

Village Bank & Trust Financial Corp.
Form 424B3
August 12, 2008
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**Filed Pursuant to Rule 424(b)(3)
Registration No. 333-152346**

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;

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; and

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;

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

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 prior to 5:00 p.m. Eastern Daylight Time on September 25, 2008, which we refer to as the election deadline.

Q: Can I change my vote after I mail my proxy card?

A: Yes. You can change your vote at any time before your proxy is voted at the shareholder meeting. You can do this in one of three ways:

First, you can send a written notice stating that you would like to revoke your proxy;

Second, you can complete and submit a new proxy card; or

Third, you can attend the shareholder meeting and vote in person. Simply attending the shareholder meeting, however, will not revoke your proxy.

If you choose either of the first or second methods, you must submit your notice of revocation or your new proxy card prior to the shareholder meeting. If you are a River City Bank shareholder, your submissions must be mailed to William D. Stegeman, River City Bank at the address listed on page 1. If you are a Village Bank and Trust Financial Corp. shareholder, your submissions must be mailed to Thomas W. Winfree, Village Bank and Trust Financial Corp. at the address listed on page 1.

Q: Who will be soliciting proxies?

A: The officers, boards of directors and certain employees of Village Bank and Trust Financial Corp. and River City Bank will be soliciting proxies.

Q: What if I do not vote or I abstain from voting on the merger?

A: If you do not vote or you abstain from voting, your failure to vote or abstention will be the equivalent of a **NO** vote on the merger.

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Q: If my shares are held by my broker in street name, will my broker vote my shares for me?

A: Your broker will vote your shares on the merger only if you provide instructions on how to vote. You should follow the directions provided by your broker to vote your shares. If you do not provide your broker with instructions on how to vote your shares held in street name, your broker will not be permitted to vote your shares, which will have the effect of a **NO** vote on the merger.

Q: If I am a River City Bank shareholder, will I be able to sell the shares of Village Bank and Trust Financial Corp. common stock that I receive in the merger?

A: Yes, in most cases. The shares of Village Bank and Trust Financial Corp. common stock to be issued in the merger will be registered under the Securities Act of 1933 (the Securities Act) and listed on the NASDAQ Capital Market. However, certain former River City Bank shareholders who are deemed to be affiliates of Village Bank and Trust Financial Corp. (after the merger) under the Securities Act (generally, directors, executive officers and shareholders of Village Bank and Trust Financial Corp. holding 10% or more of the outstanding shares of Village Bank and Trust Financial Corp. common stock) must abide by certain transfer restrictions under the Securities Act.

Q: What are the tax consequences of the merger to me?

A: If you are a River City Bank shareholder, your tax consequences will depend on what form of payment you receive in the merger as well as your basis in your River City Bank common stock. For greater detail, see Proposal I Approval of the Merger and Related Matters Material U.S. Federal Income Tax Consequences of the Merger beginning on page 77.

If you are a Village Bank and Trust Financial Corp. shareholder, there will be no changes to your shares of Village Bank and Trust Financial Corp. common stock and there will be no tax consequences for you as a result of the merger.

Q: Who should shareholders call with questions?

A: If you have more questions about the merger you should contact:

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

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SUMMARY

*This summary highlights selected information from this joint proxy statement/prospectus. It does not contain all of the information that is important to you. We urge you to carefully read the entire joint proxy statement/prospectus, including Annexes A through K, and the other documents to which this joint proxy statement/prospectus refers to fully understand the merger and the other matters to be considered at the respective shareholder meetings. See *Where You Can Find More Information* on page 103. Each item in this summary includes a page reference directing you to a more complete description of that item.*

The Merger (page 40)

We have attached the merger agreement to this joint proxy statement/prospectus as Annex A. Please read the merger agreement. It is the legal document that governs the merger.

In the merger, Village Bank and Trust Financial Corp. will acquire River City Bank through the merger of River City Bank with and into Village Bank, a wholly-owned subsidiary of Village Bank and Trust Financial Corp. After the merger, River City Bank will cease to exist and Village Bank will continue to operate as a Virginia chartered bank.

Each share of River City Bank common stock outstanding will be converted in the merger into either cash or one share of Village Bank and Trust Financial Corp. common stock as further described below. We expect to complete the merger in the fourth quarter of 2008, although there can be no assurance in this regard.

Our Reasons for the Merger (page 45)

River City Bank's board of directors is proposing the merger because, among other reasons:

the per share value of the merger consideration to River City Bank's shareholders is favorable and 20% of the merger consideration will be in the form of cash;

the merger allows River City Bank's shareholders who elect to become shareholders of Village Bank and Trust Financial Corp. to be part owner of a larger, more established financial institution;

the merger will provide customers of River City Bank access to a broader array of financial services as well as more locations around the Richmond metropolitan area from which to bank; and

the merger should allow River City Bank to expand its presence in the Richmond area market, increase competitiveness and improve operations.

Village Bank and Trust Financial Corp.'s board of directors is proposing the merger because, among other reasons:

the merger will broaden the market presence of Village Bank in the Richmond metropolitan area by adding three branches in areas where Village Bank does not currently have a presence;

the merger will add capital to Village Bank and Trust Financial Corp. allowing it to expand into new markets;

the merger will diversify Village Bank's deposit and loan base;

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the merger will allow it to better serve its customers through increased legal lending limits;

the merger will broaden Village Bank and Trust Financial Corp. s management and employee depth; and

the merger will increase the capacity of the resulting organization to add to its current offering of financial products and services.

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What River City Bank Shareholders Will Receive in the Merger (page 40)

Based on your election, each of your shares of River City Bank common stock will be converted into the right to receive either \$11.00 cash or one share of Village Bank and Trust Financial Corp. common stock, subject to the limitation 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 and the other 20% is converted into cash.

To elect 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 in a separate mailing, whether you prefer to receive cash, stock or 80% stock and 20% cash, sign the form, and return the form in the separate envelope provided so that it is received prior to 5:00 p.m. Eastern Daylight Time on September 25, 2008.

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; or

to indicate that you make no election, and thus have no preference whether you receive cash or Village Bank and Trust Financial Corp. common stock, with respect to your shares of River City Bank common stock.

If you do not submit an election form prior to the election deadline, you will be deemed to have indicated that you are making no election, and thus have no preference, with respect to your shares of River City Bank common stock.

If cash elections representing more than 20% of the outstanding River City Bank common stock are made, reallocations will be made, first to elections that did not specify either cash or stock and then to cash elections, so that cash elections shall equal a total of 20% of the outstanding River City Bank common stock.

If stock elections representing more than 80% of the outstanding shares of River City Bank common stock prior to the merger are made, re-allocations will be made, first to elections that did not specify either cash or stock and then to stock elections, so that 80% of the shares of River City Bank common stock are converted into stock of Village Bank and Trust Financial Corp.

Village Bank and Trust Financial Corp. will not issue any fractional shares in the merger. Instead, you will receive cash for any fractional share of Village Bank and Trust Financial Corp. common stock owed to you. The amount of cash that you will receive for any such fractional share will be calculated by multiplying the fractional share interest by \$11.00.

No Dissenters or Appraisal Rights (page 62)

Shareholders will not have any dissenters or appraisal rights in connection with the merger or any other matters described in this joint proxy statement/prospectus.

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Board Recommendations (page 45 and 46)

River City Bank

The River City Bank board of directors believes that the merger is fair to River City Bank's shareholders and in their best interest. River City Bank's board of directors recommends that shareholders vote **FOR** the proposal to approve and adopt the merger agreement, the merger and the transactions contemplated thereby.

Village Bank and Trust Financial Corp.

The Village Bank and Trust Financial Corp. board of directors believes that the merger is fair to its shareholders and in their best interest. Village Bank and Trust Financial Corp.'s board of directors unanimously recommends that shareholders vote **FOR** the proposal to approve and adopt the merger agreement, the merger and the transactions contemplated thereby. The Village Bank and Trust Financial Corp. board of directors also unanimously recommends that shareholders vote **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.

Opinion of Financial Advisors (page 47)

River City Bank

Davenport & Company LLC delivered a written opinion to the River City Bank board of directors that, as of March 8, 2008, the merger consideration is fair to the shareholders from a financial point of view. We have attached this opinion to this joint proxy statement/prospectus as Annex B. You should read this opinion and the discussion regarding the opinion in Proposal I Approval of the Merger and Related Matters Opinion of River City Bank's Financial Advisor beginning on page 47 to understand the assumptions made, matters considered and limitations of the review undertaken by Davenport & Company LLC in providing its opinion.

Village Bank and Trust Financial Corp.

Scott & Stringfellow, Inc. delivered a written opinion to Village Bank and Trust Financial Corp.'s board of directors that, as of March 9, 2008, the merger consideration is fair to the shareholders from a financial point of view. We have attached this opinion to this joint proxy statement/prospectus as Annex C. You should read this opinion Proposal I Approval of the Merger and Related Matters Opinion of Village Bank and Trust Financial Corp.'s Financial Advisor beginning on page 50 to understand the assumptions made, matters considered and limitations of the review undertaken by Scott & Stringfellow, Inc. in providing its opinion.

Accounting Treatment (page 74)

The merger will be accounted for under the purchase method of accounting.

Material U.S. Federal Income Tax Consequences (page 77)

You should consult your own tax advisor for a full understanding of the merger's tax consequences that are particular to you. The parties are not obligated to close the merger unless each of River City Bank and Village Bank and Trust Financial Corp. has received a legal opinion from their respective legal counsel that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368 of the Internal Revenue Code. These opinions of counsel, however, will not bind the Internal Revenue Service, which could take a different view.

Shareholders also will be required to file certain information with their federal income tax returns and to retain certain records with regard to the merger.

The discussion of material United States federal income tax consequences set forth in this joint proxy statement/prospectus is for general information only and does not purport to be a complete analysis or listing of all potential tax effects that may apply to a holder of River City Bank common stock. Shareholders of River City Bank are strongly urged to consult their tax advisors to determine the particular tax consequences to them of the merger, including the application and effect of federal, state, local, foreign and other tax laws.

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The Companies (page 87)

Village Bank and Trust Financial Corp.

1231 Alverser Drive

Midlothian, Virginia 23113

Village Bank and Trust Financial Corp. is a bank holding company organized under the laws of the Commonwealth of Virginia and is registered under the federal Bank Holding Company Act. It has one banking subsidiary, Village Bank, which has a corporate headquarters building and 10 branches in Richmond, Virginia.

Village Bank and Trust Financial Corp. is engaged in the business of offering banking services to the general public. Through its subsidiary Village Bank, it offers checking accounts, savings and time deposits, and commercial, real estate, personal, home improvement, automobile and other installment and term loans. It also offers financial services, travelers checks, safe deposit boxes, collection, notary public and other customary bank services (with the exception of trust services) to its customers. The three principal types of loans that the bank makes are commercial and industrial loans, real estate loans and loans to individuals for household, family and other consumer expenditures.

For the three months ended June 30, 2008, Village Bank and Trust Financial Corp. reported earnings of \$179,000 or \$0.07 per fully diluted share, compared to earnings of \$178,000 or \$0.07 per fully diluted share for the same period in 2007. As of June 30, 2008, Village Bank and Trust Financial Corp. reported, on a consolidated basis, total assets of \$401 million, net loans of \$340 million, deposits of \$326 million and shareholders equity of \$28 million. For additional information regarding Village Bank and Trust Financial Corp. s results of operations and financial condition through June 30, 2008, please refer to Village Bank and Trust Financial Corp. s Earnings Release for the quarter ended June 30, 2008, which is attached as Annex J.

River City Bank

6127 Mechanicsville Turnpike

Mechanicsville, Virginia 23111

River City Bank was organized under the laws of the Commonwealth of Virginia as a state chartered bank and operates three full service banking branches and two administrative offices in the greater Richmond metropolitan area.

River City Bank s business primarily consists of accepting deposits and making loans. River City Bank provides a broad array of commercial and retail banking services an products, including commercial, residential real estate, mortgage, and consumer installment loans; a broad selection of deposit services, including automatic clearing house activities, sweep services, flexible deposit accounts, and ATM/debit card products; and a variety of personalized banking services targeted at small and medium sized businesses, individuals and related accounts.

For the three months ended June 30, 2008, River City Bank reported earnings of \$73,713 or \$0.04 per fully diluted share, compared to a loss of \$(135,393) or \$(0.08) per fully diluted share for the same period in 2007. As of June 30, 2008, River City Bank reported, on a consolidated basis, total assets of \$143 million, net loans of \$110 million, deposits of \$122 million and shareholders equity of \$15 million. For additional information regarding River City Bank s results of operations and financial condition through June 30, 2008, please refer to River City Bank s Earnings Release for the quarter ended June 30, 2008, which is attached as Annex K.

The Shareholder Meetings (page 34 and page 37)

Village Bank and Trust Financial Corp.

The annual meeting will be held on September 30, 2008 at 6:00 p.m. at Village Bank at Watkins Centre, 15521 Midlothian Turnpike, Midlothian, Virginia. At the annual meeting, you will be asked:

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to approve and adopt the merger agreement, the merger and the transactions contemplated thereby. The merger agreement provides that River City Bank will merge with and into Village Bank, a wholly-owned subsidiary of Village Bank and Trust Financial Corp., 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)

to elect three Class B directors for terms of three years each. (See Proposal II)

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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. (See Proposal III)

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 this joint proxy statement/prospectus. (See Proposal IV)

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 of the its annual meeting.

River City Bank

The special meeting will be held on September 30, 2008 at 4:00 p.m. at Village Bank at Watkins Centre, 15521 Midlothian Turnpike, Midlothian, Virginia. At the special meeting, you will be asked:

to approve and adopt the merger agreement, the merger and the transactions contemplated thereby. The merger agreement provides that River City Bank will merge with and into Village Bank, a wholly-owned subsidiary of Village Bank and Trust Financial Corp., 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)

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 this joint proxy statement/prospectus. (See Proposal IV)

Record Date; Vote Required (page 38)

Village Bank and Trust Financial Corp.

Shareholders of Village Bank and Trust Financial Corp. can vote at the annual meeting if they owned shares of Village Bank and Trust Financial Corp. common stock at the close of business on August 6, 2008. On that date, Village Bank and Trust Financial Corp. had 2,622,263 shares of common stock outstanding and entitled to vote. You can cast one vote for each share of Village Bank and Trust Financial Corp. common stock that you owned on that date.

The approval of the merger agreement, the merger and the transactions contemplated thereby requires the affirmative vote of the holders of a majority of Village Bank and Trust Financial Corp. s outstanding shares.

The election of any of the nominees to the board of directors requires the affirmative vote of a plurality of the shares represented at the meeting.

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 requires the affirmative vote of a majority of the shares represented at the meeting, whether or not a quorum is present.

Approval of the adjournment of the meeting requires the affirmative vote of a majority of the shares represented at the meeting, whether or not a quorum is present.

As of June 30, 2008, Village Bank and Trust Financial Corp. s directors and executive officers held approximately 21% of its outstanding shares of common stock entitled to vote at the annual meeting. Village Bank and Trust Financial Corp. s directors have indicated that they plan to vote the shares of Village Bank and Trust Financial Corp. common stock that they own for approval of the merger agreement, the merger and the transactions contemplated thereby.

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River City Bank

Shareholders of River City Bank can vote at the special meeting if they owned shares of River City Bank common stock at the close of business on August 6, 2008. On that date, River City Bank had 1,801,178 shares of common stock outstanding and entitled to vote. You can cast one vote for each share of River City Bank common stock that you owned on that date.

The approval of the merger agreement, the merger and the transactions contemplated thereby requires the affirmative vote of the holders of a majority of River City Bank's outstanding shares.

Approval of the adjournment of the meeting requires the affirmative vote of a majority of the shares represented at the meeting, whether or not a quorum is present.

As of June 30, 2008, River City Bank's directors and executive officers held approximately 17% of the outstanding shares of River City Bank common stock entitled to vote at the special meeting. The River City Bank directors have indicated that they plan to vote the shares of River City Bank common stock that they own for approval of the merger agreement, the merger and the transactions contemplated thereby.

Conditions to Completion of the Merger (page 64)

The obligations of Village Bank and Trust Financial Corp. and River City Bank to complete the merger depend on a number of conditions being met. These include, but are not limited to:

the shareholders of Village Bank and Trust Financial Corp. and River City Bank must approve the merger agreement, the merger and the related transactions;

the approval of the merger by the necessary federal and state regulatory authorities; and

the receipt by River City Bank and Village Bank and Trust Financial Corp. of opinions from their respective outside legal counsel that, for United States federal income tax purposes, the transaction will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

A full list of the conditions to completion of the merger can be found in *Proposal I Approval of the Merger and Related Matters Conditions of the Merger* beginning on page 64.

Where the law permits, either of us could choose to waive in writing a condition to our obligation to complete the merger although that condition has not been satisfied. We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Regulatory Approvals (page 69)

We cannot complete the merger unless it is approved by the Board of Governors of the Federal Reserve System and the Virginia Bureau of Financial Institutions, the Federal Deposit Insurance Corporation and the Virginia State Corporation Commission. Once the Federal Reserve Board approves the merger, we have to wait from 15 to 30 days before we can complete it. During that time, the Department of Justice may challenge the merger.

As of the date of this joint proxy statement/prospectus, we have not yet received the required approvals. While we do not know of any reason why we would not be able to obtain the necessary approvals in a timely manner, we cannot be certain when or if we will receive them.

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Termination of the Merger Agreement; Expenses (page 67)

Village Bank and Trust Financial Corp. and River City Bank can mutually agree at any time to terminate the merger agreement without completing the merger, even if the River City Bank and Village Bank and Trust Financial Corp. shareholders have approved it. Also, either of us can decide, without the consent of the other, to terminate the merger agreement in a number of other situations, including:

an unremedied breach of the merger agreement by the other party, so long as the party that is seeking to terminate the merger agreement has not itself breached the agreement;

the failure to complete the merger by December 31, 2008;

the final denial of a required regulatory approval; and

the failure to obtain the required shareholder votes.

River City Bank may terminate the merger agreement under the following conditions:

in the event the average closing price of Village Bank and Trust Financial Corp. common stock (as defined in the merger agreement) declines below a defined amount (for more detail, see Proposal I Approval of the Merger and Related Matters Termination of the Merger Agreement beginning on page 67); and

if, as a result of a tender offer by a party other than Village Bank and Trust Financial Corp., or any written offer with respect to a merger, share exchange, consolidation or other business combination involving River City Bank or any proposal or offer to acquire in any manner a substantial equity interest in, or a substantial portion of assets or deposits of River City Bank, River City Bank's board of directors determines that it has a fiduciary obligation to its shareholders to accept such proposal.

If the merger agreement is terminated under certain circumstances, Village Bank and Trust Financial Corp. may be entitled to receive a termination fee from River City Bank of \$600,000 and, if the termination involves another acquisition proposal, an additional \$400,000. Under certain circumstances, River City Bank may be entitled to receive a termination fee from Village Bank and Trust Financial Corp. in the amount of \$600,000. See Proposal I Approval of the Merger and Related Matters Effect of Termination; Termination Fee beginning on page 68.

Waiver and Amendment (page 69)

We may jointly amend the merger agreement, and each of us may waive our right to require the other party to adhere to the terms and conditions of the merger agreement. However, we may not do so after either of the shareholders' meetings if the amendment or waiver would violate the Virginia Stock Corporation Act.

Certain Benefits of Directors and Officers of River City Bank (page 59)

Some of the directors and officers of River City Bank have interests in the merger that differ from, or are in addition to, their interests as shareholders of River City Bank. These interests exist because of, among other things, employment or severance agreements that the officers entered into with River City Bank, and rights that these officers and directors have under River City Bank's benefit plans. These employment and severance agreements provide certain officers with severance benefits if their employment is terminated following the merger. In addition, William D. Stegeman has entered into an employment agreement with Village Bank that will become effective upon completion of the merger. O. Woodland Hogg, Michael A. Katzen, Charles E. Walton, and John T. Wash, Sr. will join the board of directors of Village Bank and Trust Financial Corp. The members of the River City Bank board of directors knew about these additional interests and considered them when they approved the merger agreement and the merger. See Proposal I Approval of the Merger and Related Matters Interests of Certain Persons in the Merger River City Bank Severance Payment Obligations on page 63.

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Stock Options (page 62)

Under the merger agreement, each stock option to buy River City Bank common stock granted under River City Bank's stock option plan that is outstanding and not yet exercised immediately prior to the merger will be converted into an option to buy Village Bank and Trust Financial Corp.'s common stock on the same terms and conditions as were applicable under such River City Bank stock option.

Material Differences in the Rights of Village Bank and Trust Financial Corp. Shareholders and River City Bank Shareholders (page 96)

The rights of Village Bank and Trust Financial Corp. shareholders are governed by Virginia law and by its articles of incorporation and bylaws. The rights of River City Bank shareholders are governed by Virginia law and by its articles of incorporation and bylaws. Upon completion of the merger, the rights of the Village Bank and Trust Financial Corp.'s shareholders, including former shareholders of River City Bank, will be governed by Virginia law, and the articles of incorporation and bylaws of Village Bank and Trust Financial Corp.

Table of Contents**PRICE RANGE OF COMMON STOCK AND DIVIDENDS**

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

The following table sets forth for the periods indicated the high and low prices per share of Village Bank and Trust Financial Corp. and River City Bank common stock as reported on the NASDAQ Capital Market, along with the quarterly cash dividends per share declared. The per share prices do not include adjustments for markups, markdowns or commissions.

	Village Bank and Trust Financial Corp.			River City Bank		
	Sales Price		Dividend	Sales Price		Dividend
	High	Low	Declared	High	Low	Declared
2006						
First quarter	\$ 14.35	\$ 12.50	\$	\$ 11.44	\$ 10.15	\$
Second quarter	14.25	12.50		13.55	10.78	
Third quarter	14.65	13.00		12.45	10.75	
Fourth quarter	14.55	13.55		11.75	10.00	
2007						
First quarter	16.00	13.55		11.00	9.76	
Second quarter	17.44	15.01		10.50	9.50	
Third quarter	17.44	14.53		10.25	8.15	
Fourth quarter	15.75	10.00		9.00	6.07	
2008						
First quarter	11.29	9.26		9.92	6.40	
Second quarter	10.99	9.25		9.40	7.76	
Third quarter (through August 6, 2008)	9.48	7.50		8.95	7.76	

Village Bank and Trust Financial Corp. does not presently pay a quarterly dividend. Its future dividend policy is subject to the discretion of its board of directors and will depend upon a number of factors, including future consolidated earnings, financial condition, liquidity and capital requirements of both Village Bank and Trust Financial Corp. and its subsidiary bank, applicable governmental regulations and policies and other factors deemed relevant by its board of directors.

After the merger, Village Bank and Trust Financial Corp.'s ability to distribute cash dividends in the future will depend primarily on the ability of Village Bank to pay dividends to it. As a state nonmember bank, Village Bank is subject to certain restrictions imposed by the reserve and capital requirements of federal and Virginia banking statutes and regulations. Furthermore, neither it nor Village Bank may declare or pay a cash dividend on any of its capital stock if it is insolvent or if the payment of the dividend would render it insolvent or unable to pay its obligations as they become due in the ordinary course of business.

The following table sets forth historical per share market values for Village Bank and Trust Financial Corp. common stock and River City Bank common stock (i) on March 7, 2008, the last trading day prior to public announcement of the merger agreement, and (ii) on August 6, 2008 the most recent practicable date before the printing and mailing of this joint proxy statement/prospectus. The table also shows the equivalent pro forma market value of River City Bank common stock on March 7, 2008 and August 6, 2008, assuming an election and/or receipt of stock consideration.

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The equivalent pro forma market value of River City Bank common stock is obtained by multiplying the historical market price of Village Bank and Trust Financial Corp. common stock by the exchange ratio of one share of Village Bank and Trust Financial Corp. common stock for each share of River City Bank common stock.

The historical market prices represent the last sale prices on or before the dates indicated

	Historical Market Price		
	Village Bank and Trust Financial Corp.	River City Bank	River City Bank Equivalent Pro Forma Market Value
March 7, 2008	\$ 11.29	\$ 7.75	\$ 11.29
August 6, 2008	8.20	7.88	8.20

Once the merger is completed, there will be no further public market for River City Bank common stock.

Table of Contents**COMPARATIVE UNAUDITED PER SHARE DATA**

We have summarized below historical per share information for Village Bank and Trust Financial Corp. and River City Bank and additional information as if the companies had been combined for the periods shown, which we refer to as pro forma information. The unaudited pro forma information is based upon the assumption that the total number of shares of River City Bank common stock outstanding immediately prior to the completion of the merger will be 1,801,178, the number of shares outstanding as of December 31, 2007.

We expect that both Village Bank and Trust Financial Corp. and River City Bank will incur merger and integration charges as a result of the merger. We also anticipate that the merger will provide the combined company with financial benefits that may include reduced operating expenses. The unaudited information set forth below, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, may not reflect all of these anticipated expenses and does not reflect any of these anticipated financial benefits and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during the periods presented. The information in the following table is based on, and you should read it together with, the historical financial information and the notes thereto for Village Bank and Trust Financial Corp. and River City Bank contained in this joint proxy statement/prospectus.

Comparative Unaudited Per Share Data**December 31, 2007**

	Net (Loss) Income Per Share		Dividends Declared on Common Stock	Book Value Per Common Share	Tangible Book Value Per Common Share
	Basic	Diluted			
Historical					
Village Bank and Trust Financial Corp.	\$ 0.39	\$ 0.37	\$	\$ 10.44	\$ 10.17
River City Bank	\$ (0.24)	\$ (0.24)	\$	\$ 8.60	\$ 8.60
Pro Forma Combined					
80% Stock Consideration	\$ 0.08	\$ 0.08	\$	\$ 10.87	\$ 9.41
River City Bank Pro Forma Equivalent					
80% Stock Consideration	\$ 0.08	\$ 0.08	\$	\$ 10.87	\$ 9.41

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Comparative Unaudited Per Share Data

March 31, 2008

	Net Income Per Share		Dividends Declared on Common Stock	Book Value Per Common Share	Tangible Book Value Per Common Share
	Basic	Diluted			
Historical					
Village Bank and Trust Financial Corp.	\$ 0.04	\$ 0.04	\$	\$ 10.49	\$ 10.22
River City Bank	\$ 0.03	\$ 0.03	\$	\$ 8.66	\$ 8.66
Pro Forma Combined					
80% Stock Consideration	\$ 0.01	\$ 0.01	\$	\$ 10.90	\$ 9.44
River City Bank Pro Forma Equivalent					
80% Stock Consideration	\$ 0.01	\$ 0.01	\$	\$ 10.90	\$ 9.44

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UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information and explanatory notes are presented to show the impact of the merger on the companies' historical financial positions and results of operations in accordance with Statement of Financial Accounting Standard No. 141, Business Combinations and Statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets. Under these statements, the assets and liabilities of the company not surviving the merger are, as of the effective time of the merger, recorded at their respective fair values and added to those of the surviving company. The unaudited pro forma condensed combined financial information combines the historical income statements of Village Bank and Trust Financial Corp. and River City Bank for the year ended December 31, 2007 and the three months ended March 31, 2008. The unaudited pro forma condensed combined consolidated balance sheet as of March 31, 2008 assumes the merger was consummated on that date. The unaudited pro forma condensed combined statements of income give effect to the merger as if the merger had been consummated at the beginning of each respective period presented.

The unaudited pro forma condensed combined financial information is based on, derived from, and should be read in conjunction with the historical consolidated financial statements of Village Bank and Trust Financial Corp. and River City Bank, which are included in this joint proxy statement/prospectus in Annex D, Annex F, Annex G and Annex H.

The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred, or financial position that would have existed if the merger had been consummated during the period or as of the date for which the pro forma data are presented, nor is it necessarily indicative of future operating results or financial position of the combined company.

Table of Contents**Village Bank and Trust Financial Corp. and River City Bank****Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet**

As of March 31, 2008

	Village Bank and Trust Financial Corp.	River City Bank	Pro Forma Adjustments	Pro Forma Combined
	(in thousands)			
Assets				
Cash and due from banks	\$ 7,686	\$ 1,254	\$ (3,963) (1) (485) (2)	\$ 4,492
Federal funds sold	2,449	434		2,883
Investment securities available for sale	7,980	30,832	(369) (3)	38,443
Certificates of deposit		1,591		1,591
Loans held for sale	4,772			4,772
Loans, net	343,882	102,329	(17) (3)	446,194
Premises and equipment, net	22,083	916		22,999
Accrued interest receivable	2,703	743		3,446
Goodwill	689		3,113 (3)	3,802
Core deposit intangible			1,968 (3)	1,968
Other assets	7,960	615		