election form.

If you revoke your election form and then do not re-submit an election form that is timely, you will be deemed to have indicated that you are making no election with respect to your shares of River City Bank common stock.

Q: Are River City Bank shareholders guaranteed to receive the amount of stock or cash that they request on their election form?

A: No. The merger agreement requires that 80% of the total number of shares of River City Bank common stock, or 1,440,942 shares, will be converted into common stock of Village Bank and Trust Financial Corp. at a ratio of one share of River City Bank common stock for one share of Village Bank and Trust Financial Corp. common stock, and 20% of the total number of shares will be converted to cash at \$11.00 per share. It is possible, therefore, that if you elect stock (or cash) for your shares of River City Bank common stock, you could receive a different proportion of stock and cash than you elected. Village Bank and Trust Financial Corp. will make any allocation adjustments after the closing of the merger, based on the election forms that were timely received.

If the total number of shares of River City Bank common stock with respect to which a stock election has been made (which we will refer to as the stock election number) is not equal to 80% of the total number of shares of River City Bank common stock outstanding at the effective time of the merger, re-allocations

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will be made, first to non-elections and then, if necessary, to stock elections or cash elections (depending on whether stock is oversubscribed or undersubscribed), so that the total number of shares of River City Bank common stock converted into Village Bank and Trust Financial Corp. common stock is equal to 80% of the total number of shares of River City Bank common stock outstanding at the effective time of the merger and 20% of the shares of River City Bank common stock outstanding at the effective time of the merger is converted to cash. See Proposal I Approval of the Merger and Related Matters Allocation and Proration Procedures beginning on page 61.

Q: If I make an election to receive all cash, under what circumstances will my election be re-allocated?

A: Because the merger agreement provides that the total number of shares of River City Bank common stock converted into Village Bank and Trust Financial Corp. common stock must equal 80% of the total number of shares of River City Bank common stock outstanding at the effective time of the merger, your election may be re-allocated if the stock election number is less than 80% of the total number of shares of River City Bank common stock outstanding at the effective time of the merger. In that circumstance, the exchange agent will make re-allocations, first to non-election shares and then, if necessary, to cash election shares so that the total number of shares of River City Bank common stock converted into Village Bank and Trust Financial Corp. common stock is equal to 80% of the total number of shares of River City Bank common stock outstanding at the effective time of the merger and 20% of the shares of River City Bank common stock outstanding at the effective time of the merger is converted to cash. See Proposal I Approval of the Merger and Related Matters Allocation and Proration Procedures beginning on page 61.

Q: If I make an election to receive all stock, under what circumstances will my election be re-allocated?

A: Because the merger agreement provides that the total number of shares of River City Bank common stock converted into Village Bank and Trust Financial Corp. common stock must equal 80% of the total number of shares of River City Bank common stock outstanding at the effective time of the merger, your election may be re-allocated if the stock election number is more than 80% of the total number of shares of River City Bank common stock outstanding at the effective time of the merger. In that circumstance, the exchange agent will make re-allocations, first to non-election shares and then, if necessary, to stock election shares so that the total number of shares of River City Bank common stock converted into Village Bank and Trust Financial Corp. common stock is equal to 80% of the total number of shares of River City Bank common stock outstanding at the effective time of the merger and 20% of the shares of River City Bank common stock outstanding at the effective time of the merger is converted to cash. See Proposal I Approval of the Merger and Related Matters Allocation and Proration Procedures beginning on page 61.

Q: If I make a mixed election with respect to my shares of River City Bank common stock, what will I receive?

A: If you make a mixed election with respect to your shares of River City Bank common stock, 80% of your shares of River City Bank common stock will be converted into common stock of Village Bank and Trust Financial Corp. at a ratio of one share of River City Bank common stock for one share of Village Bank and Trust Financial Corp. common stock, and 20% of your shares of River City Bank common stock will be converted to cash at \$11.00 per share. Your mixed election will not be re-allocated.

Q: What happens if I do not make an election?

A: If the stock election number is less than 80% of the total number of shares of River City Bank common stock outstanding at the effective time of the merger, and the shortfall number is less than the number of non-election shares, your no election shares will be converted into the right to receive a certain number of shares of Village Bank and Trust Financial Corp. common stock and cash in order to reach this 80% requirement. If the shortfall exceeds the number of non-election shares, then your no-election shares will be converted into the right to receive only Village Bank and Trust Financial Corp. common stock.

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If the stock election number is greater than 80% of the total number of shares of River City Bank common stock outstanding at the effective time of the merger, and the oversubscription number is less than the number of non-election shares, your no election shares will be converted into the right to receive a certain number of shares of Village Bank and Trust Financial Corp. common stock and cash in order to reach this 80% requirement. If the overage exceeds the number of non-election shares, then your no-election shares will be converted into the right to receive only cash. See Proposal I Approval of the Merger and Related Matters Allocation and Proration Procedures beginning on page 61.

Q: How will I receive my shares of Village Bank and Trust Financial Corp. common stock or cash?

A: In order to receive cash or Village Bank and Trust Financial Corp. common stock for any or all of your shares of River City Bank common stock, you must indicate in the place provided on the election form, which you will receive as part of the letter of transmittal in a separate mailing, the number of shares with respect to which you prefer to receive cash or stock, sign the form, and return to the exchange agent the form along with your original River City Bank stock certificate(s) in the separate envelope provided so that they are received prior 5:00 p.m. Eastern Daylight Time on September 25, 2008. Once the exchange agent has received the proper documentation and the merger is complete, it will forward to you the cash and/or Village Bank and Trust Financial Corp. common stock to which you are entitled. Shareholders will not receive any fractional shares of Village Bank and Trust Financial Corp. common stock. Instead, they will receive a cash payment (without interest) in lieu of such fractional share in an amount determined by multiplying (i) the fractional share interest to which such holder would otherwise be entitled by (ii) \$11.00.

Q: How do I exchange my River City Bank stock certificates?

A: To receive merger consideration in any form, you must return your River City Bank stock certificates or an appropriate guarantee of delivery with your election form. Shortly after the merger, the exchange agent will allocate cash and Village Bank and Trust Financial Corp. common stock among River City Bank shareholders, consistent with their elections and the allocation and proration procedures in the merger agreement. If you do not submit an election form, you will receive instructions on where to surrender your River City Bank stock certificates from the exchange agent after the merger is completed. **In any event, you should not forward your River City Bank stock certificates with your proxy card.**

Q: What should I do if my shares of River City Bank are held by my broker or otherwise in street name?

A: If you hold your shares of River City Bank common stock in street name (*i.e.*, your bank or broker holds your shares for you), you should receive instructions regarding election procedures directly from your bank or broker. If you have any questions regarding these procedures, you should contact your bank or broker directly, or you may contact Village Bank and Trust Financial Corp. or River City Bank at the addresses or telephone numbers listed on page 1.

Q: Can the value of the transaction change between now and the time that the merger is completed?

A: Yes, but only in the limited instance described further in this answer. The value of the merger consideration could, in limited circumstances, be reduced between now and the time that the merger is completed if all of the following occur:

if the price of Village Bank and Trust Financial Corp. common stock has declined below a certain defined amount;

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if River City Bank notifies Village Bank and Trust Financial Corp. of its intention to terminate the merger agreement because the price of Village Bank and Trust Financial Corp. common stock has declined below that amount; and

Village Bank and Trust Financial Corp. exercises its option to cure such decline in its stock price by adjusting the exchange ratio to reflect the decline in its stock price, in which case the cash

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portion of the consideration will not change and the exchange ratio will be greater than one share of Village Bank and Trust Financial Corp. common stock for each share of River City Bank common stock, resulting in more shares of Village Bank and Trust Financial Corp. being issued as part of the merger consideration.

See Proposal I Approval of the Merger and Related Matters Termination of the Merger Agreement beginning on page 67.

Q: When will we complete the merger?

A: We intend to complete the merger as soon as possible after shareholder approval is received, all other regulatory approvals have been obtained and other conditions to the closing have been satisfied or waived.

The regulatory approvals are described under Proposal I Approval of the Merger and Related Matters Regulatory Approvals beginning on page 69. Additional conditions to the merger are described under Proposal I Approval of the Merger and Related Matters Conditions of the Merger beginning on page 64.

Q: What should I do now?

A: Complete, sign, date and return your signed proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at the applicable shareholder meeting. It is important that the proxy card be received as soon as possible and in any event before the applicable shareholder meeting.

In addition, if you are a River City Bank shareholder you will receive the letter of transmittal including the election form in a separate mailing. You should make an election as indicated on the form, sign the form, and return the form along with your original stock certificate in the separate envelope provided so that it is received p