OMNI ENERGY SERVICES CORP
Form S-1/A
January 17, 2006

As filed with the Securities and Exchange Commission on January 13, 2006

Registration No. 333-129138

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2 to

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	**1382**	**72-1395273**
(State of other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

4500 N.E. Evangeline Thruway

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:

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OMNI Energy Services Corp.

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(Name, address, including zip code and telephone number, including area code,

of agent for service)

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. x

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. ¨

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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. ¨

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Subject to completion, dated January 13, 2006

Prospectus

9,713,670 shares

OMNI ENERGY SERVICES CORP.

Common Stock

This prospectus relates to 9,713,670 shares of our common stock that are being sold by the selling stockholders named herein.

Pursuant to a Registration Rights Agreement, as amended, dated as of May 17, 2005, we have granted certain of the selling stockholders registration rights with respect to the shares of our common stock to be issued (i) upon conversion of Series C 9% Convertible Preferred Stock granted to selling stockholders; (ii) upon the exercise of warrants granted to the selling stockholders; and (iii) upon conversion of the Series C 9% Convertible Preferred Stock issued as payments in kind of dividends due under the terms of the Series C 9% Convertible Preferred Stock.

Of the 9,713,670 shares of our common stock that are being sold by the selling stockholders named herein, 100,000 shares were issued to Granite Finance Group LLC, a registered broker-dealer, that acted as our financial advisor in connection with several financing transactions.

The selling stockholders may from time to time offer all or a portion of these shares of common stock through public or private transactions 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 stockholders 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.

Each selling stockholder may be deemed to be 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 stockholders 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 stockholders will pay all selling and other expenses.

Our common stock is traded on The Nasdaq National Market under the symbol OMNI. On January 10, 2006, the last reported sale price of our common stock on the Nasdaq National Market was $3.84 per share.

Investing in our common stock involves risks. See **Risk factors** **beginning on page 4.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is January ____ , 2006.

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Prospectus 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 5 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. Refer to the Company s web site at www.omnienergy.com for more information and recent events.

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.

The Private Placement

On May 17, 2005, we entered into a Securities Purchase Agreement (the Securities Purchase Agreement) with the selling stockholders. Pursuant to the terms of the Securities Purchase Agreement, we agreed to issue to the selling stockholders (i) an aggregate of up to 5,000 shares of Series C 9% Convertible Preferred Stock, no par value, and (ii) warrants representing the right to purchase up to an aggregate of 6,550,000 shares of common stock, for the exercise prices described therein.

The transactions contemplated by the Securities Purchase Agreement closed in two tranches. On May 17, 2005, the closing date of the first tranche, we issued an aggregate of 3,500 shares of Series C 9% Convertible Preferred Stock and warrants to acquire up to 4,585,000 shares of common stock, in exchange for an aggregate of $3,500,000. On August 29, 2005, the closing date of the second tranche, we issued an aggregate of 1,500 shares of Series C 9% Convertible Preferred Stock and warrants to acquire up to 1,965,000 shares of common stock, in exchange for an aggregate of $1,500,000.

This prospectus relates to 9,713,670 shares of our common stock, of which (i) 2,564,103 shares are to be issued to certain of the selling stockholders upon the conversion of Series C 9% Convertible Preferred Stock sold to those selling stockholders in the first tranche and second tranche; (ii) 6,550,000 shares are to be issued to certain of the selling stockholders upon the exercise of warrants sold to those selling stockholders in the first tranche and second tranche; (iii) 499,567 shares are to be issued to certain of the selling stockholders upon the conversion of the Series C 9% Convertible Preferred Stock issued as payment in kind of dividends due under the Series C 9% Convertible Preferred Stock over the initial two years that the Series C 9% Convertible Preferred Stock is outstanding; and (iv) 100,000 shares issued to Granite Finance Group LLC in consideration for services rendered by it in connection with (x) the private placement of the Series C 9% Convertible

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Preferred Stock, (y) the Term A Loan (as defined in Recent Events), and (z) the Term B Loan (as defined in Recent Events).

Pursuant to a Registration Rights Agreement dated as of May 17, 2005, as amended by Amendment No. 1 to Registration Rights Agreement dated effective as of July 16, 2005, and Amendment No. 2 to the Registration Rights Agreement dated effective as of September 14, 2005, we have granted the selling stockholders (other than Granite Finance Group LLC) certain registration rights with respect to the shares of our common stock issued upon conversion of the Series C 9% Convertible Preferred Stock, exercise of the warrants granted to those selling stockholders and conversion of the Series C 9% Preferred stock issued as dividend payments in kind. The Registration Rights Agreement, as amended by Amendment No.1 to Registration Rights Agreement, requires that this registration statement be filed no later than one hundred seventy five days from May 17, 2005. The sole effect of Amendment No. 1 and Amendment No. 2 was to extend the filing deadline of the registration statement. In the event that this registration statement is not declared effective by the Securities and Exchange Commission within 90 days following the date of its filing, we may be required to pay as liquidated damages to those selling stockholders an amount equal to 2% of the purchase price of the registrable securities then held by the selling stockholders and the amount by which the warrants are in the money, for each thirty day period (prorated for partial periods) until this registration statement is declared effective by the Securities and Exchange Commission.

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 will be 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 Holders on January 25, 2005. On that date, we filed suit in the United States District Court, Western District of Louisiana (the 16(b) litigation) against the Debenture Holders and other third parties. The suit alleged violations by the Debenture Holders pursuant to Section 16(b) of the Securities Exchange Act of 1934. On February 25, 2005, one of the Debenture Holders, Portside Growth and Opportunity Fund (Portside), notified us of certain alleged events of default under the 6.5% Subordinated Convertible Debentures issued to Portside (the Portside Debentures). Portside demanded that we redeem all of the Portside Debentures held by it, in the aggregate principal amount of $2,765,625 on March 2, 2005. Portside also notified us of its intention to commence a civil action against us to obtain a judgment with respect to all amounts owed to it under the Portside Debentures.

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). The Company 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 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. The Company 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. Our Series C 9% Convertible 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.

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On June 30, 2005, we executed a definitive agreement to sell the equipment and related assets of the Aviation Transportation Services segment. On July 29, 2005, the sale of the Aviation Transportation Services segment was finalized and the proceeds from the cash sale ($11.0 million) were used to repay advances under the Company s 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 8 through 10, 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 9% Convertible 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 the Company s Term A senior term debt 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 29, 2005, the Company executed of a definitive Stock Purchase and Sale Agreement (the 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, the Company 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 OMNI s common stock and $4.0 million of buyer promissory notes. Closing is subject to the approval of the transaction by the Company s 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 Offering

Common stock offered by the selling stockholders	9,713,670 shares
Shares outstanding immediately prior to the offering	15,227,121 shares
Shares to be outstanding after the	24,940,791 shares

offering	
Use of proceeds	We will not receive any proceeds from the sale of shares by the selling stockholders. We will receive as the exercise price of the 6,550,000 warrants described above up to $14.2 million, if the selling stockholders exercise all their warrants and assuming that none of the warrants are exercised on a cashless basis. We expect to use the proceeds from the exercise of the warrants to reduce long-term debt and for working capital purposes. Pending such use, we will invest any proceeds in short term, investment grade, interest bearing securities.
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.

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The Nasdaq National	
Market symbol	OMNI
Risk factors	You should carefully consider the information set forth under Risk factors and all other information set forth in this prospectus before deciding to invest in shares of our common stock.

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.

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.

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.

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 and 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. The

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Company suffered a significant loss from operations during the year ended December 31, 2004, had a working capital deficit, was in default on certain of its debt instruments, and will require capital funding from sources other than operations to meet its 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.

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.

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

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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.

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 Form 10-K filed on April 18, 2005, during the course of conducting the 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, 2004, June 30, 2004 and September 30, 2004 and the year ended December 31, 2003. During managements evaluation of the effectiveness and sufficiency of our internal financial reporting function, we recognized the need to strengthen and expand the Company s 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 the Company s current accounting and financial reporting function.

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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, 2005, June 30, 2005 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. Until a suitable replacement is identified, our Executive Vice President, who is our former Chief Financial Officer, has resumed an active role in the daily oversight of all accounting matters. Further, the company utilizes 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. Additionally, in November 2005, we hired an experienced certified public accountant to serve as the Director of Financial Reporting, which we feel is a material step in the process of completely curing the material weakness in internal control over financial reporting.

We believe these interim steps compensate for the existing vacancy at the Chief Accounting Officer level. 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 SEC 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.

Forward-looking statements

Certain statements included in this prospectus that are not historical facts are intended to be forward-looking statements. Forward-looking statements in this prospectus are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may include statements that relate to:

- 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 anticipated capital expenditures or revenues, earnings or other aspects of capital projects or operating results.

Forward-looking statements generally can be identified by the use of words such as may, will, expect, intend, estimate, anticipate or bel similar language.

Forward-looking statements are not guarantees of future performance and all phases of our operations are subject to a number of uncertainties, risks and other influences, many of which are beyond our control. Any one of such influences, or a combination, could materially affect the results of our operations and the accuracy of the forward-looking statements that we make.

You are cautioned that all forward-looking statements involve risks associated with OMNI s 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 that 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 above. 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

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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 the 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.

Use of Proceeds

All of the shares of common stock offered hereby are being offered by the selling stockholders, who will receive all proceeds from such sales. We will not receive any proceeds from the sale of shares of common stock offered by the selling stockholders. We will receive as the exercise price of the warrants described above up to $14.2 million if the selling stockholders exercise all of their warrants and assuming that none of the warrants are exercised on a cashless basis. We cannot be certain that any or all of the warrants will be exercised. Any proceeds from the exercise of the warrants are not proceeds from this offering. We expect to use any proceeds from the exercise of the warrants to reduce long-term and for working capital purposes. Pending such uses, we will invest any proceeds in short term, investment grade, interest bearing securities.

Market Price of and Dividends on the Registrant s Common Equity and Related Stockholder Matters

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 January 10, 2006)	$ 4.15	$ 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 January 10, 2006, the reported last sale price of our common stock was $3.84. As of January 10, 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.

Selected consolidated financial data

The selected financial data as of and for the five years ended December 31, 2004 are derived from our audited consolidated financial statements. The following information should be read in conjunction with Management s discussion and analysis of financial condition and results of operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus. Our selected historical results are not necessarily indicative of results to be expected in future periods. The per share data gives retroactive effect to the one for three reverse stock split effective July 3, 2002. The selected

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financial data as of and for the nine months ended September 30, 2005 and 2004 are derived from our unaudited consolidated financial statements reported within our quarterly report on Form 10-Q as of September 30, 2005 and should be read in conjunction with our audited financial statements included in our Annual Report on Form 10-K, for the year ended December 31, 2004, filed with the Securities and Exchange Commission on April 18, 2005, as amended.

The financial statements for the years ended December 31, 2000 and through 2001 were audited by Arthur Andersen LLP, who has ceased operations.

We sold our Aviation Transportation Services segment on June 30, 2005 (see MD&A Recent Events for a discussion of the sale). In order to enhance the comparability of the amounts from year to year, the financial information related to the results of operations for the years ended December 31, 2000 through December 31, 2004 and the nine month period ended September 30, 2004 have been restated to present the activities of the Aviation Transportation Services segment as discontinued operations.

	Year ended December 31,					Nine months ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
						(unaudited)	
	(In thousands, except per share data)						
Income statement data:							
Operating revenue	$ 10,255	$ 19,839	$ 24,592	$ 31,555	$ 39,064	$ 27,931	$ 32,201
Operating expenses:							
Direct costs	10,054	15,005	17,178	21,586	28,510	20,627	20,794
Depreciation and amortization	4,042	3,328	3,270	3,355	4,282	2,962	3,618
General and administrative expense	4,757	2,436	3,186	3,718	9,464	6,571	6,059
Total operating expenses	18,853	20,769	23,634	28,659	42,256	30,160	30,471
Asset impairment and other charges	11,284	632					
Operating income (loss)	(19,882)	(1,562)	958	2,896	(3,192)	(2,229)	1,730
Interest expense	2,930	1,223	799	943	3,288	1,470	1,966
(Gain) loss on debenture conversion inducement and debt extinguishment					729	81	(758)
Other expense (income), net	1,846	(7,929)	(115)	(114)	290	162	(141)
Income (loss) from continuing operations before income taxes	(24,658)	5,144	274	2,067	(7,499)	(3,942)	663
Income tax benefit (expense)	(1)		400	1,092			508
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)

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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

	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)

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

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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 will be 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 completion of 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 on January 25, 2005. On that date, we filed suit in the United States District Court, Western District of Louisiana against the Debenture Holders and other third parties. The suit alleged violations by the Debenture Holders pursuant to Section 16(b) of the Securities Exchange Act of 1934. On February 25, 2005, one of the Debenture Holders, Portside, notified us of certain alleged events of default under the Portside Debentures. Portside demanded that we redeem all of the Portside Debentures held by it, in the aggregate principal amount of $2,765,625 on March 2, 2005. Portside also notified us of its intention to commence a civil action against us to obtain a judgment with respect to all amounts owed to it under the Portside Debentures.

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. The Company 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 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 (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. The Company 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. Our Series C 9% Convertible 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 June 30, 2005, we executed a definitive agreement to sell the equipment and related assets of the Aviation Transportation Services segment. On July 29, 2005, the sale of the Aviation Transportation Services segment was finalized and the proceeds from the cash sale ($11.0 million) were used to repay advances under the Company s 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 page 12 and 13 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.

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 9% Convertible Preferred Stock and warrants to acquire up to 1,965,000 shares of common stock, in exchange for an aggregate of $1,500,000.

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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 the Company s Term A senior term debt 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 29, 2005, the Company executed of a definitive Stock Purchase and Sale Agreement (the 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, the Company 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 OMNI s common stock and $4.0 million of buyer promissory notes. Closing is subject to the approval of the transaction by the Company s 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.

Restatement of financial statements

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 Line as required by EITF 95-22, Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that include both a Subjective Acceleration Clause and a Lock-Box Arrangement.

On June 30, 2005, the Company signed a definitive agreement to sell its Aviation Transportation Services segment. The income statements for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 and the nine months ended September 30, 2004 have been restated to properly present the comparative information related to the Aviation Transportation Services segment. For these periods, the activities of the Aviation Transportation Services segment has been presented as discontinued operations.

General

Demand for our services. We receive our revenues from customers in the energy industry. Demand for our services is principally impacted by conditions affecting geophysical companies engaged in the acquisition of 3-D seismic data and oil and gas companies operating primarily in the shallow waters