

VAALCO ENERGY INC /DE/  
Form PREC14A  
November 23, 2015  
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**PRELIMINARY COPY SUBJECT TO COMPLETION DATED NOVEMBER 23, 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

**VAALCO Energy, Inc.**

**(Name of Registrant as Specified In Its Charter)**

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- x No fee required.
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**PRELIMINARY COPY SUBJECT TO COMPLETION DATED NOVEMBER 23, 2015**

**VAALCO ENERGY, INC.**

**9800 Richmond Avenue, Suite 700**

**Houston, Texas 77042**

Dear Stockholder:

A special meeting of stockholders (the **Special Meeting**) of VAALCO Energy, Inc. (the **Company** or **VAALCO**) will be held at \_\_\_\_\_, local time, on January 5, 2016, at \_\_\_\_\_. Details regarding admission to the meeting and the business to be conducted are more fully described in the accompanying Notice of Special Meeting and Proxy Statement. VAALCO is calling the Special Meeting to allow stockholders of the Company an opportunity to amend the Company's certificate of incorporation and bylaws to provide stockholders with the power to remove directors without cause (the **Cause Amendment Proposal**) and to vote upon five proposals that were made by Group 42, Inc. ( **Group 42** ), Bradley L. Radoff and their affiliates (collectively, the **Group 42-BLR Group**) in its consent solicitation statement on Schedule 14A with the Securities and Exchange Commission (the **Group 42 Consent Solicitation**). For reasons described further in this Proxy Statement, VAALCO considers the proposal contained in the Group 42 Consent Solicitation to remove without cause four members of the Board of Directors of VAALCO (the **Board**) to not be an action that can be properly taken under the Company's certificate of incorporation, which explicitly provides that directors can only be removed for cause. In the interest of stockholder democracy, however, the Board has decided to put the Cause Amendment Proposal and the five proposals of the Group 42 Consent Solicitation to a vote of stockholders at the Special Meeting. These six proposals are together herein referred to as the **Proposals**. This Proxy Statement and accompanying proxy card are first being mailed to stockholders on or about \_\_\_\_\_.

This Special Meeting is of particular importance to all VAALCO stockholders because the Proposals entail removing four directors of the Company, representing a majority of your Board, three of whom were elected by you on June 3, 2015, at the Company's 2015 Annual Meeting of Stockholders. The Proposals also include a proposal to fill the vacancies created by such removal with four individuals recommended by the Group 42-BLR Group. In short, the Proposals, taken together, require you to decide whether to turn over control of your Company to persons hand-picked by the Group 42-BLR Group without offering you a takeover premium.

The Board strongly believes that the proposals seeking to remove the directors are not in the best interests of stockholders. Your full Board is elected annually, so stockholders who believe the current directors are not acting in the best interest of the stockholders will have the ability to propose replacement nominees and remove some or all of the current directors at next year's annual meeting of stockholders. The Board believes the control of the Company belongs to all stockholders as represented by their elections at the annual meeting, rather than to the Group 42-BLR Group and their director nominees, who may have interests different from the best interests of all of the Company's stockholders. Accordingly, we urge you to reject the Group 42-BLR Group's efforts to remove a majority of the members of your Board. We are prepared to discuss, and have previously offered to discuss, any substantive issues raised by the Group 42-BLR Group and are open to all suggestions to build value for stockholders.

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Accordingly, your Board unanimously recommends that you vote **AGAINST** Proposals 2, 3, 4, 5 and 6 on the enclosed proxy card TODAY.

With respect to Proposal 1 to amend the certificate of incorporation and the bylaws to provide stockholders with the power to remove directors without cause, the Board makes NO RECOMMENDATION.

Your vote is important. Whether or not you plan to attend the Special Meeting, we hope you will submit your proxy as soon as possible. You may submit a proxy over the internet, by telephone or by signing, dating and returning the enclosed proxy card in the envelope provided. Information about each of these proxy submission methods is set forth in the accompanying Notice of Special Meeting and Proxy Statement.

**We urge you NOT to sign or return any proxy cards sent by the Group 42-BLR Group.** If you have previously signed any proxy card from the Group 42-BLR Group, you can revoke that earlier proxy and vote by proxy against the Proposals by signing, dating and returning the enclosed proxy card in the postage-paid envelope provided, by voting by proxy over the internet using the internet address on the proxy card or by voting by proxy by telephone using the toll-free number on the proxy card.

Regardless of the number of shares of common stock of the Company that you own, your vote is important. Thank you for your consideration.

Sincerely yours,

Steven P. Guidry

*Chairman of the Board and Chief Executive Officer*

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**PRELIMINARY COPY SUBJECT TO COMPLETION DATED NOVEMBER 23, 2015**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO OUR STOCKHOLDERS:**

A special meeting of the stockholders (the Special Meeting ) of VAALCO Energy, Inc., a Delaware corporation (the Company or VAALCO ), will be held at , local time, on January 5, 2016, at for considering the following proposals (the Proposals ):

- (1) to amend the Company s Restated Certificate of Incorporation, as amended (the Charter ) and the Second Amended and Restated Bylaws of the Company (the Bylaws ) to provide stockholders with the power to remove directors without cause (the Cause Amendment Proposal );
- (2) to repeal any provision of the Bylaws in effect at the time of the Special Meeting, including any amendments thereto, that was not included in the Bylaws that were in effect on September 26, 2015 and were filed with the Securities and Exchange Commission on September 28, 2015 (the Bylaw Restoration Proposal );
- (3) to remove without cause four members of the Board, Frederick W. Brazelton, James B. Jennings, John J. Myers, Jr. and Steven J. Pully, including any person elected or appointed to the Board to fill any vacancy on the Board or any newly-created directorships after November 6, 2015 and prior to the Special Meeting (the Removal Proposal );
- (4) to amend Article III, Section 2 of the Bylaws to provide that any vacancies on the Board resulting from the removal of directors by the stockholders of the Company shall be filled exclusively by the stockholders of the Company (the Vacancy Proposal );
- (5) to amend Article III, Section 1 of the Bylaws to fix the size of the Board at seven members (the Board Size Proposal ); and
- (6) to elect four nominees, Pete J. Dickerson, Michael Keane, Bradley L. Radoff and Joshua E. Schechter (the Nominees ), to serve as directors of VAALCO (or, if any such nominee is unable or unwilling to serve as a director of the Company, any other person designated as a nominee by the remaining nominee or nominees) (the Election Proposal ).

The Proxy Statement accompanying this Notice describes each of the foregoing proposals in more detail. **The VAALCO Board recommends a vote AGAINST Proposals 2, 3, 4, 5 and 6.**

With respect to Proposal 1 to amend the Charter and the Bylaws to provide stockholders with the power to remove directors without cause, the Board makes NO RECOMMENDATION.

The proposals stated above are the only proposals to be acted upon at the Special Meeting. Therefore, in accordance with Article II, Section 12(B) of our Bylaws, no other business will be conducted. Stockholders of record at the close of business on December 15, 2015 are entitled to notice of, and to vote at, the Special Meeting and any adjournments or postponements thereof.

All stockholders as of the close of business on December 15, 2015 are cordially invited to attend the Special Meeting in person, but whether or not you plan to attend, we urge you to review these materials carefully and to vote by proxy by internet, telephone or by submitting your proxy card as promptly as possible.

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Please note that the Group 42-BLR Group may file a proxy statement with the Securities and Exchange Commission in connection with the proposals stated above.

**THE VAALCO BOARD STRONGLY URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY THE GROUP 42-BLR GROUP.**

If you sign a proxy card sent to you by the Group 42-BLR Group, you can revoke that proxy and vote by proxy against the matters to be voted on at the Special Meeting by signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope, by voting by proxy over the internet using the internet address on the proxy card or by voting by proxy by telephone using the toll-free number on the proxy card.

By Order of the Board of Directors,

Steven P. Guidry

*Chairman of the Board and Chief Executive Officer*

Houston, Texas

, 2015



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**IMPORTANT**

**Your vote is extremely important. Whether or not you plan to attend the Special Meeting and regardless of the number of shares you own, we urge you to vote promptly by proxy AGAINST Proposals 2, 3, 4, 5 and 6 (as described on pages 19 to 23 of the Proxy Statement).**

If you have any questions or need any assistance in voting your shares by proxy, please contact our proxy solicitor:

D.F. King & Co., Inc.

48 Wall Street, 22nd Floor

New York, NY 10005

Please Call Toll Free: (866) 416-0552

Email: [vaalco@dfking.com](mailto:vaalco@dfking.com)

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**VAALCO ENERGY, INC.**

**9800 Richmond Avenue, Suite 700**

**Houston, Texas 77042**

**SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON**

**PROXY STATEMENT**

This Proxy Statement is furnished in connection with the solicitation of proxies at the direction of the Board of Directors (the Board or the VAALCO Board ) of VAALCO Energy, Inc. ( VAALCO, the Company, we, our o use at the Special Meeting of Stockholders (the Special Meeting ) to be held on Tuesday, January 5, 2015. This Proxy Statement and accompanying proxy card are first being mailed to stockholders on or about .

Stockholders of record at the close of business on December 15, 2015 will be entitled to vote at the Special Meeting. At the close of business on , , shares of our common stock, \$0.10 par value per share (the Common Stock ), were outstanding and entitled to vote. Stockholders are entitled to one vote for each share of Common Stock held.

**QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING**

***Why am I receiving this Proxy Statement?***

As you may be aware, Group 42, Inc. ( Group 42 ), Paul A. Bell, BLR Partners LP, BLRPart, LP, BLRGP Inc., Fondren Management, LP, FMLP Inc., The Radoff Family Foundation, Bradley L. Radoff and the Group 42 Nominees listed below (collectively, the Group 42-BLR Group ) have requested a solicitation of written stockholder consents (the Group 42 Consent Solicitation ) and filed a preliminary consent solicitation statement on Schedule 14A with the Securities and Exchange Commission. Through the Group 42 Consent Solicitation, the Group 42-BLR Group has asked you to turn over control of your Board and the Company by asking you to remove three of the six directors whom you elected five months ago on June 3, 2015, at the Company s 2015 Annual Meeting of stockholders, and to remove Mr. Steven J. Pully who was added to your Board on July 31, 2015, and to replace these four directors with a slate of nominees picked by the Group 42-BLR Group, including two principals of the Group 42-BLR Group. Specifically, the Group 42-BLR Group has asked you to: (i) repeal any provision of the Second Amended and Restated Bylaws of the Company (the Bylaws ) in effect at the time this proposal becomes effective, including any amendments thereto, that was not included in the Bylaws that were in effect on September 26, 2015 and were filed with the Securities and Exchange Commission ( SEC ) on September 28, 2015 (the Bylaw Restoration Proposal ); (ii) remove without cause four members of the Board, Frederick W. Brazelton, James B. Jennings, John J. Myers, Jr. and Steven J. Pully, including any person (other than those elected by the Group 42 Consent Solicitation) elected or

appointed to the Board to fill any vacancy on the Board or any newly-created directorships after November 6, 2015 and prior to the time that any of the actions proposed to be taken by the Group 42-BLR Group become effective (the Removal Proposal ); (iii) amend Article III, Section 2 of the Bylaws to provide that any vacancies on the Board resulting from the removal of directors by the stockholders of the Company shall be filled exclusively by the stockholders of the Company (the Vacancy Proposal ); (iv) amend Article III, Section 1 of the Bylaws to fix the size of the Board at seven

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members (the Board Size Proposal ); and (v) elect four nominees, Pete J. Dickerson, Michael Keane, Bradley L. Radoff and Joshua E. Schechter (the Nominees ), to serve as directors of VAALCO (or, if any such nominee is unable or unwilling to serve as a director of the Company, any other person designated as a nominee by the remaining nominee or nominees) (the Election Proposal ).

Your Board has announced and called the Special Meeting to be held on January 5, 2016 because it believes that the Group 42-BLR Group s effort to remove four directors without cause is an action that cannot properly be taken under the Company s certificate of incorporation. The Company s charter permits stockholders to remove directors only for cause and there is no case law that has held that a cause restriction for director removal in a charter would be unenforceable under Delaware law. However, the Board is receptive to stockholder views and would like to give stockholders the opportunity to make removal of a director without cause a permissible action under the Company s governing documents. VAALCO has announced this Special Meeting to be held on January 5, 2016 for the purpose of allowing stockholders to consider and vote on a proposal to amend the Company s charter and Bylaws to allow for the removal of a director without cause, as well as the other five proposals posed by the Group 42-BLR Group in its Group 42 Consent Solicitation and described further below. These six proposals are together herein referred to as the Proposals.

You are receiving this Proxy Statement as a stockholder of VAALCO as of December 15, 2015, the record date.

As further described below, we request that you promptly use the enclosed Proxy Card to vote, by internet, by telephone or by mail, in the event you desire to:

1. express your opposition to Proposals, even if you have not already submitted a proxy to Group 42-BLR Group (or have no intention to do so); or
2. revoke any proxy that you may have delivered to the Group 42-BLR Group to vote on the Proposals.

### ***What proposals are to be presented at the Special Meeting?***

The purpose of the Special Meeting is to consider and vote upon the Proposals. Although the VAALCO Board recommends voting **AGAINST** Proposals 2, 3, 4, 5 and 6, at the Special Meeting you will be asked to consider such proposals which consist of the Cause Amendment Proposal, Bylaw Restoration Proposal, the Removal Proposal, the Vacancy Proposal, the Board Size Proposal and the Election Proposal. With respect to Proposal 1 to amend the Charter and the Bylaws to provide stockholders with the power to remove directors without cause, the Board makes NO RECOMMENDATION.

Group 42-BLR Group may file a proxy statement with the SEC in connection with this Special Meeting. To that extent, you may receive proxy solicitation materials with a proxy card from the Group 42-BLR Group. **OUR BOARD STRONGLY URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY THE GROUP 42-BLR GROUP.**

### ***When will the Special Meeting be held?***

The Special Meeting is scheduled to be held on January 5, 2016.

### ***Who is soliciting my vote?***

In this Proxy Statement, the VAALCO Board of Directors is soliciting your vote.

Giving us your proxy means that you authorize the proxy holders identified on the proxy card Steven P. Guidry and Eric J. Christ to vote your shares at the Special Meeting in the manner you direct. You may also abstain from voting. If you sign and return the enclosed proxy card but do not specify how your shares are to be voted, your shares will be voted in accordance with the recommendations of the VAALCO Board, including against the Proposals (see below).

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***What does the VAALCO Board recommend?***

The VAALCO Board unanimously recommends that you vote by proxy using the proxy card with respect to the Proposals, as follows:

**AGAINST** the proposal to repeal any provision of the Bylaws in effect at the time of the Special Meeting, including any amendments thereto, that was not included in the Bylaws that were in effect on September 26, 2015 and were filed with the SEC on September 28, 2015 (the *Bylaw Restoration Proposal*) (see page 19);

**AGAINST** the proposal to remove without cause four members of the Board, Frederick W. Brazelton, James B. Jennings, John J. Myers, Jr. and Steven J. Pully, including any person elected or appointed to the Board to fill any vacancy on the Board or any newly-created directorships after November 6, 2015 and prior to the Special Meeting (the *Removal Proposal*) (see page 20);

**AGAINST** the proposal to amend Article III, Section 2 of the Bylaws to provide that any vacancies on the Board resulting from the removal of directors by the stockholders of the Company shall be filled exclusively by the stockholders of the Company (the *Vacancy Proposal*) (see page 21);

**AGAINST** the proposal to amend Article III, Section 1 of the Bylaws to fix the size of the Board at seven members (the *Board Size Proposal*) (see page 22); and

**AGAINST** the proposal to elect four nominees, Pete J. Dickerson, Michael Keane, Bradley L. Radoff and Joshua E. Schechter (the *Nominees*), to serve as directors of VAALCO (or, if any such nominee is unable or unwilling to serve as a director of the Company, any other person designated as a nominee by the remaining nominee or nominees) (the *Election Proposal*) (see page 23).

The Board is making **NO RECOMMENDATION** with respect to the proposal to amend the Company's Restated Certificate of Incorporation, as amended (the *Charter*) and the Bylaws to provide stockholders with the power to remove directors without cause (the *Cause Amendment Proposal*) (see page 17).

**Our Board urges you NOT to sign or return any proxy card sent to you by the Group 42-BLR Group.** If you have previously signed a proxy card sent to you by the Group 42-BLR Group you can revoke that earlier proxy and vote by proxy against the matters to be voted on at the Special Meeting by signing, dating and returning the enclosed proxy card in the postage-paid envelope provided, by voting by proxy over the internet using the internet address on the proxy card or by voting by proxy by telephone using the toll-free number on the proxy card.

***Why is the VAALCO Board recommending against the Proposals 2, 3, 4, 5 and 6?***

The Board strongly believes that Proposals 2, 3, 4, 5 and 6 are not in the best interests of stockholders. Your full Board is elected annually, so stockholders who believe the current directors are not acting in the best interest of the stockholders will have the ability to propose replacement nominees and remove some or all of the current directors at next year's annual meeting of stockholders. The Board believes the control of the Company belongs to all stockholders as represented by their elections at the annual meeting, rather than to the Group 42-BLR Group and their director

nominees, who may have interests that differ from the best interests of all of the Company's stockholders.

In addition, if the Nominees are elected, your Board would be controlled by the Nominees, who include two principals of the Group 42-BLR Group. The Board believes that it is not in the best interest of all stockholders to give a minority stockholder control over the Board and the Company, as the Group 42-BLR Group may have interests different from, and in conflict with, the best interests of all of the Company's stockholders. Moreover, the election of the Nominees would not provide the Company's stockholders with any control premium.



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***If the Board is making no recommendation regarding the proposal to amend the Charter and the Bylaws to provide stockholders with the power to remove directors without cause, why is the Board presenting the proposal to stockholders?***

The Company is calling this Special Meeting because it considers the proposal contained in the Group 42 Consent Solicitation to remove without cause four members of the Board to not be an action that can be properly taken under the Company's Charter, which explicitly provides that directors can only be removed for cause. As the Board cannot ignore its fiduciary responsibility to follow a clear provision of your Charter, it considers the proposal contained in the Group 42 Consent Solicitation to remove without cause four members of the Board to be null and void. At the same time, the Board remains committed to acting in the best interests of all of the Company's stockholders and to discharging its duties in this regard by staying highly responsive to stockholder interests and concerns. Therefore, the Board is calling this Special Meeting and placing Proposal 1 on the agenda to provide stockholders with a valid legal means by which to amend the Charter and Bylaws, should they wish to do so, to permit stockholders to remove directors without cause.

***If I have already voted by proxy in favor of Proposals, can I still change my mind?***

Yes. To change your vote by proxy, simply sign, date and return the enclosed proxy card in the accompanying postage-paid envelope, or vote by proxy by telephone or via the internet in accordance with the instructions in the proxy card. We strongly urge you to revoke any proxy card you may have returned to the Group 42-BLR Group and to vote by proxy **AGAINST** Proposals 2, 3, 4, 5 and 6. Only your latest dated proxy will count at the Special Meeting.

***If the Proposals are approved, will it result in a change of control? And, if so, what will this mean for the Company?***

If the Proposals are approved, four of the current members of your Board would be replaced with the Group 42-BLR Group Nominees, which may result in a change of control that could trigger, among other things, the acceleration of debt under the Company's revolving credit facility and certain other payment obligations under the Company's executive employment agreements and equity incentive plans.

Under the Loan Agreement, dated as of January 30, 2014, between VAALCO Gabon (Etame), Inc. and International Finance Corporation (IFC) (as amended, supplemented or otherwise modified from time to time, the Loan Agreement), a change of control will constitute an event of default under certain circumstances. It is an event of default under the Loan Agreement when control (as defined below) of the Company is transferred to any person without the consent of IFC, provided such consent may not be unreasonably withheld if the proposed transferee has a proven technical record in the international oil industry, if relevant, sound financial standing and, in IFC's reasonable judgment, a good reputation. Control is defined as the power to direct the management or policies of a person, directly or indirectly, whether through the ownership of shares or other securities, by contract or otherwise, provided that the direct or indirect ownership of fifty-one per cent (51%) or more of the voting share capital of a person is deemed to constitute control of that person. The Company intends to seek IFC's consent to the change of control that would result if the Proposals are approved, resulting in the replacement of a majority of the members of the Board. However, no assurances can be made that IFC will consent to such change of control. Pursuant to the existing terms of the Loan Agreement, upon an event of default, IFC may elect to immediately accelerate all outstanding indebtedness under the Loan Agreement. As of September 30, 2015, there was approximately \$15 million of debt outstanding under the Loan Agreement.

Under the Amended and Restated Executive Employment Agreement, effective as of September 29, 2015, between the Company and Steven P. Guidry, the Company's Chairman of the Board and Chief Executive Officer (the Guidry

Employment Agreement ), Mr. Guidry is entitled to certain enhanced cash severance payments if, during the term of the employment agreement and within the twelve month period following a Change in Control (as defined in the Guidry Employment Agreement) or within the three month period preceding a

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Change in Control, Mr. Guidry's employment is terminated other than (i) by the Company for cause (as defined in the Guidry Employment Agreement), (ii) by Mr. Guidry for other than good reason (as defined in the Guidry Employment Agreement) or (iii) due to Mr. Guidry's death or disability (as defined in the Guidry Employment Agreement), subject to his execution of a release of claims, Mr. Guidry will be entitled to severance benefits consisting of: (i) continued group health plan coverage for one year, (ii) accrued and unpaid base salary, unused vacation days, and reimbursement for previously incurred business expenses, and (iii) an additional payment, payable over a one year period following termination, equal to two times the sum of (x) Mr. Guidry's base salary then in effect and (y) the higher of (A) the average of Mr. Guidry's annual bonus paid or payable for the two calendar years immediately preceding the calendar year in which the termination date occurs and (B) Mr. Guidry's annual bonus for the calendar year in which the termination date occurs (prorated to reflect the number of days worked in the year of termination).

Under the Executive Employment Agreements between the Company and each of Cary Bounds, the Company's Chief Operating Officer, Don McCormack, the Company's Chief Financial Officer and Eric Christ, the Company's Vice President and General Counsel (the Executive Employment Agreements), the applicable executive will be entitled to certain enhanced cash severance payments if, during the term of the employment agreement and within the twelve month period following a change in control (as defined in the Executive Employment Agreements), or within the three month period preceding a change in control, the executive's employment is terminated other than (i) by the Company for cause (as defined in the Executive Employment Agreements), (ii) by the executive for other than good reason (as defined in the Executive Employment Agreements) or (iii) due to the executive's death or disability (as defined in the Executive Employment Agreements), subject to his execution of a release of claims, the executive will be entitled to severance benefits consisting of: (i) continued group health plan coverage for one year, (ii) accrued and unpaid base salary, unused vacation days, and reimbursement for previously incurred business expenses, and (iii) an additional payment, payable over a one year period following termination, equal to one times the sum of (x) the executive's base salary then in effect and (y) the higher of (A) the average of the executive's annual bonus paid or payable for the two calendar years immediately preceding the calendar year in which the termination date occurs and (B) the executive's annual bonus for the calendar year in which the termination date occurs (prorated to reflect the number of days worked in the year of termination).

The definition of good reason under the Guidry Employment Agreement and the Executive Employment Agreements generally includes any of the following actions taken without the executive's consent: (i) the assignment of any duties that are materially inconsistent with the executive's position, (ii) relocation of the principal work location by more than 40 miles; and (iii) the failure to obtain the assumption of the agreement by any successor. The definition of good reason also provides for cure by the company and notice by the executive.

The definition of a change in control under both the Guidry Employment Agreement and the Executive Employment Agreements includes a trigger relating to a turnover of a majority of the members of our Board from those members as of the effective date of the applicable agreement, meaning that if the Election Proposal is approved and four of our current directors are replaced, a change in control may occur under each of the agreements.

All awards issued pursuant to the Company's equity incentive plans, including the 2014 Long Term Incentive Plan, the 2012 Long Term Incentive Plan, and the 2007 Stock Incentive Plan (together, the Incentive Plans), would be impacted by a change in control of the Company, as defined in each of the respective Incentive Plans. Upon a change in control under the Incentive Plans,

- (i) all of the stock options and stock appreciation rights issued pursuant to their respective Incentive Plans then outstanding become 100% vested and immediately and fully exercisable;

- (ii) all of the restrictions and conditions of any restricted stock awards, restricted stock units and other stock-based awards issued pursuant to their respective Incentive Plans then outstanding shall be deemed satisfied, and the restriction period with respect thereto shall be deemed to have expired, and

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thus each incentive award issued pursuant to their respective Incentive Plans shall become free of all restrictions and fully vested; and

- (iii) all of the performance-based awards issued pursuant to their respective Incentive Plans shall become fully vested, deemed earned in full and promptly paid within thirty (30) days to the affected grantees thereof without regard to payment schedules and notwithstanding that the applicable performance cycle, retention cycle or other restrictions and conditions have not been completed or satisfied.

The definition of a change in control under each of the Incentive Plans includes a trigger relating to a turnover of a majority of the members of our Board, meaning that if the Election Proposal is approved and four of our current directors are replaced, a change in control may occur under each of the Incentive Plans.

For an estimate of the amounts that would be payable under the Incentive Plans to our named executive officers in the event a change in control occurred on December 31, 2014, please see Potential Payments upon Termination or Change in Control in Annex A. The numbers reflected in Potential Payments upon Termination or Change in Control are calculated assuming the relevant event occurred on December 31, 2014, but, with respect to Mr. Guidry, they also give effect to the terms included in the Guidry Employment Agreement, as described above. As Messrs. Bounds, McCormack and Christ were not named executive officers for 2014, no amounts are reflected with respect to them in Annex A.

***Will my shares be voted if I do nothing?***

If your shares of our Common Stock are held in registered name, you must sign and return a proxy card in order for your shares to be voted, unless you vote over the internet or by telephone or attend the Special Meeting and vote in person. If your shares of Common Stock are held in street name and you do not instruct your broker or other nominee how to vote your shares, then, because all of the Proposals are non-routine matters, your broker or other nominee would not have discretionary authority to vote your shares on Proposals. If your shares of our Common Stock are held in street name, your broker, bank or nominee has enclosed a voting instruction form with this Proxy Statement. We strongly encourage you to authorize your broker or other nominee to vote your shares by following the instructions provided on the voting instruction card.

Please return your proxy card to your nominee and contact the person responsible for your account to ensure that a proxy card is voted on your behalf.

**The way to support your Board is to vote AGAINST Proposals 2, 3, 4, 5 and 6 by signing, dating and returning the enclosed proxy card today in the envelope provided.** You may also vote by proxy over the internet using the internet address on the proxy card or by telephone using the toll-free number on the proxy card. If your shares are held in street name, you should follow the instructions on your voting instruction form and provide specific instructions to your broker to vote as described above.

***Whom should I call if I have questions about the Special Meeting?***

Please call D.F. King & Co., Inc., toll free at (866) 416-0552.

\* \* \*

**Important Notice Regarding the Availability of Proxy Materials for the Special Meeting of Stockholders to be held on January 5, 2016**

Each of the Notice of Special Meeting and this Proxy Statement is available at [ ].

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### **Background of the Solicitation**

The following is a chronology of material events leading up to this special meeting proxy solicitation.

In May 2015, Group 42 made its initial investment in the Company.

In June 2015, Bradley Radoff and his related entities made their initial investment in the Company.

On June 16, 2015, Mr. Radoff met with Steven P. Guidry, the Company's Chief Executive Officer, at the Company's executive offices. During this onsite meeting, Mr. Radoff made inquiries about the Company's business.

On July 6, 2015, Group 42 sent a letter to Mr. Guidry to notify him of Group 42's stock holdings in the Company and to request a meeting to discuss the Company's performance and its plans for driving stockholder value.

On July 7, 2015, Mr. Guidry reached out to Mr. Radoff to further discuss the Company's plans for driving stockholder value and business priorities at the Company.

On July 17, 2015, Al Petrie, the Company's Investor Relations Coordinator, had a general corporate overview call with Mr. Radoff. Mr. Guidry and Mr. Radoff coordinated in setting up the call.

On July 20, 2015, Mr. Guidry met with representatives of Group 42 at the Company's offices in Houston, Texas to review the Company's strategy and tactical plans and to answer Group 42's questions. To be sure that Group 42's questions were fully addressed in the meeting, the Company was represented by Mr. Guidry, the Company's Chief Executive Officer, Cary Bounds, the Company's Chief Operating Officer, Greg Hullinger, the Company's Chief Financial Officer, Eric J. Christ, the Company's Vice President, General Counsel and Corporate Secretary, and Mr. Petrie. Mr. Paul Bell stated that Group 42 was not an activist investor.

On July 24, 2015, Mr. Guidry met with Group 42's Chairman, Michael Keane, at the Company's offices in Houston, Texas to discuss Group 42's analysis of the Company and its proposals for developing the Company's performance and stockholder value. Mr. Guidry informed Mr. Keane that the Company was pursuing most of the ideas that Mr. Keane had recommended at the meeting.

On July 28, 2015, Group 42 sent Mr. Guidry a letter to request that the Company provide a formal response, by August 3, 2015, to the proposals Mr. Guidry and Mr. Keane discussed at their meeting on July 24, 2015.

On August 2, 2015, Mr. Guidry and Company directors Steven J. Pully and James B. Jennings met with Mr. Keane in Dallas, Texas regarding Group 42's recommendations for the Company. At the meeting, Group 42 demanded three seats on the Board to represent their 4.9% stockholder interest in the Company, and specifically demanded that Mr. Keane and Mr. Peter Dickerson be appointed to the Board. The Company offered Group 42 one Board seat and indicated that it would consider hiring Mr. Dickerson as an advisor to the management team. Group 42 declined VAALCO's offer.

On August 3, 2015, Group 42 sent Mr. Guidry a letter requesting that Mr. Guidry provide the Company's response, by August 4, 2014, to the discussions between Group 42 and the Board on August 2, 2015.

On August 5, 2015, representatives of Group 42 and the Company engaged in discussions over the phone regarding the composition of the Board and the possibility of Group 42 adding directors to the Board. Group 42 demanded that VAALCO (1) appoint Michael Keane to the Board and name him Vice Chairman of the Board; (2) appoint Mr. Dickerson as an advisor to the Board at a salary of \$10,000 per month, (3) split the Chairman and CEO roles, and (4) tender a repurchase of VAALCO shares at a premium to then-current market prices.

On September 10, 2015, Group 42 sent a letter to the Board explaining Group 42's opposition to the renewal of Mr. Guidry's contract as the Chief Executive Officer and Group 42's view that such renewal was not in the best interest of the stockholders.



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On September 25, 2015, Group 42, Mr. Radoff and certain of their associates formed the Group 42-BLR Group and filed their initial Schedule 13D, disclosing a collective 11.1% beneficial ownership in the Company and Group 42-BLR Group's views concerning operational and strategic opportunities for the Company to increase value for its stockholders. The Schedule 13D disclosure also stated that the Group 42-BLR Group was prepared to seek changes to the Board and management in order to pursue such opportunities.

On September 28, 2015, the Company disclosed in a Current Report on Form 8-K that the Company on September 26, 2015 had adopted a stockholder rights plan, which is triggered at 10% beneficial ownership and is designed to ensure that, among other objectives, stockholders receive a control premium in the event of change of control in the Company's stock. The Company also disclosed that it had amended its Bylaws to, among other objectives, clarify certain corporate governance procedures of the Company.

On Monday, September 28, 2015, Mr. Guidry emailed Mr. Radoff and Mr. Bell separately to inform them of the adoption of the stockholder rights plan. Mr. Guidry's emails emphasized that the Company remained open to hearing the opinions and views of the Company's stockholders. Mr. Guidry offered to schedule a time to hear more about the views of the Group 42-BLR Group.

On Wednesday, September 30, 2015, Mr. Guidry emailed Mr. Radoff and Mr. Bell separately to organize a time to discuss the views of Mr. Radoff and Mr. Bell regarding the Company. Mr. Guidry proposed to have a conversation on October 2, 2015, at 3:30 PM. Neither Mr. Radoff nor Mr. Bell responded to these emails.

On October 5, 2015, the Group 42-BLR Group sent a letter to the Company's Board, and issued a press release containing the letter, which alleged shortcomings in the Board's leadership. The letter stated that the Group 42-BLR Group was prepared to take measures to make changes to the Board's composition.

On Thursday, October 22, 2015, Mr. Guidry emailed Mr. Radoff offering to meet at any time during the following week. After back-and-forth email communications between October 22 and 26, 2015, Mr. Guidry offered to host an in-person meeting at the Company's offices on October 28, 2015, to be attended by Mr. Jennings (Lead Director) and Mr. Petrie. Mr. Radoff never responded.

On Wednesday, October 28, 2015, Mr. Keane contacted the Company and suggested holding the meeting after the Company's earnings call on November 10, 2015. The parties agreed that their dialogue would continue at such point.

On November 6, 2015, the Group 42-BLR Group delivered notice to the Company (the "Notice of Consent Solicitation") of the Group 42-BLR Group's intent to undertake a solicitation of stockholder consents (the "Consent Solicitation") to approve the Group 42 Proposals.

On the same date, the Group 42-BLR Group initiated its Consent Solicitation by filing a preliminary proxy statement on Schedule 14A with the SEC (the Consent Solicitation Statement ).

On November 16, 2015, the Company delivered a letter to the Group 42-BLR Group notifying the group of deficiencies in its Notice of Consent Solicitation. The Company noted that the Notice was deficient because, among other reasons, the Removal Proposal which sought to remove directors without cause was contrary to the Company s certificate of incorporation and thus, was not a proper matter for stockholder action. The letter informed the Group 42-BLR Group that until such deficiencies were cured, the Company would consider the Notice null and void.

On the same date, the Company delivered a second letter to the Group 42-BLR Group offering to convene a special meeting for the purpose of voting on the Group 42 Proposals, including the Cause Amendment Proposal, in a manner that would be compliant with the Company s certificate of incorporation. The letter also contained a draft of an agreement in which the Company commits to convene a special meeting of stockholders to consider the Group 42 Proposals. The Company also

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offered one board seat to the Group 42-BLR Group in order to settle the contest. The second letter, along with the draft settlement agreement, was described in and appended to a press release of the same date. The press release was filed on a Current Report on Form 8-K dated November 16, 2015.

On November 16, 2015, the Company filed a preliminary consent revocation statement on Schedule 14A in opposition to the Group 42 Consent Solicitation (the Consent Revocation Statement ). The Consent Revocation Statement disclosed to stockholders the Company's view that the Removal Proposal was not a proper matter for stockholder action and urged stockholders to revoke any consents previously given in favor of the Group 42 Proposals.

On November 17, 2015, Olshan Frome Wolosky LLP, outside counsel to the Group 42-BLR Group, made the following settlement proposal:

the Group 42-BLR Group would be entitled to designate three directors;

three current VAALCO directors would resign from the Board;

the Chairman and CEO positions would be separated;

a Group 42-BLR Group director nominee would become Chairman of the Board;

the shareholder rights plan would be terminated;

the Company would reimburse all of the expenses of the Group 42-BLR Group;

the Company would have until November 18 to accept the offer; afterwards, the Group 42-BLR Group would continue its public campaign.

On November 18, 2015, Vinson & Elkins L.L.P. communicated to Olshan Frome Wolosky LLP that the Board would need additional time to review the Group 42-BLR Group's settlement offer and convene a meeting of all the members of the Board.

On November 20, 2015, the Company responded to the settlement proposal of the Group 42-BLR Group by making the following counterproposal:

the Board would appoint one designee of the Group 42-BLR Group to the Board;

the Board would include the stockholder designee (and any replacement) on all Company election slates for two years;

the Chairman and CEO positions would be separated;

the shareholder rights plan would be terminated; and

the Company would pay the reasonable costs and expenses of the Group 42-BLR Group up to a cap of \$50,000.

On November 20, 2015, the Group 42-BLR Group filed an amended preliminary proxy statement on Schedule 14A with the SEC, amending the Consent Solicitation Statement.

On the same date, the Group 42-BLR Group delivered a letter to the Company rejecting the Company's offer to convene a special meeting. The letter noted that the Group 42-BLR Group would not revise the Removal Proposal as stated in its Notice of Consent Solicitation and Consent Solicitation Statement. The letter further stated that the Group 42-BLR Group believes its Removal Proposal is valid. The letter stated that the Group 42-BLR Group believed that the remainder of its Notice of Consent Solicitation should have been acceptable to the Company. The letter also stated that the Group 42-BLR Group would not accept the Company's offer of settlement which included, among other things, the opportunity to place one designee of the Group 42-BLR Group on the Company's Board.

On the same date, the Group 42-BLR Group issued a press release claiming that the Removal Proposal contained in the Consent Solicitation was valid and stating that the Group 42-BLR Group would continue with its Consent Solicitation. The press release stated that the Group 42-BLR Group would not accept the Company's offer of settlement.

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On November 23, 2015, the Company filed this Proxy Statement. On the same date, the Company issued and filed a press release announcing that the Company had filed this Proxy Statement for the purpose of affording stockholders the opportunity to validly amend the Company's certification of incorporation and to vote on the proposals contained in the Group 42-BLR Group's Consent Solicitation. The press release announced that the Special Meeting would be held on the same day as the expiration date for the Group 42-BLR Group's Consent Solicitation, and further noted that the Company continued to regard the Consent Solicitation as null and void. The press release also noted that the Group 42-BLR Group would not accept the Company's offer of settlement which has included, among other things, the opportunity to place one designee of the Group 42-BLR Group on the Company's Board.

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**IMPORTANT**

**Your vote is extremely important. Whether or not you plan to attend the Special Meeting and regardless of the number of shares you own, we urge you to sign, date and mail the enclosed proxy card to vote by proxy AGAINST Proposals 2, 3, 4, 5 and 6 or use the proxy card to vote by proxy by telephone or by internet.**

**We urge you NOT to sign or return any proxy card sent to you by the Group 42-BLR Group. Only your latest dated, signed proxy card will be counted, and any proxy card you sign for any reason could invalidate previous proxy cards sent by you to support our Board. If you have already submitted a proxy to the Group 42-BLR Group, you may revoke that proxy by signing, dating and mailing the enclosed proxy card. You may also vote by proxy over the internet using the internet address on the proxy card or by telephone using the toll-free number on the proxy card or, if you are a street name holder, by following the instructions on your Voting Instruction Form.**

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**SPECIAL MEETING PROCEDURES**

**Special Meeting Admission**

Only VAALCO stockholders or their duly authorized and constituted proxies may attend the Special Meeting. Proof of ownership of our common stock, along with personal identification (such as a driver's license or passport), must be presented in order to be admitted to the Special Meeting. If your shares are held in the name of a bank, broker or other holder of record and you plan to attend the Special Meeting in person, you must bring a brokerage statement, the proxy card mailed to you by your bank or broker or other proof of ownership as of the close of business on December 15, 2015, the record date, to be admitted to the Special Meeting. Otherwise, proper documentation of a duly authorized and constituted proxy must be presented. After the chairman of the meeting announces the opening of the polls for the first matter upon which the stockholders will vote at the Special Meeting, further entry will be prohibited. No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Special Meeting.

**Who Can Vote, Outstanding Shares**

Record holders of our common stock as of December 15, 2015 may vote at the Special Meeting. As of the record date, there were [ ] shares of our common stock (exclusive of approximately [ ] shares of common stock held in treasury) outstanding, each entitled to one vote. The shares of common stock held in our treasury will not be voted at the Special Meeting. There were approximately [ ] stockholders of record as of the record date.

**How You Can Vote**

You can vote by attending the Special Meeting and voting in person, or you can vote by proxy. If you are the record holder of your stock, you can vote by proxy in three ways:

***By Internet*** You may vote over the internet at [www.proxyvote.com](http://www.proxyvote.com). Please refer to the proxy card for instructions of how to vote by Internet.

***By telephone*** Stockholders located in the United States that receive proxy materials by mail may vote by telephone by calling 1-800-690-6903 and following the instructions on the proxy card.

***By mail*** If you received proxy materials by mail, you can vote by mail by marking, dating, signing and returning the proxy card in the postage-paid envelope.

If you receive only the Notice, you may follow the procedures outlined in the Notice to vote by proxy via the internet or request a proxy card.

As an alternative to voting by proxy by telephone or via the internet, you may vote by proxy by mail by simply marking your proxy card, signing and dating it and returning it in the postage-paid envelope provided.

If you hold your shares of Common Stock through a broker, bank or other nominee, then you will receive instructions from such institution or person on how to vote your shares. Your broker, bank or other nominee will allow you to deliver your voting instructions via the internet and may also permit you to submit your voting instructions by

telephone.

**YOUR VOTE IS VERY IMPORTANT.** You should submit your proxy using the proxy card even if you plan to attend the Special Meeting. If you properly give your proxy and submit it to us in time to vote, the individuals named as your proxy holders will vote your shares as you have directed.

All shares entitled to vote and represented by properly submitted proxies (including those submitted via the internet, by telephone and by mail) received before the polls are closed at the Special Meeting, and not revoked



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or superseded, will be voted at the Special Meeting in accordance with the instructions indicated on those proxies. If no direction is indicated on a proxy card, such shares will be voted by the proxy holders named on the enclosed proxy card according to the recommendation of our Board: **AGAINST** each of Proposals 2, 3, 4, 5 and 6 and **ABSTAIN** with respect to Proposal 1. In their discretion, the proxy holders named in the proxy card are authorized to vote on any other matters that may properly come before the Special Meeting and at any continuation, postponement or adjournment of the Special Meeting. As of the date of this Proxy Statement, our Board is not aware of any other items of business that will be presented for consideration at the Special Meeting other than those described in this Proxy Statement.

## **Voting in Person**

If you plan to attend the Special Meeting and wish to vote in person, you will be given a ballot at the Special Meeting. Please note that if your shares of Common Stock are held of record by a broker, bank or other nominee, and you decide to attend and vote at the Special Meeting, your vote in person at the Special Meeting will not be effective unless you present a legal proxy, issued in your name from your broker, bank or other nominee. Even if you plan to attend the Special Meeting, we encourage you to submit your proxy to vote your shares in advance of the Special Meeting.

Stockholders who wish to attend the Special Meeting will be required to present verification of ownership of our Common Stock, such as a bank or brokerage firm account statement, and will be required to present a valid government-issued picture identification, such as a driver's license or passport, to gain admittance to the Special Meeting.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Special Meeting. There will be security present at the Special Meeting.

## **How You May Revoke or Change Your Vote**

If you are a stockholder of record, you may later revoke your proxy instructions by:

sending a written statement to that effect to the Corporate Secretary at or before the Special Meeting;

voting again by the internet or telephone (only the last vote cast will be counted), provided that the stockholder does so before 11:59 p.m. Eastern time on \_\_\_\_\_ ;

submitting a properly signed proxy with a later date; or

voting in person at the Annual Meeting.

If you hold stock in street name, you may later revoke your proxy instructions by following the procedures provided by your bank, broker or other nominee. Attendance at the Special Meeting will not, by itself, revoke a proxy. Any written notice of revocation or delivery of a subsequent proxy by a stockholder of record may be sent to the Corporate Secretary, VAALCO Energy, Inc., 9800 Richmond Avenue, Suite 700, Houston, Texas 77042, or hand delivered to our Corporate Secretary at or before the voting at the Special Meeting.

If you hold your shares of Common Stock through a broker, bank or other nominee, you may change your voting instructions by submitting new voting instructions to your broker, bank or other nominee. If you wish to vote in person, you must obtain a legal proxy issued to you by your broker, bank or other nominee.

**Quorum and Required Vote**

The inspector of elections appointed for the Special Meeting will tabulate votes cast by proxy or in person at the Special Meeting. The inspector of elections will also determine whether a quorum is present. Your stock is counted as present at the Special Meeting if you attend the Special Meeting and vote in person or if you properly

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vote by internet, telephone or mail. In order for us to hold our Special Meeting, holders of a majority of our common stock entitled to vote must be present in person or by proxy at the Special Meeting. This is referred to as a quorum. Abstentions will be counted as present for purposes of determining a quorum.

When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the statutes of the State of Delaware, the Bylaws or the Charter, a different vote is required. In such aforementioned case, such express provision shall govern and control. The voting standard for each of the Proposals is described below.

Each stockholder is entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder as of the record date of the Special Meeting.

A broker holding shares of record for you is not entitled to vote on certain non-routine matters unless the broker receives voting instructions from you. Broker non-votes result when shares are held by a broker who has not received voting instructions from the beneficial owner, there is at least one item for which the broker has discretionary voting authority and the broker has so notified us on a proxy form in accordance with industry practice or has otherwise advised us that the broker lacks voting authority. We do not believe that there will be any broker non-votes at the Special Meeting because we do not believe that any of the items on the agenda will qualify for discretionary voting treatment by a broker.

***Proposal No. 1: The Cause Amendment Proposal.*** The approval of Proposal No. 1, regarding the amendment to our Charter and Bylaws, requires the affirmative vote of the holders of at least 66  $\frac{2}{3}$ % of the voting power of all the shares of the corporation entitled to vote generally in the election of directors, voting together as a class. Abstentions will have the same effect as votes against this proposal. Broker non-votes, if any, will have no effect on this proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner.

***Proposal No. 2: The Bylaw Restoration Proposal.*** The approval of Proposal No. 2, regarding the repeal of any other amendments to our Bylaws, requires the affirmative vote of the holders of at least 66  $\frac{2}{3}$ % of the voting power of all the shares of the corporation entitled to vote generally in the election of directors, voting together as a class. Abstentions will have the same effect as votes against this proposal. Broker non-votes, if any, will have no effect on this proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner.

***Proposal No. 3: The Removal Proposal.*** The approval of Proposal No. 3, regarding the removal without cause of four members of the Board, Frederick W. Brazelton, James B. Jennings, John J. Myers, Jr. and Steven J. Pully, including any person (other than those elected by the Election Proposal) elected or appointed to the Board to fill any vacancy on the Board or any newly-created directorships after November 6, 2015 from our Board requires the affirmative vote of a majority of the stock then entitled to vote at an election of directors. Abstentions and broker non-votes, if any, will have the same effect as votes against this proposal.

***Proposal No. 4: The Vacancy Proposal.*** The approval of Proposal No. 4, regarding the amendment to the Bylaws to provide that any vacancies on the Board resulting from the removal of directors by the stockholders of the Company shall be filled exclusively by the stockholders of the Company requires the affirmative vote of the holders of at least 66  $\frac{2}{3}$ % of the voting power of all the shares of the corporation entitled to vote generally in the election of directors, voting together as a class. Abstentions will have the same effect as votes against this proposal. Broker non-votes, if any, will have no effect on this proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner.

***Proposal No. 5: The Board Size Proposal.*** The approval of Proposal No. 5, regarding the affixing of the authorized number of VAALCO directors as set forth in our Bylaws, requires the affirmative vote of the holders of at least 66  $\frac{2}{3}$ % of the voting power of all the shares of the corporation entitled to vote generally in the