

Village Bank & Trust Financial Corp.
Form DEF 14A
April 21, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

VILLAGE BANK AND TRUST FINANCIAL CORP.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined:)
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:
- 4) Date Filed:

Dear Shareholders:

You are cordially invited to attend the Annual Meeting of Shareholders of Village Bank and Trust Financial Corp. to be held on Tuesday, May 26, 2015, at 10:00 a.m. Eastern Daylight Time at the office of Village Bank located at Watkins Centre, 15521 Midlothian Turnpike, Midlothian, Virginia. At the meeting, you will be asked to:

- elect three directors for a term of three years each;
 - approve, in an advisory (non-binding) vote, the executive compensation disclosed in this Proxy Statement;
 - approve the Village Bank and Trust Financial Corp. 2015 Stock Incentive Plan;
 - ratify the appointment of BDO USA, LLP, as Village Bank and Trust Financial Corp.'s independent registered public accounting firm for the year ending December 31, 2015; and
- transact such other business as may properly come before the Annual Meeting or any adjournments or postponement thereof.

Enclosed with this letter is a formal notice of the Annual Meeting, a Proxy Statement and a proxy card. Whether or not you plan to attend in person, it is important that your shares be represented at the Annual Meeting. Please complete, sign, date and return promptly the proxy card that is enclosed in this mailing. If you later decide to attend the Annual Meeting and vote in person, or if you wish to revoke your proxy for any reason prior to the vote at the Annual Meeting, you may do so and your proxy will have no further effect.

We appreciate your continued support and look forward to seeing you at the Annual Meeting.

Sincerely,

/s/ William G. Foster
William G. Foster
President and Chief Executive Officer

Midlothian, Virginia

April 21, 2015

VILLAGE BANK AND TRUST FINANCIAL CORP.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 26, 2015

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 May 26, 2015 at 10:00 a.m. Eastern Daylight Time at the office of Village Bank located at Watkins Centre, 15521 Midlothian Turnpike, Midlothian, Virginia for the purpose of considering and voting upon the following:

1. The election of three directors for a term of three years each;
2. The approval, in an advisory (non-binding) vote, of the executive compensation disclosed in this Proxy Statement;
3. The approval of the Village Bank and Trust Financial Corp. 2015 Stock Incentive Plan;
4. The ratification of the appointment of BDO USA, LLP as Village Bank and Trust Financial Corp.'s independent registered public accounting firm for the year ending December 31, 2015; and
5. To transact any other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Our board of directors has fixed the close of business on April 6, 2015 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.

Shareholders are urged to complete, date and sign the enclosed proxy and mail it promptly in the enclosed return envelope regardless of whether or not they expect to attend the meeting. If you hold shares of common stock through a broker or other nominee, your broker or other nominee will vote your shares for you if you provide instructions on how to vote your shares. In the absence of instructions, your broker can only vote your shares on certain limited matters, but will not be able to vote your shares on other matters (including the election of directors).

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: This Proxy Statement and the fiscal 2014 Annual Report to Shareholders on Form 10-K are available at www.villagebank.com/proxy.html.

By Order of the Board of Directors,

/s/ Deborah M. Golding
Deborah M. Golding
Vice President, Corporate Secretary

Midlothian, Virginia

April 21, 2015

TABLE OF CONTENTS	Page
<u>General Information</u>	1
<u>Who Can Vote</u>	1
<u>Executing Your Right to Vote</u>	1
<u>Costs of Proxy Solicitation</u>	2
<u>Changing Your Vote</u>	2
<u>PROPOSAL ONE – ELECTION OF DIRECTORS</u>	3
<u>Nominees for Election as Directors for Terms to Expire in 2018 (Class C)</u>	3
<u>Incumbent Directors Whose Terms Will Expire in 2016 (Class A)</u>	4
<u>Incumbent Directors Whose Terms Will Expire in 2017 (Class B)</u>	5
<u>Executive Officers Who Are Not Directors</u>	6
<u>SECURITY OWNERSHIP</u>	7
<u>Security Ownership of Management</u>	7
<u>Security Ownership of Certain Beneficial Owners</u>	9
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	9
<u>CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS</u>	9
<u>General</u>	9
<u>Board Leadership</u>	10
<u>Independence of the Directors</u>	10
<u>Board and Committee Meeting Attendance</u>	10
<u>Executive Sessions</u>	10
<u>Board’s Role in Risk Oversight</u>	10
<u>Committees of the Board</u>	11
<u>Audit Committee</u>	11
<u>Compensation Committee</u>	11
<u>Executive Committee</u>	12
<u>Nominating and Corporate Governance Committee</u>	13
<u>Director Nomination Process</u>	13
<u>Director Compensation</u>	14
<u>Annual Meeting Attendance</u>	15
<u>Communications with Directors</u>	15
<u>EXECUTIVE COMPENSATION</u>	16
<u>Executive Officer Compensation</u>	16
<u>2014 Shareholder Advisory Vote</u>	20
<u>Outstanding Equity Awards</u>	20
<u>Employment and Change-in-Control Agreements with Named Executive Officers</u>	20
<u>Certain Relationships and Related Transactions</u>	21
<u>PROPOSAL TWO - APPROVAL OF, IN AN ADVISORY (NON-BINDING) VOTE, THE EXECUTIVE COMPENSATION DISCLOSED IN THIS PROXY STATEMENT</u>	22
<u>PROPOSAL THREE - APPROVAL OF THE VILLAGE BANK AND TRUST FINANCIAL CORP. 2015 STOCK INCENTIVE PLAN</u>	23
<u>PROPOSAL FOUR - RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	28
<u>AUDIT INFORMATION</u>	28
<u>Fees of Independent Registered Public Accounting Firm</u>	28
<u>Audit Committee Report</u>	29
<u>Pre-Approval Policies</u>	30

PROPOSALS FOR 2016 ANNUAL MEETING OF SHAREHOLDERS
OTHER MATTERS

31
31

PROXY STATEMENT OF

VILLAGE BANK AND TRUST FINANCIAL CORP.

13319 Midlothian Turnpike

Midlothian, Virginia 23113

FOR ANNUAL MEETING OF SHAREHOLDERS

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the board of directors of Village Bank and Trust Financial Corp. (the “Company”) to be used at the Annual Meeting of Shareholders (the “Annual Meeting”) to be held on May 26, 2015 at 10:00 a.m. Eastern Daylight Time at the office of Village Bank located at Watkins Centre, 15521 Midlothian Turnpike, Midlothian, Virginia. The notice of Annual Meeting, the proxy card, and this Proxy Statement are being first mailed on or about April 21, 2015, to shareholders of record of the Company’s common stock as of the close of business on April 6, 2015 (the “Record Date”).

Who Can Vote

You can vote at the Annual Meeting if you owned shares of the Company’s common stock, par value \$4.00 per share, as of the close of business on April 6, 2015, the Record Date. Each share of common stock is entitled to one vote. The number of shares outstanding and entitled to vote on the Record Date was 1,403,647. When you give the Company your proxy, you authorize the Company to vote your shares per your instructions whether or not you attend the Annual Meeting. The presence, in person or by proxy, of at least a majority of the total number of outstanding shares of common stock is necessary to constitute a quorum at the Annual Meeting.

Executing Your Right to Vote

By completing and returning the enclosed proxy card in time to be voted at the Annual Meeting, the shares represented by it will be voted in accordance with the instructions marked on the card. Signed but unmarked proxies will be voted on all business matters as recommended by the board of directors. A shareholder may abstain or (only with respect to the election of directors) withhold his or her vote (collectively, “Abstentions”) with respect to each item

submitted for shareholder approval. Abstentions will be counted for purposes of determining the existence of a quorum. Abstentions will not be counted as voting in favor of or against the relevant item.

A broker who holds shares in “street name” has the authority to vote on certain items when it has not received instructions from the beneficial owner. Except for certain items for which brokers are prohibited from exercising their discretion, a broker is entitled to vote on matters presented to shareholders without instructions from the beneficial owner. “Broker shares” that are voted on at least one matter will be counted for purposes of determining the existence of a quorum for the transaction of business at the Annual Meeting. Where brokers do not have or do not exercise such discretion, the inability or failure to vote is referred to as a “broker nonvote.” Under the circumstances where the broker is not permitted to, or does not, exercise its discretion, assuming proper disclosure to the Company of such inability to vote, broker nonvotes will not be counted as voting in favor of or against the particular matter. A broker is prohibited from voting on the election of directors, the advisory vote on executive compensation and the Village Bank and Trust Financial Corp. 2015 Stock Incentive Plan without instructions from the beneficial owner; therefore, there may be broker nonvotes on Proposals One, Two and Three. We expect that brokers will be allowed to exercise discretionary authority for beneficial owners who have not provided voting instructions with respect to Proposal Four; therefore, no broker nonvotes are expected to exist in connection with such proposal.

Abstentions and broker nonvotes will not count as votes cast in any matters to be acted upon at the Annual Meeting.

The board of directors does not know of any other matters that are to come before the Annual Meeting except for incidental, procedural matters. If any other matters are properly brought before the Annual Meeting, the persons named in the accompanying proxy card will vote the shares represented by each proxy on such matters as determined by a majority of the board of directors.

Costs of Proxy Solicitation

The cost of soliciting proxies will be borne by the Company. In addition to the solicitation of proxies by mail, the Company may also solicit proxies through its directors, officers, and employees. The Company will also request persons, firms, and corporations holding shares in their names or in the name of nominees that are beneficially owned by others to send proxy materials to and obtain proxies from those beneficial owners and will reimburse the holders for their reasonable expenses in doing so.

Changing Your Vote

Your presence at the Annual Meeting will not automatically revoke your proxy. However, you may revoke a proxy at any time prior to its exercise by: (1) filing a written notice of revocation with Deborah M. Golding, Corporate Secretary, which may be sent to Ms. Golding's attention at 13319 Midlothian Turnpike, P.O. Box 330, Midlothian, VA 23113; (2) delivering to the Company a duly executed proxy bearing a later date; or (3) attending the Annual Meeting and casting a ballot in person.

PROPOSAL ONE – ELECTION OF DIRECTORS

The board of directors currently consists of twelve directors that are divided into three classes (A, B and C). The terms of office of three directors of the Company will expire at the Annual Meeting and such directors have been nominated for election to serve as directors in Class C for a three-year term ending in 2018. Donald J. Balzer, Jr., who previously served in Class C, resigned from the board on January 26, 2015. Nine other directors will continue serving terms that end in either 2016 or 2017, as indicated below.

The election of each nominee for director requires the affirmative vote of the holders of a plurality of the shares of common stock cast in the election of directors. If the proxy is executed in such manner as not to withhold authority for the election of any or all of the nominees for directors, then the persons named in the proxy will vote the shares represented by the proxy for the election of the nominees named below. If the proxy indicates that the shareholder wishes to withhold a vote from one or more nominees for director, such instructions will be followed by the persons named in the proxy.

Each nominee has consented to being named in this Proxy Statement and has agreed to serve, if elected. The board of directors has no reason to believe that any of the nominees will be unable or unwilling to serve. If, at the time of the Annual Meeting, any nominee is unable or unwilling to serve as a director, votes will be cast, pursuant to the enclosed proxy, for such substitute nominee as may be nominated by the board of directors. There are no current arrangements between any nominee and any other person pursuant to which a nominee was selected. No family relationships exist among any of the directors or between any of the directors and executive officers of the Company.

The following biographical information discloses each nominee's and incumbent director's age, business experience in the past five years and the year each individual was first elected to the board of directors of the Company or its predecessor and current subsidiary, Village Bank (the "Bank"). In addition, the following information includes the particular experience, qualifications, attributes or skills that led the board of directors to conclude that the person should serve as a director. Unless otherwise specified, each nominee and incumbent director has held his current position for at least five years.

Nominees for Election as Directors

For Terms to Expire in 2018 (Class C)

Michael A. Katzen, 62, has been a director since 2008 when River City Bank merged with the Bank. He formerly served as a director of River City Bank. Mr. Katzen is a partner in the law firm of Katzen & Frye, P.C. His experience with real estate law provides the board of directors with expertise in evaluating significant loan relationships as well

as working out nonperforming loans collateralized by real estate. Mr. Katzen currently serves as a member of the Executive Committee. He also serves on the board of directors of Village Bank Mortgage Corporation.

Michael L. Toalson, 62, has been a director since 2004. Mr. Toalson is Chief Executive Officer of the Home Builders Association of Virginia (“HBAV”). He heads the HBAV lobbying team before state lawmakers and regulators and is the chief administrative officer of the 3,000 member business organization. His familiarity with various home builders and the Virginia real estate market in general are invaluable to the board of directors in evaluating significant loan relationships and marketing the Bank’s services to the home building community. Mr. Toalson currently serves as a member of the Compensation Committee. He also serves on the board of directors of Village Bank Mortgage Corporation.

O. Woodland Hogg, Jr., 70, has been a director since 2008 when River City Bank merged with the Bank. He formerly served as a director of River City Bank. Mr. Hogg is the owner and principal broker of ERA Woody Hogg & Associates, a real estate brokerage business. He brings managerial skills as well as a keen knowledge of the real estate market in central Virginia to the board of directors. Mr. Hogg currently serves as a member of the Executive Committee. He also serves on the board of directors of Village Bank Mortgage Corporation.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE
SHAREHOLDERS VOTE FOR THE NOMINEES SET FORTH ABOVE.**

Incumbent Directors

Whose Terms Will Expire in 2016 (Class A)

Craig D. Bell, 57, is a founder of the Bank and has been a director since 1998. Mr. Bell is Chairman of the board of directors of the Company and the Bank. He is a partner with the law firm of McGuireWoods LLP, where he is the Chair of the Tax and Employee Benefits Department and is the head of the State and Local Tax and Tax Litigation Groups. McGuireWoods is a 1,000 attorney international law firm having offices in twelve states and five countries. Mr. Bell is an Emeritus Director of the Community Tax Law Project, a non-profit provider of pro bono tax assistance to low income families and its former President; a Fellow of the American College of Tax Council; former Chair of both the Virginia State Bar Section of Taxation and the Virginia Bar Association Tax Section; a Barrister member of the Edgar J. Murdock Inn of Court for Tax; an adjunct Professor of Law at the College of William and Mary School of Law; and a Trustee of both the Virginia War Museum and the Henricus Park Foundation. Mr. Bell retired from the Army Reserves in 2006 as a Lieutenant Colonel after completing 27 years of service. As a result of this experience, Mr. Bell brings leadership and decision making skills to the board of directors. Mr. Bell currently serves as Chairman of the Executive Committee and Chairman of the Nominating and Corporate Governance Committee. He is also a member of the Compensation Committee.

John T. Wash, 70, has been a director since 2008 when River City Bank merged with the Bank. He formerly served as a director of River City Bank. Mr. Wash has developed significant managerial and marketing skills as a real estate investor and Managing Partner of Hanover Plaza, LLC and Bay Court Associates, LLC since 1988. In addition, Mr. Wash was previously President of Galeski Optical from 1999 to 2005 and owner of Hanover Cleaners & Tuxedo Rentals from 1978 to 2008. Mr. Wash is a member of the Compensation Committee and Nominating and Corporate Governance Committee.

George R. Whittemore, age 65, has been a director since 1998. Mr. Whittemore is retired. He is a member of the board of directors of Supertel Hospitality, Inc., a publicly traded real estate investment trust that owns hotels and currently serves as chairman of its compensation committee and is a member of its audit committee. He was a consultant to Supertel Hospitality from August 2004 to August 2005 and its president from November 2001 to August 2004. Mr. Whittemore served as director and Senior Vice President/Senior Administrative Officer of Anderson & Strudwick, Inc., a brokerage and investment banking firm from November 1996 until November 2001. He was President/Chief Executive Officer of Pioneer Financial Corporation and its subsidiary, Pioneer Federal Savings Bank, from September 1982 until its merger with Signet Banking Corporation (now Wells Fargo Corporation) in August 1994. Mr. Whittemore was a director of Prime Group Realty Trust, Inc., a real estate investment trust that owned commercial office buildings, and served as chairman of its audit committee from July 2005 until December 2012. He is also a director of Lightstone Value Plus REIT (since July 2006), Lightstone Value Plus REIT II (since June 2008), and

Lightstone Value Plus REIT III, Inc. (since December 2013), all of which are non-publicly traded real estate investment trusts that own various types of commercial real estate and related investments, and is a member of the audit committee of all three companies. Mr. Whittemore provides experience in banking, investment banking, commercial real estate, and public company management and board experience that are important to the Company. Mr. Whittemore is a member of the Audit Committee and Nominating and Corporate Governance Committee. He is also a member of the board of directors of Village Bank Mortgage Corporation.

Thomas W. Winfree, 70, has been a director since 2001. Mr. Winfree has been a Virginia banker for more than 45 years and served as Chief Executive Officer and President of the Company from its inception until his retirement on February 28, 2014. He has also served as President of the Bank from 2001 to August 2013 and as Chief Executive Officer of the Bank from 2001 until his retirement in February 2014. This experience afforded him broad knowledge and a keen understanding of all aspects of banking. In addition to his banking experience, he served as President of the Chesterfield Chamber of Commerce during 2004 and was appointed to again serve on the Chamber's board of directors in 2009-2010. Mr. Winfree is also a founding member and Director of the Families of the Wounded Fund, Inc., an organization dedicated to helping the families of soldiers severely wounded in Iraq and Afghanistan who are being treated at McGuire Veterans Hospital. He currently serves on the Bon Secours Health Systems Joint Hospitals board where he was Chairman of the board from 2010 through 2013, the St. Francis Medical Center Citizens board, the Greater Richmond Chamber of Commerce board, the Better Business Bureau board serving Central Virginia, Richmond's Capital Region Collaborative, and the Goochland Rotary Club. Mr. Winfree is Vice-Chairman of the Board of Directors and Vice-Chairman of the Executive Committee of both the Company and the Bank. He also serves as Chairman of the board of directors of Village Bank Mortgage Corporation.

Incumbent Directors

Whose Terms Will Expire in 2017 (Class B)

R. T. Avery, III, 65, has been a director since 1998. Mr. Avery is President and co-founder of Chesterfield Construction Services, Inc., which trades as Emerald Homes. This company specializes in the "work force affordable" sector of the residential construction market. Mr. Avery has over 34 years of experience in real estate development and home building in central Virginia. This experience provides managerial expertise to the board of directors as well as an extensive knowledge of the real estate market in which the Bank operates.

William B. Chandler, 65, has been a director since 1998. Mr. Chandler has developed significant managerial and marketing skills as a co-owner in two corporations: Manchester Industries, Inc., which converts board and paper into sheets from roll stock for the printing industries, and Plastex Fabricators, Inc., which is a fabricator of industrial and commercial plastics used for décor in the retail industry. He currently is responsible for engineering, construction, safety and production of Manchester Industries and serves as its Executive Vice President. He is also President of Plastex Fabricators located in Charlotte, North Carolina. Mr. Chandler is Chairman of the Compensation Committee and a member of the Audit Committee.

R. Calvert Esleeck, Jr., 70, has been a director since 1998. He brings financial expertise and business leadership skills developed through owning and managing Murray & Esleeck, P.C., a certified public accounting firm in Chesterfield County, Virginia for 30 years before his retirement in 2008. Mr. Esleeck is a combat veteran of the Vietnam War where he served as a Marine infantry officer. He is also a founder of the Families of the Wounded Fund, Inc., an organization dedicated to helping the families of service members severely wounded in Iraq and Afghanistan who are being treated at McGuire Veterans Hospital. He was past President of the Fund and continues to serve on its board of directors. Mr. Esleeck qualifies as an audit committee financial expert under Securities and Exchange Commission

(“SEC”) guidelines. Mr. Esleeck is Co-Chair of the Audit Committee and a member of the Nominating and Corporate Governance Committee.

Charles E. Walton, 69, has been a director since 2008 when River City Bank merged with the Bank. He formerly served as a director of River City Bank. Mr. Walton is the owner of Charles E. Walton & Co., P.C., a certified public accounting firm. Mr. Walton provides accounting and auditing experience, as well as investment and business advisory skills that are critical for the Company. Mr. Walton qualifies as an audit committee financial expert under SEC guidelines. Mr. Walton is Co-Chair of the Audit Committee and also a member of the Compensation Committee.

William G. Foster, Jr., 53, has served as Chief Executive Officer of the Company and the Bank since March 1, 2014. He has served as President of the Company and the Bank since August 2013. He previously served as Senior Vice President and Chief Credit Officer of the Bank since March 2012. Prior thereto, he was an independent consultant focusing on business restructuring, turnaround and strategic planning. From March 1990 until April 2008, he served in several executive leadership roles with SunTrust Bank, including Group Executive Vice President-MidAtlantic Commercial Real Estate Banking, Senior Managing Director and Senior Credit Officer for Corporate and Investment Banking, and Group Executive Vice President-MidAtlantic Commercial Banking Line of Business. Mr. Foster has more than 27 years of banking industry experience, which has afforded him broad knowledge and a keen understanding of all aspects of banking. In addition to his banking experience, he currently serves on the Cabinet for the Chesterfield Business Council of the Greater Richmond Chamber of Commerce and is on the board of directors of the Chesterfield Chamber of Commerce and Retail Merchants Association. Mr. Foster is a member of the Executive Committee and an Advisory Member of the Compensation Committee. He is also a member of the board of directors of Village Bank Mortgage Corporation.

Executive Officers Who Are Not Directors

Dennis J. Falk, 56, has served as Executive Vice President-Chief Administrative Officer and Treasurer since January 2012 and as Senior Vice President-Treasurer/Controller from December 2009 to December 2011. Prior to that, Mr. Falk served as Senior Vice President-Commercial Banking for the Bank from April 2006 to December 2009. Prior to his service at the Bank, Mr. Falk served as Senior Vice President for SunTrust Bank and was employed by SunTrust (and its predecessor bank in the MidAtlantic region, Crestar Bank) for 14 years. Mr. Falk has over 34 years of banking industry experience.

James E. Hendricks, Jr., 52, has served as Executive Vice President and Chief Credit Officer since March 1, 2014 and as Director of Special Assets since September 2013. Prior to that, Mr. Hendricks served at SunTrust Bank as the Senior Vice President and Mortgage Chief Operational Risk Officer from December 2012 to April 2013, Senior Vice President and Consumer Banking Chief Operational Risk Officer from November 2009 to December 2012, and as Senior Vice President and Consumer Lending Credit and Compliance Risk Officer from August 1999 to November 2009. Mr. Hendricks has over 30 years of banking industry experience.

Rebecca L. "Joy" Kline, 57, has served as Executive Vice President-Retail Banking of the Bank since September 2009. Prior to that, Mrs. Kline served as Vice President-Retail Manager of the Bank since 2006. Prior to her service to the Bank, Mrs. Kline was First Vice President of First Market Bank and Senior Vice President of Central Fidelity Bank. Mrs. Kline has over 35 years of banking industry experience.

Jerry W. Mabry, 67, has served as President and CEO of Village Bank Mortgage Corporation since April 2007. Prior to joining the Mortgage Corporation, Mr. Mabry served as a Senior Vice President for Benchmark Mortgage Corp and as Executive Vice President of Home Loan Corp. Mr. Mabry has over 45 years of experience in mortgage banking.

Max C. Morehead, Jr., 51, has served as Executive Vice President-Commercial Banking since March 2014. He has 27 years banking experience at SunTrust Bank (and its predecessor bank in the Mid-Atlantic region, Crestar Bank) and First Citizens Bank. During the majority of his 25 years at SunTrust, Mr. Morehead held various positions, including managing commercial and business banking groups. He is a 1986 graduate of the Virginia Military Institute.

Raymond E. Sanders, 61, has served as Executive Vice President of the Company since its inception. He has served as Executive Vice President and Chief Operating Officer of the Bank since June 2004; and also as Chief Risk Officer since 2010. He served as Senior Vice President-Retail Banking from July 2002 to June 2004. Mr. Sanders previously served as President of Seasons Mortgage Group from October 1993 until the company was sold in May 2001. He has over 35 years of experience in retail and mortgage banking.

C. Harril Whitehurst, Jr., 64, has served as Executive Vice President and Chief Financial Officer of the Company since its inception. He has served as Executive Vice President and Chief Financial Officer of the Bank since September 2003. He serves on the Board of Chesterfield County's Economic Development Authority. Mr. Whitehurst has over 40 years of banking industry experience, including 25 years in public accounting as a partner of an international public accounting firm. He also serves on the board of directors of Village Bank Mortgage Corporation.

SECURITY OWNERSHIP

Security Ownership of Management

The following table sets forth, as of April 1, 2015, unless otherwise noted, certain information with respect to the beneficial ownership of shares of common stock by each of the directors and director nominees, by the executive officers named in the "Summary Compensation Table" below, and by such directors and executive officers as a group. Beneficial ownership includes shares, if any, held in the name of the spouse, minor children or other relatives of a director or executive officer living in such person's home, as well as shares, if any, held in the name of another person under an arrangement whereby the director or executive officer can vest title in himself at once or at some future time,

VILLAGE BANK AND TRUST FINANCIAL CORP.

Beneficial Ownership

Name	Amount and Nature of Beneficial Ownership	Percent of Class (%)
Directors		
R. T. Avery, III ⁽¹⁾	18,008	1.28 %
Craig D. Bell ⁽²⁾	17,761	1.27 %
William B. Chandler ⁽³⁾	16,668	1.19 %
R. Calvert Esleeck, Jr. ⁽⁴⁾	8,045	*
William G. Foster, Jr. ⁽⁵⁾	24,621	1.75 %
O. Woodland Hogg ⁽⁶⁾	6,961	*
Michael A. Katzen ⁽⁷⁾	8,178	*
Michael L. Toalson ⁽⁸⁾	8,969	*
Charles E. Walton ⁽⁹⁾	11,183	*
John T. Wash ⁽¹⁰⁾	5,247	*
George R. Whittemore ⁽¹¹⁾	10,385	*
Thomas W. Winfree ⁽¹²⁾	9,054	*

Edgar Filing: Village Bank & Trust Financial Corp. - Form DEF 14A

Named Executive Officers			
C. Harril Whitehurst, Jr. ⁽¹³⁾	13,199	*	
James E. Hendricks, Jr. ⁽¹⁴⁾	13,948	*	
Directors and executive officers as a group (19 persons)	201,959	14.39	%

* Indicates that holdings amount to less than 1% of the outstanding shares of common stock.

(1) Amount disclosed includes 844 shares of common stock owned by Mr. Avery; 3,803 shares of common stock in Mr. Avery's IRA; 3,136 shares of common stock owned by Mr. Avery's spouse, 252 shares of common stock owned by JG Partnership; and 9,973 shares of common stock held by the Trustee under the Village Bank Outside Directors Deferral Plan Trust FBO Raymond T. Avery, III.

(2) Amount disclosed includes 471 shares of common stock owned by Mr. Bell; 3,125 shares of common stock in Mr. Bell's IRA account; 4,506 shares of common stock in a Revocable Trust; 7 shares of common stock owned jointly with Mr. Bell's brother; and 9,277 shares of common stock held by the Trustee under the Village Bank Outside Directors Deferral Plan Trust FBO Craig D. Bell. Mr. Bell also has stock options for 375 shares which vested on July 15, 2013 and have not been exercised.

(3) Amount disclosed includes 8,331 shares of common stock owned by Mr. Chandler; and 8,337 shares of common stock held by the Trustee under the Village Bank Outside Directors Deferral Plan Trust FBO William B. Chandler.

(4) Amount disclosed includes 1,709 shares of common stock owned by Mr. Esleeck, of which 1,553 shares are held jointly with Mr. Esleeck's spouse; 121 shares of common stock in Mr. Esleeck's IRA accounts; 171 shares of common stock owned by Mr. Esleeck's spouse; 203 shares of common stock owned by Mr. Esleeck's children in Trust; and 5,841 shares of common stock held by the Trustee under the Village Bank Outside Directors Deferral Plan Trust FBO R. Calvert Esleeck, Jr.

(5) Amount disclosed includes 5,691 shares of common stock owned by Mr. Foster, of which 4,416 shares are held jointly with Mr. Foster's spouse; 14,429 shares of common stock in Mr. Foster's IRA account; a restricted stock award (time-based) of 1,625 shares of which none has vested; and the unvested portion of a restricted stock award (time-based) of 2,876 shares.

(6) Amount disclosed includes 5,772 shares of common stock owned by Mr. Hogg, of which 1,357 shares are held jointly with Mr. Hogg's spouse; 340 shares of common stock in Mr. Hogg's IRA account; 345 shares of common stock owned by Mr. Hogg's spouse; and 504 shares of common stock held by the Trustee under the Village Bank Outside Directors Deferral Plan Trust FBO O. Woodland Hogg, Jr.

(7) Amount disclosed includes 1,337 shares of common stock owned by Mr. Katzen jointly with his spouse; and 6,841 shares of common stock held by the Trustee under the Village Bank Outside Directors Deferral Plan Trust FBO Michael A. Katzen.

(8) Amount disclosed includes 2,050 shares of common stock owned by Mr. Toalson jointly with his spouse; 5,438 shares of common stock in Mr. Toalson's IRA account; and 1,481 shares of common stock held by the Trustee under the Village Bank Outside Directors Deferral Plan Trust FBO Michael L. Toalson.

(9) Amount disclosed includes 8,170 shares of common stock owned by Mr. Walton, of which 2,250 shares are held jointly with his spouse; 2,966 shares of common stock in Mr. Walton's IRA accounts; and 47 shares of common stock owned by Mr. Walton's spouse.

(10) Amount disclosed includes 4,753 shares of common stock owned by Mr. Wash; and 494 shares of common stock in Mr. Wash's IRA account.

(11) Amount disclosed includes 162 shares of common stock owned by Mr. Whittemore; 6,787 shares of common stock in Mr. Whittemore's IRA accounts; 1,093 shares of common stock owned by Mr. Whittemore's spouse; and 2,186 shares of common stock held by the Trustee under the Village Bank Outside Directors Deferral Plan Trust FBO George R. Whittemore. Mr. Whittemore also has stock options for 157 shares which vested on July 15, 2013 and have not been exercised.

(12) Amount disclosed includes 7,041 shares of common stock owned by Mr. Winfree; and 1,128 shares of common stock in Mr. Winfree's IRA account. Mr. Winfree also has stock options for 885 shares which vested on January 3, 2014 and have not been exercised.

(13) Amount disclosed includes 12,386 shares of common stock owned by Mr. Whitehurst, of which 10,150 shares are held jointly with his spouse; and a restricted stock award (time-based) of 813 shares of which none have vested.

(14)

Edgar Filing: Village Bank & Trust Financial Corp. - Form DEF 14A

Amount disclosed includes 4,789 shares of common stock owned by Mr. Hendricks, of which 807 shares are held jointly with his spouse; 4,457 shares of common stock in Mr. Hendricks' IRA account; 1,964 shares of common stock owned by Mr. Hendricks' spouse; the unvested portion of a restricted stock award (time-based) of 1,676 shares; and a restricted stock award (time-based) of 1,062 shares of which none have vested.

Security Ownership of Certain Beneficial Owners

The following table sets forth, as of April 1, 2015, unless otherwise noted, certain information known to the Company with respect to the beneficial ownership of shares of common stock by owners of 5% or more of the outstanding shares of the Company's common stock. Beneficial ownership includes shares, if any, held in the name of the spouse, minor children or other relatives of such owner living in such person's home, as well as shares, if any, held in the name of another person under an arrangement whereby such owner can vest title in himself at once or at some future time.

Name	Amount and Nature of Beneficial Ownership	Percent of Class (%)
Kenneth R. Lehman 1408 N. Abingdon Street Arlington, VA 22207	576,800	41.10 %
John S. Clark 1633 Broadway, 30th Floor New York, NY 10019	96,772	6.32 %

Mr. Lehman beneficially owns 576,800 shares of common stock and has sole voting and dispositive power with respect to all of such shares.

Mr. Clark beneficially owns 96,772 shares of common stock. Mr. Clark has sole voting and dispositive power with respect to 78,428 of such shares, which includes 3,000 shares of common stock held by trusts for which he serves as sole trustee. Mr. Clark has shared voting and dispositive power with respect to 18,344 of such shares deemed beneficially owned by his spouse.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the Company's directors and executive officers, and any persons who own more than 10% of the outstanding shares of common stock, to file reports of ownership and changes in ownership of common stock. Officers and directors are required by regulations to furnish the Company with copies of all Section 16(a) reports that they file. Based solely on review of the copies of such reports furnished to the Company or written representation that no other reports were required, the

Company believes that, during fiscal year 2014, there were four late filings, specifically a Form 4 for William G. Foster, Jr. for a restricted stock award issued August 20, 2014; a Form 3 for James E. Hendricks, Jr.; a Form 4 for the purchase of shares by James E. Hendricks, Jr. in December 2013; and a Form 3 for Max C. Morehead, Jr. All other directors and executive officers complied with all applicable Section 16(a) filing requirements.

CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

General

The business and affairs of the Company are managed under the direction of the board of directors in accordance with the Virginia Stock Corporation Act and the Company's Articles of Incorporation and Bylaws. Members of the board are kept informed of the Company's business through discussions with the President and Chief Executive Officer and other officers, by reviewing materials provided to them and by participating in meetings of the board of directors and its committees.

Board Leadership

The positions of Chairman of the board of directors and President and Chief Executive Officer of the Company are held by separate persons due to the distinct and time consuming natures of these roles. The principal role of the President and Chief Executive Officer is to manage the business of the Company in a safe, sound, and profitable manner. The role of the board of directors, including its Chairman, is to provide independent oversight of the President and Chief Executive Officer, to oversee the business and affairs of the Company for the benefit of its shareholders, and to balance the interests of the Company's diverse constituencies including shareholders, customers, employees, and communities.

Each board member of the Company also serves as a director of the Bank. Our directors are also actively involved in our strategic planning process and the management of our nonperforming assets.

Independence of the Directors

The board of directors has determined that the following ten individuals of its twelve current members are independent as defined by applicable SEC rules and the listing standards of the NASDAQ Stock Market ("NASDAQ"): R. T. Avery, III, Craig D. Bell, William B. Chandler, R. Calvert Esleeck, Jr., O. Woodland Hogg, Jr., Michael A. Katzen, Michael L. Toalson, Charles E. Walton, John T. Wash, Sr. and George R. Whittemore. In reaching this conclusion, the board of directors considered that the Company and its subsidiary conduct business with companies of which certain members of the board of directors or members of their immediate families are or were directors or officers.

In addition to the matters discussed below under "Certain Relationships and Related Transactions", the board of directors considered the following relationships between the Company and one of its directors to determine whether such director was independent under applicable SEC rules and NASDAQ's listing standards:

Craig D. Bell is a partner with the law firm of McGuire Woods LLP. The Company paid McGuire Woods, LLP approximately \$14,730 in legal fees in 2014.

There were no other relationships between the Company and its directors except as disclosed below under "Certain Relationships and Related Transactions".

Board and Committee Meeting Attendance

In 2014, there were 12 meetings of the Company's board of directors and 16 meetings of the Bank's board of directors. Each director (with the exception of Mr. Balzer) attended greater than 75% of the aggregate number of meetings of the board of directors and meetings of committees of which the director was a member in 2014.

Executive Sessions

The board of directors generally holds executive sessions of non-employee directors at each board meeting. At least one executive session is held for the purpose of evaluating the President and Chief Executive Officer. Any independent director can request that an executive session be scheduled.

Board's Role in Risk Oversight

The board of directors oversees risk management to be reasonably certain that the Company's risk management policies, procedures, and practices are consistent with corporate strategy and functioning appropriately.

The board of directors performs its risk oversight in several ways. The board of directors establishes standards for risk management by approving policies that address and mitigate the Company's most material risks. These include policies addressing credit risk, interest rate risk, capital risk, and liquidity risk, as well as Bank Secrecy Act/Anti-Money-Laundering compliance. The board of directors also monitors, reviews, and reacts to risk through various reports presented by management, internal and external auditors, and regulatory examiners.

The board of directors conducts certain risk oversight activities through its committees with direct oversight over specific functional areas. The risk oversight activities of the Audit, Compensation, Executive, Nominating and Corporate Governance Committees are described in the "Committees of the Board" section of this Proxy Statement, below; in the "Executive Compensation" section, beginning on page 16, and in the "Audit Information" section, beginning on page 29.

The board of directors is empowered to create additional standing and ad hoc committees to facilitate regular monitoring and deeper analysis of matters that may arise from time to time. The board of directors also meets regularly in executive session to discuss a variety of topics, including risk, without members of management present.

In the foregoing ways, the full board of directors is able to monitor the Company's risk profile and risk management activities on an ongoing basis.

Committees of the Board

The Company has an Audit Committee, Compensation Committee, Executive Committee and Nominating and Corporate Governance Committee.

Audit Committee

The Company's Audit Committee assists the board of directors in fulfilling its oversight responsibility to the shareholders relating to the integrity of the Company's financial statements, compliance with legal and regulatory requirements and the qualifications, independence and the performance of the internal audit function. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Company. The board of directors has adopted a written charter for the Audit Committee. A copy of the charter is available at our website at www.villagebank.com under "Corporate Information-Governance Documents".

In 2014, the members of the Audit Committee were Messrs. Esleeck (Co-Chair), Walton (Co-Chair), Chandler and Whittemore. The board of directors, in its business judgment, has determined that such directors are independent as defined by NASDAQ's listing standards and SEC regulations. The board of directors also has determined that all of the members of the Audit Committee have sufficient knowledge in financial and auditing matters to serve on the Audit Committee and that Mr. Esleeck and Mr. Walton qualify as audit committee financial experts as defined by SEC regulations.

The Audit Committee met six times in 2014. For additional information regarding the Audit Committee, see "Audit Information – Audit Committee Report" later in this Proxy Statement.

Compensation Committee

The Company's Compensation Committee assists the board of directors in fulfilling their responsibility to the shareholders to ensure that the Company's officers, key executives, and board members are compensated in accordance with the Company's total compensation objectives and executive compensation policy. The Compensation Committee advises and recommends for approval compensation policies, strategies, and pay levels necessary to support organizational objectives. The board of directors has adopted a written charter for the Compensation Committee. A copy of the charter is also available at our website at www.villagebank.com under "Corporation Information-Governance Documents".

In 2014, the members of the Compensation Committee were Messrs. Chandler (Chair), Bell, Toalson, Walton and Wash, all of whom the board in its business judgment has determined are independent as defined by NASDAQ's listing standards and SEC regulations.