

OMNI ENERGY SERVICES CORP

Form S-1

February 09, 2006

Table of Contents

Index to Financial Statements

As filed with the Securities and Exchange Commission on February 9, 2006

Registration No. 333- _____

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

OMNI ENERGY SERVICES CORP.

(Exact Name of Registrant as Specified in its Charter)

Louisiana
(State of other jurisdiction of
incorporation or organization)

1382
(Primary Standard Industrial
Classification Code Number)

72-1395273
(I.R.S. Employer
Identification No.)

4500 N.E. Evangeline Thruway

Edgar Filing: OMNI ENERGY SERVICES CORP - Form S-1

Carencro, Louisiana 70520

(337) 896-6664

(Address, including zip code and telephone number, including area code, of

Registrant's principal executive offices)

With a copy to:

G. Darcy Klug
OMNI Energy Services Corp.

4500 N.E. Evangeline Thruway

Carencro, Louisiana 70520

Telephone: (337) 896-6664

Fax: (337) 896-9067

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

David Taylor
Locke Liddell & Sapp LLP

3400 JPMorgan Chase Tower

600 Travis Street

Houston, Texas 77002

Telephone: (713) 226-1200

Fax: (713) 223-3717

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. "

Table of Contents**Index to Financial Statements****CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed	Proposed	Amount of Registration Fee
		Maximum Offering Price Per Unit ⁽¹⁾	Maximum Aggregate Offering Price	
Common stock, par value \$0.01 per share	3,000,000	\$4.50	\$13,500,000	\$1,445

⁽¹⁾ The price of \$4.50 per share, which was the average of the high and low prices of the Registrant's common stock on the Nasdaq National Market on February 6, 2006, is set forth solely for the purpose of calculating the registration fee in accordance with Rule 457(c) promulgated under the Securities Act of 1933.

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

Table of Contents

Index to Financial Statements

SUBJECT TO COMPLETION, DATED FEBRUARY 9, 2006.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS

OMNI ENERGY SERVICES CORP.

3,000,000 Shares of Common Stock

This prospectus relates to the sale of up to 3.0 million shares of our common stock by Fusion Capital Fund II, LLC (Fusion Capital). Fusion Capital is sometimes referred to in this prospectus as the selling shareholder.

The selling shareholder may from time to time offer all or a portion of these shares of common stock through public or private transaction on the Nasdaq National Market or such other securities exchange on which our common stock is traded at the time of the sale. The selling shareholder may sell these shares of common stock at prevailing market prices or at privately negotiated prices either directly or through agents, broker dealers or otherwise.

The selling shareholder is an underwriter as such term is defined in the Securities Act of 1933, as amended (the Securities Act), and any commissions paid or discounts or concessions allowed to any such person and any profits received on resale of the securities offered hereby may be deemed to be underwriting compensation under the Securities Act.

The selling shareholder will receive all of the net proceeds from the sale of the shares of common stock offered by this prospectus. We are paying all of the expenses of registration incurred in connection with this offering, but the selling shareholder will pay all selling and other expenses. You may find more information concerning how the selling shareholder may sell these securities under the caption Plan of Distribution.

Our common stock is quoted on the Nasdaq National Market under the symbol OMNI. On February 6, 2006, the last reported sale price for our common stock as reported on the Nasdaq National Market was \$4.54 per share. We have applied to have the shares of common stock offered pursuant to this prospectus approved for trading on the Nasdaq National Market.

Investing in our common stock involves certain risks. See Risk Factors beginning on page 4 for a discussion of these risks.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is _____, 2006.

Table of Contents

Index to Financial Statements

TABLE OF CONTENTS

	Page
<u>Summary</u>	1
<u>Forward-looking Statements</u>	4
<u>Risk Factors</u>	4
<u>Use of Proceeds</u>	9
<u>Market Price and Dividend Information</u>	9
<u>Selected Consolidated Financial Data</u>	10
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosures</u>	27
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	28
<u>The Fusion Transaction</u>	29
<u>Business and Properties</u>	33
<u>Management</u>	41
<u>Certain Relationships and Related Transactions</u>	47
<u>Selling Shareholder</u>	49
<u>Plan of Distribution</u>	50
<u>Description of Capital Stock</u>	52
<u>Legal Matters</u>	56
<u>Experts</u>	56
<u>Where You Can Find More Information</u>	58
<u>Index to Consolidated Financial Statements</u>	F-1

Table of Contents

Index to Financial Statements

SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in shares of our common stock. You should read this entire prospectus carefully, including Risk factors beginning on page 4 and our consolidated financial statements and the related notes thereto beginning on page F-1, before making an investment decision. Except as otherwise noted, we present all financial and operational data on a fiscal year and fiscal quarter basis. Our fiscal year ends on December 31 of each year. Our fiscal quarters end March 31, June 30, September 30 and December 31 of each year.

OMNI Energy Services Corp.

OMNI Energy Services Corp. is an integrated oilfield service company specializing in providing a range of (i) onshore seismic drilling, operational support, permitting, survey and helicopter support services to geophysical companies operating in logistically difficult and environmentally sensitive terrain and (ii) dock-side, onshore and offshore non-hazardous, oilfield waste management and environmental cleaning services, including tank and vessel cleaning and safe vessel entry, for oil and gas companies operating in the Gulf of Mexico.

Seismic Drilling. The principal market of our Seismic Drilling division is the marsh, swamp, shallow water and contiguous dry land areas along the Gulf Coast (the Transition Zone), primarily in Louisiana and Texas, where we are the leading provider of seismic drilling support services. In 1997, we commenced operations in the mountainous regions of the western United States, and in 2003 we initiated seismic drilling activities in various Transition Zone regions of Mexico.

We own and operate a fleet of specialized seismic drilling and transportation equipment for use in the Transition Zone. We believe we are the only company that currently can provide both an integrated range of seismic drilling, permitting and survey services in all of the varied terrain of the Transition Zone and simultaneously support operations for multiple, large-scale seismic projects. In 2002, we acquired all of the assets of AirJac Drilling, a division of Veritas Land DGC. With this acquisition, we became the largest domestic provider of seismic drilling support services to geophysical companies.

Environmental Services. We provide dock-side, onshore and offshore non-hazardous oilfield waste management and environmental cleaning services, including drilling rig, tank and vessel cleaning, safe vessel entry, naturally occurring radioactive material decontamination, platform abandonment services, pipeline flushing, gas dehydration, and hydro blasting. Demand for our dock-side vessel and tank cleaning and non-hazardous waste treatment businesses are primarily driven by drilling and well-site abandonment activity in the shallow waters of the Gulf of Mexico, as reflected by the drilling rig count. Much of the cleaning and waste treatment is from residual waste created in the drilling process.

We were founded in 1987, as OMNI Drilling Corporation, to provide drilling services to the geophysical industry. In July 1996, OMNI Geophysical, L.L.C. acquired substantially all of the assets of OMNI Geophysical Corporation, the successor to the business of OMNI Drilling Corporation. OMNI Energy Services Corp. was formed as a Louisiana corporation on September 11, 1997 to acquire all of the outstanding common units of OMNI Geophysical, L.L.C.

Edgar Filing: OMNI ENERGY SERVICES CORP - Form S-1

Our principal executive offices are located at 4500 N.E. Evangeline Thruway, Carencro, Louisiana 70520, and our telephone number at that address is (337) 896-6664. The address of our website is www.omnienergy.com. The information on our website is not part of this prospectus. Our common stock is quoted on the Nasdaq National Market under the symbol OMNI. Unless otherwise indicated, references in this prospectus to OMNI, Company, we, us, or our refer to Omni Energy Services Corp.

Recent Events

On May 18, 2005, we completed a \$50 million equipment term financing facility (Term A Loan) and increased our working capital revolving line of credit we have with a bank (the Line) to \$15 million from its previous level of \$12 million (with the Term A Loan, collectively referred to herein as the Senior Credit Facility). Under the terms of the Term A Loan, funding is limited to the lesser of \$50 million and the sum of (i) 85% of the orderly liquidation value of our aviation fleet; (ii) 75% of the orderly liquidation value of our seismic drilling and environmental equipment; and (iii) 50% of the fair market value of certain real estate. Proceeds from the Term A Loan were used to re-finance certain long-term debt, provide working capital and establish funding necessary to complete various strategic transactions under consideration. The Term A Loan matures in May 2010 and will be repaid quarterly in equal payments up to a 50% balloon at maturity date, with interest, paid in arrears and accruing at the initial annual interest rate of 30-day LIBOR plus 6.5%.

In connection with completion of the Senior Credit Facility, we entered into settlement agreements (Debenture Settlement Agreements) with each of the Debenture Holders in exchange for our dismissal of the lawsuit we filed against the Debenture

Table of Contents

Index to Financial Statements

Holder and other third parties on January 25, 2005 in the United States District Court, Western District of Louisiana. The suit alleged violations by the Debenture Holders pursuant to Section 16(b) of the Securities Exchange Act of 1934.

Under the terms of the Debenture Settlement Agreements, we agreed to (i) pay the Debenture Holders approximately \$4.0 million cash; (ii) immediately issue the Debenture Holders 2.0 million shares of our common stock at an agreed upon value of \$3.4 million; and (iii) issue the Debenture Holders approximately \$4.3 million of unsecured, subordinated promissory notes (Subordinated Debenture Notes). We recorded a gain of \$200,000 upon closing of these transactions. The Subordinated Debenture Notes will be paid quarterly, with interest in arrears, over 36 months in equal payments with interest accruing at the rate of 8% per annum. Execution of the Debenture Settlement Agreements extinguished the terms of the original Debentures and released all parties from any future claims.

On May 18, 2005, we also entered into early debt extinguishment agreements (Debt Extinguishment Agreements) on \$2.0 million of the Stockholder Notes and \$1.0 million of the Earnout Note more fully described in Note 4 of our financial statements contained herein. Under the terms of the Debt Extinguishment Agreements, in full and complete satisfaction of \$2.0 million of the Stockholder Notes and \$1.0 million of the Earnout Note, we agreed to (i) immediately issue 0.2 million shares of our common stock; and (ii) pay certain holders of the Stockholder Notes \$1.0 million on or before August 16, 2005, in full and complete satisfaction of \$2.0 million of the Stockholder Notes and \$1.0 million of the Earnout Note. We recognized a gain on debt extinguishment of \$0.3 million upon closing this transaction.

On May 17, 2005, we entered into a Securities Purchase Agreement with certain affiliates and executive officers to issue up to \$5.0 million of Series C 9% Convertible Preferred Stock (the Series C Preferred Stock). Our Series C Preferred Stock is convertible into our common stock at a conversion price of \$1.95 per share and includes detachable warrants to purchase up to 6,550,000 additional shares of our common stock at exercise prices ranging between \$1.95 and \$3.50 per share.

On July 29, 2005, we sold our Aviation Transportation Services segment effective June 30, 2005, and the proceeds from the cash sale (\$11.0 million) were used to repay advances under our Senior Credit Facility and for additional working capital. As a result of the sale and in order to enhance comparability among the periods, the financial statements contained in our selected consolidated financial data tables presented on pages 10 and 11, for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 and for the nine months ended September 30, 2004 have been restated to reflect the operations of the Aviation Transportation Services segment as a discontinued operation.

On August 29, 2005, we closed the second tranche of the transactions contemplated by the Securities Purchase Agreement, at which time we issued an aggregate of 1,500 shares of Series C Preferred Stock and warrants to acquire up to 1,965,000 shares of common stock, in exchange for an aggregate of \$1,500,000.

On August 29, 2005, we completed a \$25 million multiple draw term credit facility (Term B Loan). Under the terms of the Term B Loan, borrowings will be made through advances at our request in minimum amounts of \$2 million. Quarterly payments in the amount of \$0.175 million, plus interest, will begin on April 1, 2008. The Term B Loan matures in August 2010 and accrues interest at the rate of LIBOR plus 8%. The proceeds from the Term B Loan were and/or will be used to (i) reduce the current outstanding balance under our Term A Loan by \$3.4 million; (ii) retire approximately \$3.3 million of Subordinated Debenture Notes with a payment of \$1.5 million cash and the issuance of 750,000 shares of our common stock; (iii) retire \$2 million of certain subordinated debt with a payment of \$1 million cash and the issuance of 200,000 shares of common stock; and (iv) provide working capital and funds necessary for potential strategic transactions.

Edgar Filing: OMNI ENERGY SERVICES CORP - Form S-1

On December 7, 2005, the Fourth Circuit Court of Appeal for the State of Louisiana granted our writ application for supervisory review and rendered a judgment granting our Motion for Partial Summary Judgment seeking a declaratory judgment against Steven T. Stull, a former director, and Advantage Capital Partners, et. al (ACP). On February 13, 2004, we commenced litigation against Mr. Stull and ACP, and their respective insurers seeking a declaratory judgment confirming our right to redeem, rather than convert, its shares of Series A and Series B 8% Convertible Preferred Stock under our Articles of Incorporation, as amended, and other applicable operative documents and agreements. The Court determined that we had the right to redeem, rather than convert both the Series A and Series B preferred stock within 30 days after receiving the notices of conversion from ACP.

On December 20, 2005, the United States District Court for the Eastern District of Louisiana granted our Motion to Dismiss a lawsuit filed by ACP and its affiliates against us and certain of our executive officers. In the lawsuit filed on March 26, 2004, ACP and its affiliates alleged that (i) we and the executive officers misrepresented material facts and failed to disclose material facts related to the intention to redeem our Series A Preferred and Series B Preferred, and (ii) our officers breached their fiduciary duties. The Court held that ACP had failed to satisfy the pleading requirements for alleging fraud under federal securities laws.

Table of Contents

Index to Financial Statements

On December 29, 2005, we executed of a definitive Stock Purchase and Sale Agreement to acquire Preheat, Inc. (Preheat). Preheat is a leading Gulf Coast lessor of oilfield equipment and provider of specialized oilfield and environmental services. Subject to the terms and conditions of the agreement with Preheat, we will purchase 100% of the issued and outstanding common stock of Preheat for a purchase price of \$22.5 million plus certain assumed long-term debt, more specifically described as a combination of \$16.0 million of cash, and the issuance of 900,000 shares of our common stock and \$4.0 million of promissory notes from us. Closing is subject to the approval of the transaction by our lenders, the Board of Directors of both companies, and the shareholders of Preheat. At closing, Preheat is required to have on hand a minimum of \$4.5 million of excess working capital. The financial statements of Preheat for the years ended December 31, 2004 and 2003 and the nine months ended September 30, 2005, as well as our compiled and unaudited pro forma financial statements for the year ended December 31, 2004 and for the nine months ended September 30, 2005 are included in the accompanying consolidated financial statements.

On January 17, 2006, we announced the appointment of Gregory B. Milton as our Chief Accounting Officer.

The Offering

On November 11, 2005, we entered into a Common Stock Purchase Agreement (the Purchase Agreement) with Fusion Capital pursuant to which Fusion Capital agreed, under certain conditions, to purchase on each trading day \$25,000 of our common stock up to an aggregate of \$12.5 million over a 25 month period, subject to earlier termination at our discretion. In our discretion, we may elect to sell more of our common stock to Fusion Capital than the minimum daily amount. The purchase price of the shares of common stock will be equal to a price based upon the future market price of the common stock. Fusion Capital does not have the right or the obligation to purchase shares of our common stock in the event that the price of our common stock is less than \$1.50. In addition, if we elect to sell our shares to Fusion Capital at a price per share below \$2.39, we first would be required to obtain shareholder approval in order to be in compliance with the Nasdaq National Market rules.

At any time from November 11, 2005 until 30 days after we have sold \$12.5 million of our stock to Fusion Capital, we have the right in our sole discretion to enter into a new purchase agreement with Fusion Capital for the purchase of up to \$12.5 million of our common stock. If we exercise such option we cannot enter into such a new agreement until all \$12.5 million of our common stock is purchased by Fusion Capital under the November 11, 2005 agreement.

Fusion Capital, the selling shareholder under this prospectus, is offering for sale up to 3,000,000 shares of our common stock. In connection with entering into the Purchase Agreement, we authorized the purchase by Fusion Capital of up to \$12.5 million of our common stock and agreed to register up to 3,000,000 shares of our common stock (which includes the 177,000 shares issued and 73,000 shares issuable to Fusion Capital as the commitment fee). We have the right but not the obligation to issue more than 3,000,000 shares to Fusion Capital. In the event we elect to issue more than 3,000,000 shares offered hereby, we will be required to file a new registration statement and have it declared effective by the Securities and Exchange Commission to cover such additional shares. The number of shares ultimately offered for sale by Fusion Capital is dependent upon the number of shares purchased by Fusion Capital under the Purchase Agreement.

As of February 6, 2006, there were 15,230,786 shares of our common stock outstanding, including the 177,000 shares that we have issued to Fusion Capital as compensation for its purchase commitment, but excluding the 2,750,000 shares offered by Fusion Capital pursuant to this prospectus which it has not yet purchased from us and 73,000 shares that may be issued as a commitment fee. If all of shares offered by this prospectus were issued and outstanding as of the date hereof, the number of shares offered by this prospectus would represent 16.6% of the total common stock outstanding as of February 6, 2006.

Table of Contents

Index to Financial Statements

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include statements regarding, among other things,

our business plans or strategies, and projected or anticipated benefits or other consequences of such plans or strategies;

our objectives;

projected and anticipated benefits from future or past acquisitions; and

projections involving capital expenditure or revenues, earnings or other aspects of capital projects or operating results.

Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words *may*, *will*, *should*, *expect*, *anticipate*, *estimate*, *believe*, *intend* or *project* or the negative of these words or other these words or comparable terminology. This information may involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements. These statements may be found under *Management's Discussion and Analysis of Financial Condition and Results of Operations and Business*, as well as in this prospectus generally. You are cautioned that all forward-looking statements involve risk associated with our dependence on activity in the oil and gas industry, labor shortages, international expansion, dependence on significant customers, seasonality and weather risks, competition, technological evolution and other risks detailed in our filings with the Securities and Exchange Commission. Additional important factors could cause actual results to differ materially from the anticipated results or other expectations expressed in our forward-looking statements are discussed under the caption *Risk Factors* below. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date that they are made. We undertake no obligation to publicly update our forward-looking statements.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. Offers to sell and offers to buy shares of our common stock are being made only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

No action is being taken in any jurisdiction outside the United States to permit a public offering of common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to that jurisdiction.

RISK FACTORS

You should carefully consider the following risk factors, in addition to the other information set forth or incorporated in this prospectus, before purchasing shares of our common stock. Each of these risk factors could adversely affect our business, operating results and financial condition, and also adversely affect the value of an investment in our common stock.

We have incurred losses in previous years.

While some of our past history reflects annual net income, our recent financial history, including the year ended December 31, 2004 and the nine month period ended September 30, 2005, reflects net losses. While we hope to generate increased revenues and return to profitability, any such increase may not be sustainable or indicative of future results of operations. We do intend to continue investing in internal expansion, infrastructure, integration of acquired companies into our operations and our marketing and sales efforts.

The accompanying consolidated financial statements have been prepared assuming we will continue on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We suffered a significant loss from operations during the year ended December 31, 2004, had a working capital deficit, were in default on certain of our debt instruments, and will require capital funding from sources other than operations to meet our

Table of Contents

Index to Financial Statements

current debt obligations. In the past two years, we have been required to raise additional capital by the issuance of both equity and debt instruments.

We may require additional financing to sustain our operations.

The extent to which we may rely on Fusion Capital as a source of funding will depend on a number of factors including, without limitation, the prevailing market price of our common stock, that no event of default exists under the Purchase Agreement, and the extent to which we are able to secure working capital from other sources. Fusion Capital does not have the right or the obligation to purchase shares of our common stock in the event that the price of our common stock is less than \$1.50. In addition, we are not required or permitted to issue any shares of common stock under the Purchase Agreement if such issuance would breach our obligations under the rules or regulations of the Nasdaq National Market. If obtaining financing from Fusion Capital becomes unavailable or prohibitively dilutive, we will need to secure another source of funding in order to satisfy our working capital needs. Even if we are able to access the full \$12.5 million under the Purchase Agreement with Fusion Capital, we may still need additional capital to implement our business, operating and development plans. Should the financing we require to sustain our working capital needs be unavailable or prohibitively expensive when we require it, the consequences would have a material adverse effect on our business, operating results, financial condition and prospects.

The sale of our common stock to Fusion Capital may cause dilution and the sale of the shares of common stock acquired by Fusion Capital could cause the price of our common stock to decline

The purchase price for the common stock to be sold to Fusion Capital pursuant to the Purchase Agreement will fluctuate based on the future market price of our common stock. Fusion Capital does not have the right or the obligation to purchase shares of our common stock in the event that the price of our common stock is less than \$1.50. In addition, we are not required or permitted to issue any shares of common stock under the Purchase Agreement if such issuance would breach our obligations under the rules or regulations of the Nasdaq National Market. All shares in this offering are freely tradable. Fusion Capital may sell none, some or all of the shares of common stock purchased from us at any time. Depending upon market liquidity at the time, a sale of shares under this offering at any given time could cause the trading price of our common stock to decline. The sale of a substantial number of shares of our common stock under this offering, or anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales.

Industry volatility may adversely affect our results of operations.

The demand for our services depends on the level of capital expenditures by oil and gas companies for developmental construction and these expenditures are critical to our operations. The levels of such capital expenditures are influenced by:

oil and gas prices and industry perceptions of future price levels;

the cost of exploring for, producing and delivering oil and gas;

the ability of oil and gas companies to generate capital;

the sale and expiration dates of leases in the United States;

the availability of current geophysical data;

the discovery rate of new oil and gas reserves; and

local and international political and economic conditions.

The cyclical nature of the oil and gas industry has a significant effect on our revenues and profitability. Historically, prices of oil and gas, as well as the level of exploration and developmental activity, have fluctuated substantially. This has, in the past, and may, in the future, adversely affect our business. We are unable to predict future oil and gas prices or the level of oil and gas industry activity. A prolonged low level of activity in the oil and gas industry will likely depress development activity, adversely affecting the demand for our products and services and our financial condition and results of operations.

Table of Contents

Index to Financial Statements

Our growth and growth strategy involves risks.

We have grown over the last several years through internal growth and acquisitions of other companies. It will be important for our future success to manage our rapid growth and this will demand increased responsibility for management personnel. The following factors could present difficulties to us:

the lack of sufficient executive-level personnel;

the successful integration of the operations of Trussco, Inc. including the integration of a management team with no history of working together;

increased levels of debt and administrative burdens; and

increased logistical problems of large, expansive operations.

If we do not manage these potential difficulties successfully, they could have a material adverse effect on our financial condition and results of operations.

The dangers inherent in our operations and the potential limits on insurance coverage for certain risks could expose us to potentially significant liability costs.

Our operations, and to a significant degree our seismic operations, are subject to risks or injury to personnel and loss of equipment. Our seismic crews often conduct operations in extreme weather, in difficult terrain that is not easily accessible, and under other hazardous conditions. We maintain what we believe is prudent insurance protection. However, we cannot assure that our insurance will be sufficient or effective under all circumstances. A successful claim for which we are not fully insured may have a material adverse effect on our revenues and profitability. We do not carry business interruption insurance with respect to our operations.

We operate in a highly competitive industry.

We compete with several other providers of seismic drilling, helicopter support, permitting, survey and environmental services. Competition among seismic contractors historically has been, and will continue to be, intense. Competitive factors have in recent years included price, crew experience, equipment availability, technological expertise and reputation for quality and dependability. Our revenues and earnings may be affected by the following factors:

changes in competitive prices;

fluctuations in the level of activity and major markets;

general economic conditions; and

governmental regulation.

Additionally, in certain geographical areas, some of our competitors may operate more crews than we do and may have substantially greater financial and other resources. These operators could enjoy an advantage over us if the competitive environment for contract awards shifts to one characterized principally by intense price competition.

Seasonality and adverse weather conditions in the regions in which we operate may adversely affect our operations.

Our operations are directly affected by the weather conditions in the Gulf of Mexico. Due to seasonal differences in weather patterns, we may operate more days in the spring, summer and fall periods and less in the winter months. The seasonality of oil and gas industry activity in the Gulf Coast region also affects our operations. Due to exposure to weather, we generally experience higher drilling activity in the spring, summer and fall months with the lowest activity in winter months, especially with respect to our operations in the mountainous regions of the western United States. The rainy weather, hurricanes and other storms prevalent in the Gulf of Mexico and along the Gulf Coast throughout the year may also affect our operations. As a result, full-year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

Table of Contents

Index to Financial Statements

We are dependent on key personnel.

Our success depends on, among other things, the continued active participation of our executive officers and certain of our other key operating personnel. Our officers and personnel have extensive experience in the domestic and international oilfield services industry. The loss of the services of any one of these persons could impact adversely our ability to implement our expansion strategy.

We may incur additional expenditures to comply with governmental regulations.

Our seismic operations are subject to extensive governmental regulation, violations of which may result in civil and criminal penalties, injunctions and cease and desist orders. These laws and regulations govern, among other things, operations in wetlands and the handling of explosives. Although our cost of compliance with such laws has to date been immaterial, such laws are changed frequently. Accordingly, it is impossible to predict the cost or impact of such laws on our future operations. We are also required by various governmental agencies to obtain certain permits, licenses and certificates. To date, we believe that we possess all permits, licenses and certificates material to the operation of our business. The loss by us of any of the licenses required for our operation could have a material adverse effect on our operations.

We depend on demand for our services from the oil and gas industry, and this demand may be affected by changing tax laws and oil and gas regulations. As a result, the adoption of laws that curtail oil and gas production in our areas of operation may adversely affect us. We cannot determine to what extent our operations may be affected by any new regulations or changes in existing regulations.

One stockholder has substantial control over our affairs.

Dennis R. Sciotto beneficially owns approximately 35.4% of our outstanding common stock. Mr. Sciotto represents and controls The Dennis R. Sciotto Family Trust and was appointed to the Board of Directors by the holders of the Series C Preferred Stock on June 13, 2005 pursuant to the Securities Purchase Agreement dated May 17, 2005. As a result, Mr. Sciotto has the ability to substantially influence our management and affairs and all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger, consolidation or sale of substantially all of our assets. This may have the effect of delaying, deferring or preventing a change in control, or impeding a merger or consolidation.

Future technological advances could impair operating assets or require substantial unbudgeted capital expenditures.

We compete in providing services in a capital intensive business. The development of seismic data acquisition and processing equipment has been characterized by rapid technological advancements in recent years, and this trend may continue. Manufacturers of seismic equipment may develop new systems that have competitive advantages over systems now in use that could render our current equipment obsolete or require us to make significant unplanned capital expenditures to maintain our competitive position. Under such circumstances, there can be no assurance that we would be able to obtain necessary financing on favorable terms.

Our seismic drilling operations depend on a few significant customers.

We derive a significant amount of our seismic drilling revenue from a small number of geophysical companies. Our inability to continue to perform services for a number of our large existing customers, if not offset by sales to new or other existing customers, could have a material adverse effect on our business and operations. For example, our largest customers (those which individually accounted for more than 10% of revenue in a given year, listed alphabetically) collectively accounted for 84% (Veritas DGC and Western Geophysical), 71% (Quantum Geophysical, Seismic Exchange, and Veritas DGC) and 50% (PGS, Quantum Geophysical, Seismic Exchange, and Veritas DGC) of revenue for fiscal 2002, 2003, and 2004, respectively.

Unfavorable results of litigation could have a material adverse impact on our financial statements.

We are subject to a variety of claims and lawsuits. Adverse outcomes in some or all of the pending cases may result in significant monetary damages or injunctive relief against us. We are also subject to a variety of other claims and suits that arise from time to time in the ordinary course of our business. While management currently believes that resolving all of these matters, individually or in the aggregate, will not have a material adverse impact on our financial position or results of operations, the litigation and other claims noted above are subject to inherent uncertainties and management's view of these matters may change in the future. There exists the possibility of a material adverse impact on our financial position and the results of operations for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

Table of Contents

Index to Financial Statements

If we breach any of the material financial covenants under our various indebtedness, or if an event of default is declared with respect to any such indebtedness, our debt service obligations could be accelerated.

If we breach any of the material financial covenants under our various indebtedness, or if an event of default is declared with respect to any such indebtedness, our substantial debt service obligations could be accelerated. In the event of any such simultaneous acceleration, we would not be able to repay all of the indebtedness.

As of December 31, 2004, we had a material weakness in our internal controls, and our internal control over financial reporting was not effective as of that date. If we fail to maintain an effective system of internal controls, we may not be able to provide timely and accurate financial statements.

As more fully described in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 18, 2005, during the course of conducting our December 31, 2004 audit of the consolidated financial statements, several accounting adjustments were identified, some of which affected prior quarters and resulted in a restatement of the consolidated financial statement for each of the three quarters ended March 31, June 30 and September 30, 2004 and the year ended December 31, 2003. During management's evaluation of the effectiveness and sufficiency of our internal financial reporting function, we recognized the need to strengthen and expand our public reporting function with the employment of additional financial and accounting staff experienced with generally accepted accounting principles, reporting to the Securities and Exchange Commission, internal controls and the Sarbanes-Oxley Act of 2002. Management believes certain identified weaknesses arose because of inadequate staffing in our current accounting and financial reporting function.

The Public Company Accounting Oversight Board has defined a material weakness as a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim statements will not be prevented or detected. Accordingly, a material weakness increases the risk that the financial information we report contains material errors. As more fully described in our quarterly reports on Form 10-Q for the quarters ended March 31, June 30, and September 30, 2005, these deficiencies have not yet been remedied but additional internal control initiatives have been implemented to our controls over financial reporting. We believe the aforementioned staffing void resulted from the December 2004 departure of our Chief Accounting Officer. In November 2005, we hired an experienced Certified Public Accountant who, in January 2006, was appointed as our Chief Accounting Officer to oversee all accounting matters. In addition, we continue to utilize the consulting services of third party accounting and financial experts to (i) review and provide guidance upon the propriety of the recording of various accounting transactions and (ii) review and provide guidance upon our financial statements. Further, we use these third party accounting and financial experts to assist us with technical research regarding significant accounting transactions, disclosures and financial reporting.

Our internal assessment of our internal control over financial reporting does not reveal any other weaknesses that we believe would require further attention or discussion at this time. However, there can be no assurance that the steps we have taken and are taking to address the material weakness will be effective. Any failure to effectively address a material weakness or other control deficiency or implement required new or improved controls, or difficulties encountered in their implementation, could limit our ability to obtain financing, harm our reputation, disrupt our ability to process key components of our result of operations and financial condition timely and accurately and cause us to fail to meet our reporting obligations under rules of the Securities and Exchange Commission and our various debt arrangements. Any failure to remediate the material weakness identified in our evaluation of our internal controls could preclude our management from determining our internal control over financial reporting is effective.

The market price of our common stock is highly volatile.

The market price of our common stock has been and is expected to continue to be highly volatile. Factors, including announcements of technological innovations by us or other companies, regulatory matters, new or existing products or procedures, concerns about our financial position, operating results, litigation, government regulation, developments or disputes relating to agreements, patents or proprietary rights, may have a significant impact on the market price of our common stock. In addition, potential dilutive effects of future sales of shares of common stock by our shareholders, including Fusion Capital, and by us, pursuant to this prospectus or otherwise could have an adverse effect on the market price of our common stock.

Table of Contents**Index to Financial Statements****USE OF PROCEEDS**

All of the shares of common stock offered hereby are being offered by the selling shareholder, who will receive all proceeds from such sales. We will not receive any proceeds from the sale of shares of common stock in this offering. However, we may receive up to \$12.5 million in proceeds from the sale of our common stock to Fusion Capital under the Purchase Agreement. Any proceeds from Fusion Capital we receive under the Purchase Agreement will be used to reduce long-term debt and for working capital and general corporate purposes. Pending such uses, we will invest any proceeds in short term, investment grade, interest bearing securities.

MARKET PRICE AND DIVIDEND INFORMATION**Market information and price range of common stock**

Our common stock is traded on the Nasdaq National Market under the symbol OMNI. The following table sets forth the range of high and low sales prices of our common stock as reported by the Nasdaq National Market for the periods indicated.

	HIGH	LOW
	_____	_____
2006		
First quarter (through February 6, 2006)	\$ 4.94	\$ 3.46
2005		
First quarter	\$ 2.84	\$ 1.21
Second quarter	\$ 2.66	\$ 1.43
Third quarter	\$ 5.35	\$ 2.01
Fourth quarter	\$ 4.22	\$ 2.30
2004		
First quarter	\$ 9.00	\$ 4.76
Second quarter	\$ 7.80	\$ 4.22
Third quarter	\$ 5.35	\$ 2.95
Fourth quarter	\$ 4.94	\$ 1.65

On February 6, 2006, the reported last sale price of our common stock was \$4.54. As of February 6, 2006 there were approximately 6,600 holders of record of our common stock.

Dividend policy

We have never paid cash dividends on our common stock. We intend to retain future earnings, if any, to meet our working capital requirements and to finance future operations of our business. Therefore, we do not plan to declare or pay cash dividends to holders of our common stock in the foreseeable future. In addition, certain of our credit arrangements contain provisions that limit our ability to pay cash dividends on our

common stock.

Edgar Filing: OMNI ENERGY SERVICES CORP - Form S-1

Income (loss) before minority interest	(24,659)	5,144	674	3,159	(7,499)	(3,942)	1,171
Minority interest and income (loss) of Subsidiaries	(17)						
Net income (loss) from continuing operations	(24,642)	5,144	674	3,159	(7,499)	(3,942)	1,171
Income (loss) from discontinued operations, net of taxes	(1,131)	520	534	324	(6,756)	(323)	(3,273)
Loss on disposal of discontinued operations assets, net of taxes							(2,271)
Net income (loss)	(25,773)	5,664	1,208	3,483	(14,255)	(4,265)	(4,373)
Dividends and accretion of preferred stock		(726)	(484)	(484)	(490)	(490)	(132)
Non-cash charge attributable to beneficial conversion features of preferred stock							(652)
Net income (loss) available to common stockholders	\$ (25,773)	\$ 4,938	\$ 724	\$ 2,999	\$ (14,745)	\$ (4,755)	\$ (5,157)
Basic income (loss) per common share:							
Income (loss) from continuing operations	\$ (4.24)	\$ 0.49	\$ 0.02	\$ 0.30	\$ (0.73)	\$ (0.41)	\$ 0.03
Income (loss) from discontinued operations	(0.19)	0.06	0.06	0.04	(0.62)	(0.03)	(0.26)
Loss on disposal of discontinued operations assets							(0.18)
Net income (loss) applicable to common and common equivalent shares	\$ (4.43)	\$ 0.55	\$ 0.08	\$ 0.34	\$ (1.35)	\$ (0.44)	\$ (0.41)
Diluted income (loss) per common share:							
Income (loss) from continuing operations	\$ (4.24)	\$ 0.45	\$ 0.02	\$ 0.28	\$ (0.73)	\$ (0.41)	\$ 0.03
Income (loss) from discontinued operations	(0.19)	0.05	0.06	0.03	(0.62)	(0.03)	(0.25)
Loss on disposal of discontinued operations assets							(0.18)
Net income (loss) applicable to common and common equivalent shares	\$ (4.43)	\$ 0.50	\$ 0.08	\$ 0.31	\$ (1.35)	\$ (0.44)	\$ (0.40)
Number of Weighted Average Shares:							
Basic	5,819	9,015	8,739	8,772	10,884	10,723	12,676
Diluted	5,819	9,844	8,745	11,362	10,884	10,723	12,816

Table of Contents**Index to Financial Statements**

	December 31,					September 30,	
	2000	2001	2002	2003	2004	2004	2005
	(unaudited)						
Balance sheet data:							
Total assets	\$ 34,624	\$ 38,448	\$ 41,325	\$ 50,289	\$ 65,913	\$ 71,835	\$ 42,669
Long-term debt, less current maturities:	8,500	9,289	8,340	9,624	12,952	17,241	15,784
Preferred Stock	7,500	11,616	12,100	12,100	29	29	713
Total Equity	8,018	18,560	19,781	24,386	4,864	13,582	11,004
	Year ended December 31,					Nine Months Ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
	(unaudited)						
Statement of cash flow data:							
Net cash provided by (used in) operating activities	\$ (5,615)	\$ 6,355	\$ 5,015	\$ 5,664	\$ 8,121	\$ 2,926	\$ 3,912
Net cash provided by (used in) investing activities	942	(155)	(1,901)	(4,158)	(13,037)	(9,835)	11,202
Net cash provided by (used in) financing activities	4,890	(5,284)	(3,643)	(1,638)	7,568	7,026	(15,919)

Table of Contents

Index to Financial Statements

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

Management's discussion and analysis of financial condition and results of operations contains certain forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which reflect management's best judgment based on factors currently known. Actual results could differ materially from those anticipated in these forward looking statements as a result of a number of factors, including but not limited to those discussed under the headings Risk factors, and Forward-looking statements provided by us pursuant to the safe harbor established by the federal securities laws should be evaluated in the context of these factors.

This discussion and analysis should be read in conjunction with our consolidated financial statements and accompanying notes contained herein.

Recent Events

On May 18, 2005, we completed the Term A Loan and increased the Line to \$15 million from its previous level of \$12 million. Under the terms of the Term A Loan, funding is limited to the lesser of \$50 million and the sum of (i) 85% of the orderly liquidation value of our aviation fleet; (ii) 75% of the orderly liquidation value of our seismic drilling and environmental equipment; and (iii) 50% of the fair market value of certain real estate. Proceeds from the Term A Loan were used to re-finance certain long-term debt, provide working capital and establish funding necessary to complete various strategic transactions under consideration. The Term A Loan matures in May 2010 and will be repaid quarterly in equal payments up to a 50% balloon at maturity date, with interest, paid in arrears and accruing at the initial annual interest rate of 30-day LIBOR plus 6.5% (10.19% at September 30, 2005). Upon the sale of the aviation transportation services segment, the total borrowing base under the Term A Loan was reduced to \$30 million. Additionally, a portion of the proceeds from the Term B Loan were used to reduce the balance of the Term A Loan to \$5.0 million.

In connection with completion of the Senior Credit Facility, we entered into the Debenture Settlement Agreements with each of the Debenture Holders in exchange for our dismissal of the lawsuit we filed against the Debenture Holders and other third parties on January 25, 2005 in the United States District Court, Western District of Louisiana. The suit alleged violations by the Debenture Holders pursuant to Section 16(b) of the Securities Exchange Act of 1934.

Under the terms of the Debenture Settlement Agreements, we agreed to (i) pay the Debenture Holders approximately \$4.0 million cash; (ii) immediately issue the Debenture Holders 2.0 million shares of our common stock at an agreed upon value of \$3.4 million; and (iii) issue the Debenture Holders approximately \$4.3 million of Subordinated Debenture Notes. We recorded a gain of \$200,000 upon closing of these transactions. The Subordinated Debenture Notes will be paid quarterly, with interest in arrears, over 36 months in equal payments with interest accruing at the rate of 8% per annum. Execution of the Debenture Settlement Agreements extinguished the terms of the original Debentures and released all parties from any future claims.

On May 18, 2005, we also entered into early Debt Extinguishment Agreements on \$2.0 million of the Stockholder Notes and \$1.0 million of the Earnout Note more fully described in Note 4 of our financial statements contained herein. Under the terms of the Debt Extinguishment Agreements, in full and complete satisfaction of \$2.0 million of the Stockholder Notes and \$1.0 million of the Earnout Note, we agreed to

Edgar Filing: OMNI ENERGY SERVICES CORP - Form S-1

(i) immediately issue 0.2 million shares of our common stock; and (ii) pay certain holders of the Stockholder Notes \$1.0 million on or before August 16, 2005, in full and complete satisfaction of \$2.0 million of the Stockholder Notes and \$1.0 million of the Earnout Note. We recognized a gain on debt extinguishment of \$0.3 million upon closing this transaction.

On May 17, 2005, we entered into a Securities Purchase Agreement with certain affiliates and executive officers to issue up to \$5.0 million of Series C Preferred Stock. Our Series C Preferred Stock is convertible into our common stock at a conversion price of \$1.95 per share and includes detachable warrants to purchase up to 6,550,000 additional shares of our common stock at exercise prices ranging between \$1.95 and \$3.50 per share.

On July 29, 2005, we sold our Aviation Transportation Services segment effective June 30, 2005, and the proceeds from the cash sale (\$11.0 million) were used to repay advances under our Senior Credit Facility and for additional working capital. As a result of the sale and in order to enhance comparability among the periods, the financial statements contained in our selected consolidated financial data tables on pages 10 and 11 for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 and for the nine months ended September 30, 2005 have been restated to reflect the operations of the Aviation Transportation Services segment as discontinued operations.

Table of Contents

Index to Financial Statements

On August 29, 2005, we closed the second tranche of the transactions contemplated by the Securities Purchase Agreement, at which time we issued an aggregate of 1,500 shares of Series C Preferred Stock and warrants to acquire up to 1,965,000 shares of common stock, in exchange for an aggregate of \$1,500,000.

On August 29, 2005, we completed the Term B Loan. Under the terms of the Term B Loan, borrowings will be made through advances at our request in minimum amounts of \$2 million. Quarterly payments in the amount of \$0.175 million, plus interest, will begin on April 1, 2008. The Term B Loan matures in August 2010 and accrues interest at the rate of LIBOR plus 8%. The proceeds from the Term B Loan were and/or will be used to (i) reduce the current outstanding balance under our Term A Loan by \$3.4 million; (ii) retire approximately \$3.3 million of Subordinated Debenture Notes with a payment of \$1.5 million cash and the issuance of 750,000 shares of our common stock; (iii) retire \$2 million of certain subordinated debt with a payment of \$1 million cash and the issuance of 200,000 shares of common stock; and (iv) provide working capital and funds necessary for potential strategic transactions.

On December 7, 2005, the Fourth Circuit Court of Appeal for the State of Louisiana granted our writ application for supervisory review and rendered a judgment granting our Motion for Partial Summary Judgment seeking a declaratory judgment against Steven T. Stull, a former director, and Advantage Capital Partners, et. al (ACP). On February 13, 2004, we commenced litigation against Mr. Stull and ACP, and their respective insurers seeking a declaratory judgment confirming our right to redeem, rather than convert, its shares of Series A and Series B 8% Convertible Preferred Stock under our Articles of Incorporation, as amended, and other applicable operative documents and agreements. The Court determined that we had the right to redeem, rather than convert both the Series A and Series B preferred stock within 30 days after receiving the notices of conversion from ACP.

On December 20, 2005, the United States District Court for the Eastern District of Louisiana granted our Motion to Dismiss a lawsuit filed by ACP and its affiliates against us and certain of our executive officers. In the lawsuit filed on March 26, 2004, ACP and its affiliates alleged that (i) we and the executive officers misrepresented material facts and failed to disclose material facts related to the intention to redeem our Series A Preferred and Series B Preferred, and (ii) our officers breached their fiduciary duties. The Court held that ACP had failed to satisfy the pleading requirements for alleging fraud under federal securities laws.

On December 29, 2005, we executed of a definitive Stock Purchase and Sale Agreement to acquire Preheat. Preheat is a leading Gulf Coast lessor of oilfield equipment and provider of specialized oilfield and environmental services. Subject to the terms and conditions of the agreement with Preheat, we will purchase 100% of the issued and outstanding common stock of Preheat for a purchase price of \$22.5 million plus certain assumed long-term debt, more specifically described as a combination of \$16.0 million of cash, and the issuance of 900,000 shares of our common stock and \$4.0 million of promissory notes from us. Closing is subject to the approval of the transaction by our lenders, the Board of Directors of both companies, and the shareholders of Preheat. At closing, Preheat is required to have on hand a minimum of \$4.5 million of excess working capital. The financial statements of Preheat for the years ended December 31, 2004 and 2003 and the nine months ended September 30, 2005, as well as our compiled and unaudited pro forma financial statements for the year ended December 31, 2004 and for the nine months ended September 30, 2005 are included in the accompanying consolidated financial statements.

On January 17, 2006, we announced the appointment of Gregory B. Milton as our Chief Accounting Officer.

Restatement of financial statements

Edgar Filing: OMNI ENERGY SERVICES CORP - Form S-1

Due to the lock-box arrangement and the subjective acceleration clause associated with our Line, the balance sheet as of December 31, 2003 was restated to classify the Li