

OMNI ENERGY SERVICES CORP
Form DEF 14A
July 18, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

OMNI Energy Services Corp.

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(Name of Registrant as Specified In Its Charter)

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No fee required.

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

4500 NE EVANGELINE THRUWAY

CARENCRO, LOUISIANA 70520

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Stockholders of OMNI Energy Services Corp.:

The annual meeting of stockholders of OMNI Energy Services Corp. (the Company) will be held at the Company's principal executive offices at 4500 NE Evangeline Thruway, Carencro, Louisiana 70520 on Wednesday, August 10, 2005, at 10:00 a.m., local time, to consider and vote on:

1. The election of three directors for the ensuing year,
2. Approval of the Securities Purchase Agreement, including the issuance of Series C 9% Convertible Preferred Stock (Series C Preferred Stock), common stock warrants and common stock issuable upon conversion and exercise of the Series C Preferred Stock and common stock warrants, and the transactions contemplated by the Securities Purchase Agreement, and
3. Such other business as may properly come before the meeting or any adjournments thereof.

Only holders of record of the Company's Common Stock and the Series C Preferred Stock at the close of business on June 15, 2005, are entitled to notice of, and to vote at, the annual meeting.

PLEASE SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT IN THE ACCOMPANYING ENVELOPE AS PROMPTLY AS POSSIBLE. A PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE VOTING THEREOF.

By Order of the Board of Directors

Staci L. Marcelissen, Secretary

Carencro, Louisiana

July 18, 2005

OMNI ENERGY SERVICES CORP.

4500 NE EVANGELINE THRUWAY

CARENCRO, LOUISIANA 70520

July 18, 2005

Proxy Statement

This Proxy Statement is furnished to stockholders of OMNI Energy Services Corp. (the Company) in connection with the solicitation on behalf of its Board of Directors (the Board) of proxies for use at the annual meeting of stockholders of the Company to be held on August 10, 2005, at the time and place set forth in the accompanying notice and at any adjournments thereof (the Meeting).

Holders of record of the Company's common stock, par value \$0.01 per share (Common Stock), and holders of the Company's Series C Preferred Stock, at the close of business on June 15, 2005, are entitled to notice of, and to vote at, the Meeting. However, only holders of record of Common Stock may vote on the election of directors under Proposal No. 1 and, pursuant to Nasdaq National Market rules, holders of record of shares of the Series C Preferred Stock are not entitled to vote on Proposal No. 2. On June 15, 2005, there were 15,704,437 shares of Common Stock outstanding and entitled to vote at the meeting, including 1,794,872 shares of Common Stock issuable upon conversion of the Series C Preferred Stock. As to matters for which they are entitled to vote, each share of Common Stock is entitled to one vote and the holders of the Series C Preferred Stock are entitled to one vote for each share of Common Stock into which their Series C Preferred Stock may be converted.

The enclosed proxy may be revoked at any time prior to the Meeting by filing with the Secretary of the Company a written revocation or duly executed proxy bearing a later date. The proxy will also be deemed revoked with respect to any matter on which the stockholder votes in person at the Meeting. Attendance at the Meeting will not, in and of itself, constitute a revocation of a proxy. Unless otherwise marked, properly executed proxies in the form of the accompanying proxy card will be voted **FOR** the election of the nominees to the Board listed below, **FOR** the approval of the Securities Purchase Agreement, including the issuance of Series C Preferred Stock, common stock warrants and common stock issuable upon conversion and exercise of the Series C Preferred Stock and common stock warrants, and the transactions contemplated by the Securities Purchase Agreement, and in the discretion of the persons named in the proxy in connection with any other business that may properly come before the Meeting.

This Proxy Statement is first being mailed to stockholders on or about July 18, 2005. The cost of soliciting proxies hereunder will be borne by the Company. Proxies may be solicited by mail, personal interview and/or telephone. Banks, brokerage houses and other nominees or fiduciaries will be requested to forward the soliciting material to their principals and to obtain authorization for the execution of proxies. The Company will, upon request, reimburse them for their expenses in so acting.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

General

The Company's By-laws state that the Board shall be comprised of up to eight members, with the exact number to be set by the Board. The Board has currently set the number of directors at five. The Articles of Incorporation provide that so long as at least 2,000 shares of Series C Preferred Stock remain outstanding, the holders of a majority of the Series C Preferred Stock, voting as a separate class to the exclusion of all other classes of the Company's capital stock, shall be entitled to elect two directors to the Board to serve on the Board until their successors are duly elected by the holders of the Series C Preferred Stock or they are removed from office (with or without cause) by the holders of the Series C Preferred Stock. The holders of Series C Preferred Stock have elected Dennis R. Sciotto and Edward E. Colson, III to serve on the Board and they are not up for re-

election at the Meeting. You are being asked to elect the remaining three directors. Each director elected at the Meeting and the two directors elected by the holders of the Series C Preferred Stock will serve a term expiring at the 2006 annual meeting of stockholders. The terms of each of the Company's current directors will expire at the Meeting. Three of the Company's current directors have been nominated for re-election to the Board. Messrs. David A. Melman and Craig P. Rothwell are not standing for re-election to the Board; however, Mr. Rothwell will remain as an Advisory Director.

Unless authority to vote for the election of directors is withheld, the proxies solicited hereby will be voted **FOR** the election of the Company's three nominees named below. If any nominee should decline or be unable to serve for any reason, votes will instead be cast for a substitute nominee designated by the Board. The Board has no reason to believe that any nominee will decline to be a candidate or, if elected, will be unable or unwilling to serve. Under the Company's By-laws, directors are elected by plurality vote. Stockholders may not cumulate their votes in the election of directors.

Article IV E of the Company's Articles of Incorporation provides certain procedures that stockholders must follow in making director nominations. For any person other than a person nominated by the Board to be eligible for nomination for election as a director, advance notice must be provided to the Secretary of the Company at the Company's principal office, not more than 90 days and not less than 45 days, in advance of the annual meeting of stockholders; provided, however, that in the event that less than 55 days notice or prior public disclosure of the date of the meeting is given or made to stockholders, such notice will be deemed timely if received at the Company's principal office no later than the close of business on the tenth day following the day on which notice of the date of the meeting was mailed or such public disclosure was made. This notice must state (a) for each nominating stockholder, such stockholder's name and business and residential addresses, the number of shares of Common Stock beneficially owned by such stockholder, and, if requested by the Secretary of the Company, whether such stockholder is the sole beneficial owner of such Common Stock and, if not, the name and address of any other beneficial owner of such Common Stock, and (b) for each proposed nominee, the proposed nominee's name, age and business and residential addresses, the proposed nominee's principal occupation or employment and the number of shares of Common Stock beneficially owned by the proposed nominee, and the proposed nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected, along with such other information regarding the proposed nominee as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been proposed by the Board. No such stockholder nominations have been received for the Meeting.

The Board has nominated and urges you to vote **FOR** the election of the Company's three nominees named below.

Information About the Company's Directors

The following table sets forth, as of June 15, 2005, certain information about the Company's nominees for director and the two current directors who were elected by the holders of the Series C Preferred Stock. Each director elected at the Meeting and the two directors elected by the holders of the Series C Preferred Stock will serve a term expiring at the 2006 annual meeting of stockholders. Pursuant to the Securities Purchase Agreement executed in connection with the issuance of our Series C Preferred Stock, the holders of the Series C Stock have elected Messrs. Sciotto and Colson to serve as directors and they are not up for re-election at the Meeting. There are no other arrangements or understandings between the Company and any person, pursuant to which such person has been elected a director, and no director is related to any other director or executive officer of the Company.

<u>Directors</u>	<u>Age</u>	<u>Position</u>
James C. Eckert	55	Chairman of the Board
Edward E. Colson, III	55	Director (2)(3)
Michael G. DeHart	53	Director (1)(2)
Dennis R. Sciotto	52	Director (1)(3)
Richard C. White	48	Director (1)(2)(3)

- (1) Member of Compensation Committee
- (2) Member of Audit Committee
- (3) Member of Corporate Governance Committee

James C. Eckert has served as President, Chief Executive Officer and a Director of the Company since March 2001. From 1998 to 2000, Mr. Eckert served as Vice-President for Business Development of Veritas DGC Land, Inc. From 1992 to 1998, Mr. Eckert supervised the highland and transition seismic acquisitions of Veritas DGC Land, Inc. He served as President of GFS Company, a company that he co-founded in 1985, until its acquisition in 1992 by Digiton, Inc., a predecessor by merger to Veritas, Inc. Mr. Eckert graduated from the University of Southern Mississippi in 1971.

Edward E. Colson, III is a founder and co-owner of FF Properties, a real estate holding company created in 1988 that specializes in the acquisitions of commercial properties suitable for drive through restaurants. He is a co-creator of the Mexican restaurant chain (34 stores as of April 2005) named Muchas Gracias. Mr. Colson received a Bachelor of Science degree in Business Management from Long Beach State University, 1972. He is a past Director and founder of Pacific Mortgage Exchange, Inc. and is a past Director of Vista Sol High School in Torremolinos, Spain. Mr. Colson was elected to the Board by the holders of the Series C Preferred Stock on June 13, 2005.

Michael G. DeHart is a Certified Public Accountant and has been employed as the President and Chief Investment Officer for Stuller Management Services, Inc., since June 2001. Prior to that, Mr. DeHart was a partner with the accounting firm Wright, Moore, DeHart, Dupuis and Hutchinson, L.L.C. He was a member of that firm's management committee from 1998 to May 2001. Mr. DeHart received an M.B.A. from the University of Southwestern Louisiana and has been a director of the Company since November 2000. Mr. DeHart is Chairman of the Audit Committee.

Dennis R. Sciotto is a founder and co-owner of FF Properties, a real estate holding company created in 1988 which specializes in the acquisitions of commercial properties suitable for drive through restaurants. Prior to 1988, Mr. Sciotto was a restaurateur catering to the military installations in San Diego. In 1995, he co-created a Mexican restaurant chain (as of April 2005, 34 stores) prevalent in the Northwest named Muchas Gracias. Mr. Sciotto attended San Diego State University. Mr. Sciotto was elected to the Board by the holders of the Series C Preferred Stock on June 13, 2005.

Richard C. White is the former President and Chief Executive Officer of NuTec Energy Services Inc. He held that position from October of 2001, until his retirement in September 2002. He was Chief Executive Officer of Veritas DGC Land, Inc. from January 2000 through June 2000. From 1995 until his retirement in October 1999, Mr. White served as President of Western Geophysical Company, as well as Senior Vice President of Western Atlas Inc. He also served as President of Baker Hughes Incorporated from August 1998 until October 1999. Prior to 1995, he held various other executive positions with Western Geophysical Company, including Chief Operating Officer. Mr. White graduated from Bloomsberg University in 1978 and has been a director of the Company since March 2001. Mr. White is Chairman of the Compensation Committee.

Board Committees

The Board has determined that the Company's independent directors are Messrs. Colson, DeHart, Sciotto and White. These directors are independent as defined in the Nasdaq Marketplace Rules. The Board has established an Audit Committee and a Compensation Committee.

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The Company's independent directors function as the nominating committee. The Company's independent directors have not adopted a nominating committee charter. The independent directors assist the Board by identifying individuals qualified to become board members and recommending to the Board the director nominees for the next annual meeting of stockholders. The Board believes that it is appropriate for the Company

to not have a nominating committee because its independent directors provide proper guidance and assistance in these matters. The independent directors serving as the nominating committee will consider director candidates recommended by security holders and submitted in accordance with the Company's Articles of Incorporation. The independent directors serving as the nominating committee evaluate nominees for director based on the individual's business and educational background and ability to contribute to the Board.

The Audit Committee reviews the Company's financial statements and annual audit and meets with the Company's independent public accountants to review the Company's internal controls and financial management practices. Currently, the members of the Audit Committee are Messrs. Colson, DeHart and White. All of the members of the Audit Committee are independent as defined by the Nasdaq Marketplace Rules. The Audit Committee had eighteen formal meetings during 2004.

The Compensation Committee recommends to the Board compensation for the Company's executive officers and other key employees, administers the Fifth Amended Restated OMNI Energy Services Corp. Stock Incentive Plan (the Plan) and performs such similar functions as may be prescribed by the Board. Currently, the members of the Compensation Committee are Messrs. DeHart, Sciotto and White. Mr. Melman also served as a member of the Compensation Committee during 2004, but he is not standing for re-election. The Compensation Committee met eight times during 2004.

During 2004, the Board held four meetings. Each director attended all of the meetings held during 2004 of the Board and committees of which he was a member.

It is the Company's policy that, to the extent possible, all directors and nominees for director at the Meeting attend the Meeting. All of the directors and nominees for director at the 2004 Annual Meeting attended the 2004 Annual Meeting.

The Board provides a process for stockholders to send communications to the Board or any of the directors. Stockholders may send written communications to the Board or any of the directors addressed to the Secretary of the Company at the address listed on the first page of this Proxy Statement. All communications will be compiled by the Secretary of the Company and submitted to the Board or the individual directors on a periodic basis.

Compensation of Directors

Effective July 1, 2004, and retroactive to January 1, 2004, each non-employee director earns a retainer of \$15,000 per year, paid quarterly. These payments were made in 2004 to Messrs. DeHart, Melman, Rothwell, White and Webb (who resigned on April 18, 2005) for the first three quarters of 2004. The retainer for the fourth quarter of 2004 was paid in 2005. Each non-employee director that serves on the Audit Committee receives an additional \$5,000 per year, and \$7,500 per year for being the Committee Chairman. Each non-employee director that serves on the Compensation Committee or the Corporate Governance Committee receives an additional \$2,000 per year, and \$3,000 per year for being the Committee Chairman. All retainers are paid quarterly.

In addition to the retainers that are paid to the Board and Committee members, the Company pays a fee of \$500 per Committee member for each Committee meeting attended by such member. Each Board member will receive \$2,500 for each Board meeting attended in person (not telephonically) and called by the Chairman of the Board and \$1,000 for telephonic meetings.

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Each person who becomes a non-employee director is granted an option to purchase 10,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on the date such person becomes a director.

Additionally, each year that the Plan is in effect and a sufficient number of shares of Common Stock are available thereunder, each person who is a non-employee director on the day following the annual meeting of the

Company's stockholders will be granted an option to purchase 5,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on such date. All such options become fully exercisable on the first anniversary of their date of grant and expire on the tenth anniversary thereof, unless the non-employee director ceases to be a director of the Company, in which case the exercise periods will be shortened. Messrs. DeHart, Melman, Rothwell and White received this earned option in 2004. Marshall Webb (who resigned on April 18, 2005), also received his earned options.

EXECUTIVE OFFICERS AND KEY MANAGERS

The name, age and offices held by each of the executive officers and key managers as of June 15, 2005 are as follows:

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>
James C. Eckert	55	President and Chief Executive Officer
G. Darcy Klug	53	Executive Vice President
Shawn L. Rice	43	Vice President Quality Health Safety and Environmental

Information regarding Mr. Eckert is contained above under Directors .

G. Darcy Klug was promoted to the position of Executive Vice President in March 2004. He joined us as our Chief Financial Officer in May 2001, after being involved in private investments since 1987. Between 1983 and 1987, Mr. Klug held various positions with a private oil and gas fabrication company, including the position of Chief Operating Officer and Chief Financial Officer. Prior to 1983, he held various financial positions with Galveston-Houston Company, a manufacturer of oil and gas equipment listed for trading on the New York Stock Exchange. Between 1973 and 1979, he was a member of the audit staff of Coopers & Lybrand (now PricewaterhouseCoopers LLP).

Shawn L. Rice joined OMNI as its Vice President QHSE (Quality, Health, Safety and Environmental) in 2004, after more than twenty years of international and domestic management experience with WesternGeco, a joint venture of Schlumberger and Baker Hughes. Since December 2000, Mr. Rice held the position of Vice President, QHSE for WesternGeco's worldwide operations. In this capacity he developed and managed all aspects of WesternGeco's QHSE structure, systems and programs for more than 16,000 employees. Prior to December 2000, Mr. Rice held various management positions with Western Geophysical, including Business Services Manager responsible for Human Resources, QHSE and training for more than 8,000 employees. He holds an engineering degree from Colorado School of Mines.

Principal Stockholders

The following table sets forth, as of June 15, 2005, unless otherwise indicated below, certain information regarding beneficial ownership of Common Stock by (i) each of the Named Executive Officers (as defined below in Annual Compensation), (ii) each director and nominee for director of the Company, (iii) all of the Company's directors and executive officers as a group and (iv) each stockholder known by the Company to be the beneficial owner of more than 5% of the outstanding Common Stock, all as in accordance with Rule 13d-3 under the Securities Exchange Act of 1934. Unless otherwise indicated, the Company believes that the stockholders listed below have sole investment and voting power with respect to their shares based on information furnished to the Company by such stockholders.

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF OUTSTANDING COMMON STOCK
Dennis Sciotto	7,957,200(1)	57.2%
7315 El Fuerte Street Carlsbad, CA 92009		
Elliot Associates, L.P.	1,832,594(2)	13.2%
712 Fifth Avenue 36 th floor New York, NY 10019		
Portside Growth and Opportunity Fund	859,834(3)	6.2%
Chrysler Center 666 Third Ave. 26 th floor New York, NY 10017		
Provident Premier Master Fund Ltd.	859,834(4)	6.2%
35 Waterview Boulevard Parsippany, NJ 07054		
Wellington Management Company, LLP	725,000(5)	5.2%
75 State Street Boston, MA 02109		
James C. Eckert	1,022,358(6)	7.4%
Edward E. Colson, III	879,128(7)	6.3%
Michael G. DeHart	33,333(8)	*
David A. Melman	15,000(9)	*
Craig P. Rothwell	15,000(10)	*
Richard C. White	31,666(11)	*
G. Darcy Klug	774,163(12)	5.6%
All directors, executive officers as a group (7 persons)	10,712,848(13)	77.0%

* Less than one percent.

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- (1) Based on a filing made with the SEC reflecting ownership of Common Stock as of May 27, 2005. The filing indicates sole voting power with respect to 7,924,518 shares of Common Stock (which includes (i) 1,364,103 shares issuable upon conversion of Series C Preferred Stock and 3,484,600 shares issuable upon the exercise of warrants currently exercisable and (ii) 584,615 shares issuable upon conversion of Series C Preferred Stock and 1,493,400 shares issuable upon the exercise of warrants that the holder may acquire within sixty days), shared voting power with respect to 32,682 shares of Common Stock, sole dispositive power with respect to 7,924,518 (which includes 1,948,718 shares issuable upon conversion of Series C Preferred Stock and 4,978,000 shares issuable upon the exercise of warrants currently exercisable or exercisable within sixty days) and shared dispositive power with respect to 32,682 shares of Common Stock.

- (2) Based on a filing made with the SEC reflecting ownership of Common Stock as of May 18, 2005. Of these shares, (i) 1,085,037 are held by Elliott Associates, L.P., (ii) 127,557 are held by Elliot International Capital Advisors Inc. and Elliot International, L.P., wholly-owned subsidiaries of Elliot Associates, L.P. and 620,000 shares issuable upon the exercise of warrants exercisable within sixty days.
- (3) Based on 549,834 shares of Common Stock issued and 310,000 shares issuable upon the exercise of warrants currently exercisable within sixty days.
- (4) Based on 549,834 shares of Common Stock issued and 310,000 shares issuable upon the exercise of warrants currently exercisable within sixty days.
- (5) Based on a filing made with the SEC reflecting ownership of Common Stock as of December 31, 2004. The filing indicates shared voting power with respect to 510,000 shares of Common Stock and dispositive power with respect to 725,000 shares of Common Stock.
- (6) Includes (i) 89,744 shares issuable upon conversion of Series C Preferred Stock and 229,250 shares issuable upon the exercise of warrants currently exercisable, (ii) 38,462 shares issuable upon conversion of Series C Preferred Stock and 98,250 shares issuable upon the exercise of warrants that the holder may acquire within sixty days, and (iii) 566,652 shares issuable upon the exercise of options and restricted stock grants currently exercisable or exercisable within sixty days.
- (7) Includes (i) 143,590 shares issuable upon conversion of Series C Preferred Stock and 366,800 shares issuable upon the exercise of warrants currently exercisable, (ii) 61,538 shares issuable upon conversion of Series C Preferred Stock and 157,200 shares issuable upon the exercise of warrants that the holder may acquire within sixty days, and (iii) 150,000 shares of common stock.
- (8) Includes 33,333 shares issuable upon the exercise of options currently exercisable or exercisable within sixty days.
- (9) Includes 15,000 shares issuable upon the exercise of options currently exercisable or exercisable within sixty days.
- (10) Includes 15,000 shares issuable upon the exercise of options currently exercisable or exercisable within sixty days.
- (11) Includes 31,666 shares issuable upon the exercise of options currently exercisable or exercisable within sixty days.
- (12) Based on (i) 89,744 shares issuable upon conversion of Series C Preferred Stock and 229,250 shares issuable upon the exercise of warrants currently exercisable, (ii) 38,462 shares issuable upon conversion of Series C Preferred Stock and 98,250 shares issuable upon the exercise of warrants that the holder may acquire within sixty days, and (iii) 318,458 shares issuable upon the exercise of options and restricted stock grants currently exercisable or exercisable within sixty days.
- (13) Includes 10,712,848 shares that such persons have the right to receive upon the conversion of Series C Preferred Stock, the exercise of warrants and the exercise of options currently exercisable or exercisable within sixty days.

Annual Compensation

The following table sets forth all compensation information for the three years ended December 31, 2004, for the Company's Chief Executive Officer and all other executive officers whose total annual salary and bonus exceeded \$100,000 (collectively, the Named Executive Officers). No other executive officer of the Company had a total annual salary and bonus exceeding \$100,000 during 2004.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS		ALL OTHER COMPENSATION (1)
		SALARY	BONUS	NO. OF SHARES UNDERLYING OPTIONS/SARS GRANTED	NO. OF SHARES RESTRICTED STOCK AWARDS	
James C. Eckert President and Chief Executing Officer	2004	\$ 203,500(2)	\$ 261,222			\$ 79,200
	2003	\$ 150,000	\$	60,000	200,000	\$
	2002	\$ 113,750	\$ 91,625			\$
G. Darcy Klug Executive Vice President	2004	\$ 165,100(2)	\$ 182,222			\$ 64,072
	2003	\$ 115,000	\$	40,000	161,800	\$
	2002	\$ 83,000	\$ 37,500			\$

(1) Amounts paid in 2004 represent tax equalization payments paid in connection with certain restricted stock issued pursuant to the Restricted Stock Incentive Agreements more fully described herein.

(2) Includes \$20,833 each, of retroactive salary payments for the year ended December 31, 2003, but paid in 2004 for Mr. Eckert and Mr. Klug.

2003 Restricted Stock Incentive Agreement

Effective December 1, 2003, we entered into Restricted Stock Incentive Agreements, as amended, with Messrs. Eckert and Klug for the award of 200,000 shares and 161,800 shares, respectively, under the terms and conditions of the Fifth Amended and Restated OMNI Energy Services Corp. Stock Option Plan (the Plan). Under the terms of the amended Restricted Stock Incentive Agreement, 25% of such shares vested and were issued immediately on the day following our 2004 Annual Stockholder Meeting and the additional 75% of such shares vested on November 30, 2004. Of the remaining vested but restricted shares, 50% will be issued unrestricted on the day following or 2005 Annual Stockholder Meeting and 50% will be issued unrestricted on the day following the 2006 Annual Stockholder Meeting.

2004 Stock-Based Award Incentive Agreement

We also entered into Stock-Based Award Incentive Agreements (hereinafter SBA) with our executive officers on June 30, 2004. The SBA shall become computed and payable: (a) on the date of the Employee's termination of employment (for any reason other than resignation or termination for cause), (b) 90 days after the executive's death or disability or (c) upon a Change in Control. The executive managers were

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awarded 55% and 45%, respectively, of: (1) 10% of the fair market value (hereinafter "FMV"), defined as the average closing price per share on the Nasdaq National Market over the five prior trading days times the number of issued and outstanding shares of the Company, of a share of the Company's common stock greater than or equal to \$1.00 but less than \$1.50, plus (2) 15% of the FMV of a share of the Company's common stock greater than or equal to \$1.50 but less than \$2.50, plus (3) 20% of the FMV of a share of the Company's common stock greater than or equal to \$2.50 but less than \$10.00, plus (4) 15% of the FMV of a share of the Company's common stock greater than or equal to \$10.00 but less than \$20.00, plus (5) 10% of the FMV of a share of the Company's common stock greater than or equal to \$20.00. If no payments have been made, the right terminates on December 31, 2008

or upon termination of employment or resignation or cause, whichever occurs first. The intrinsic value of this award at December 31, 2004 was \$1.4 million but no compensation expense has been recorded at December 31, 2004 because the expense is contingent on future events none of which are considered probable at December 31, 2004. At this time, Mr. Eckert and Mr. Klug are the only executive officers participating in the SBA.

During 2004, no stock appreciation rights and no stock options were granted to executive officers.

Stock Option Holdings

The following table sets forth information, as of December 31, 2004, with respect to stock options held by the Named Executive Officers. None of the Named Executive Officers exercised any options to purchase Common Stock in 2004.

AGGREGATE OPTION VALUES AT YEAR END

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT YEAR END (1)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT YEAR END (2)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
James C. Eckert	356,656	35,010	\$ 389,736	\$
G. Darcy Klug	149,993	23,340	\$ 315,281	\$

- (1) Does not include 128,205 shares of common stock for each of Messrs. Eckert and Klug issuable upon the conversion of the Series C Preferred Stock or 327,500 shares of common stock for each of Messrs. Eckert and Klug issuable upon the exercise of warrants issued in connection with the Series C Preferred Stock.
- (2) The closing sale price of the Common Stock on December 31, 2004 was \$1.94 per share, as reported by the Nasdaq National Market.

Executive Employment Agreements

Mr. Eckert and Mr. Klug have employment agreements with the Company that are in effect until December 31, 2008 with automatic extensions for additional, successive one year periods commencing January 1, 2009, unless either party gives notice of non-renewal as provided for under the terms of the employment contracts. Annual base salaries for Mr. Eckert and Mr. Klug are \$200,000 and \$165,000, respectively, effective April 1, 2004.

If OMNI terminates either of Mr. Eckert's or Mr. Klug's employment without cause (except as provided in the Plan), then OMNI shall, and only if and as long as employee is not in breach of his obligations under the employment agreement, promptly pay or otherwise provide to employee, in addition to those amounts set forth in the Plan: (i) an amount equal to employee's monthly annual base salary then in effect, payable semi-monthly and in accordance with OMNI's normal payroll practices, for a period equal to the lesser of thirty (30) months or the number of months remaining in the Initial Period or the Additional Period (both defined in the employment contract); (ii) an annual bonus calculated on a daily pro-rata basis to the bonus which would otherwise be payable under the Plan; and (iii) an amount in cash equal to the fair market value, on the date of termination of employment, of any vested, but restricted, shares granted employee and the amount of any non-vested stock-based

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award granted to employee on November 4, 2003 pursuant to the Incentive Agreement of even date therewith. Mr. Eckert and Mr. Klug each agree that the above payment shall be a full settlement of OMNI's obligations to employee hereunder in the event of a termination without cause.

Compensation Committee Report

The Compensation Committee of the Board of Directors (the Committee) has furnished the following report on executive compensation for fiscal 2004:

Under the supervision of the Committee, the Company seeks to relate a significant portion of potential total executive compensation to the Company's financial performance. In general, executive financial rewards may be segregated into the following significant components: base compensation, bonus and stock-based benefits.

Base compensation, bonuses and stock-based compensation for the executive officers are intended to be competitive with those paid by comparably situated companies, with a reasonable degree of financial security and flexibility to those individuals who were regarded by the Committee as acceptably discharging the levels and types of responsibility implicit in the various executive positions. In the course of considering annual executive salary increases, bonuses and stock-based compensation, appropriate consideration is given to the credentials and experience of the individual senior executives, as viewed in the Committee's collective best judgment, which necessarily involves subjective as well as objective elements. Using the criteria set forth above, pay increases for the executive officers, Mr. Eckert and Mr. Klug, were authorized during 2003 of 32% and 39%, respectively. Also, effective December 1, 2003, the Company entered into Restricted Stock Incentive Agreements, as amended, with Messrs. Eckert and Klug for the award of 200,000 shares and 161,800 shares, respectively, under the terms and conditions of the Plan. Additionally, the Company entered into Stock-Based Award Incentive Agreements with its executive officers on June 30, 2004. Details of the plan are included above under the heading of 2004 Stock-Based Award Incentive Agreement.

The Committee is of the view that the periodic grant of stock options and restricted stock awards to employees, including executive officers, is calculated to align the employees' economic interests with those of stockholders and to provide a direct and continuing focus upon the goal of increasing stockholder value. The Committee presently anticipates that grants to executive officers will be considered annually.

The Compensation Committee

Richard C. White (Chair)

Michael G. DeHart

David Melman

Compensation Committee Interlocks and Insider Participation

None of the members of the Committee has at any time been an officer or employee of the Company and none of these directors serve as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of the Company's board or Committee.

Audit Committee Report

Under rules adopted by the SEC, the Company is required to disclose whether it has an Audit Committee Financial Expert serving on its Audit Committee. The Audit Committee does not currently have a designated audit committee financial expert. The Board of Directors and each of the members of the Audit Committee believe that the Audit Committee as presently comprised thoroughly and adequately performs its primary

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functions without a member designated as an audit committee financial expert. However, as the Company's operations expand in the future, the Board and the Audit Committee will seek to add a member that is qualified to serve as an audit committee financial expert. Management believes that at least one member of the Audit Committee is capable of: (i) understanding generally accepted accounting principles and financial statements; (ii) assessing the general application of these principles in connection with the accounting for estimates, accruals and reserves; (iii) preparing, auditing, analyzing and evaluating the Company's consolidated financial statements; (iv) understanding internal control over financial reporting; and (v) understanding audit committee functions. All Audit Committee members are independent directors, as such term is defined in NASD's Rule 4200 (a) (15).

The responsibilities of our audit committee include:

engaging an independent audit firm to audit our financial statements and to perform services related to the audit;

reviewing the scope and results of the audit with our independent auditors;

considering the adequacy of our internal accounting control procedures;

considering auditors' independence; and

approving all audit and non-audit services with our independent auditors.

The Audit Committee has reviewed and discussed the audited financial statements with management of the Company and with the independent accountants. Specifically, the Committee has discussed with the independent accountants the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards), as modified or supplemented. The Committee received a written disclosure letter from the Company's independent accountants as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as modified and supplemented. The Committee has also reviewed the independence of the independent accountants considering the compatibility of non-audit services with maintaining their independence from the Company. Based on the preceding review and discussions contained in this paragraph, the Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the 2004 fiscal year for filing with the Securities and Exchange Commission.

The board of directors has adopted a written charter for the audit committee which is available on the Company's website, www.omnienergy.com and to any stockholder upon request. The audit committee held eighteen formal meetings during fiscal year 2004. The Restated Audit Committee Charter is attached hereto as Exhibit 1.

The Audit Committee

Edward E. Colson III

Michael G. DeHart (Chair)

Richard C. White

Equity Compensation Plan

The following table gives information about the Company's Common Stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of December 31, 2004, including the Plan and the 1999 Stock Option Plan.

<u>PLAN CATEGORY</u>	(A) NUMBER OF SECURITIES TO BE ISSUED UPON THE EXERCISE OF OUTSTANDING	(B) WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING	(C) NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE	(D) TOTAL OF SECURITIES REFLECTED IN COLUMNS (A)
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	<u>OPTIONS, WARRANTS AND RIGHTS</u>	<u>OPTIONS, WARRANTS AND RIGHTS</u>	<u>UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMNS (A) & (B)</u>	<u>& [©]</u>
Equity Compensation Plans Approved by Stockholders	1,415,181	\$ 2.65	1,084,819	2,500,000
Equity Compensation Plans Not Approved by Stockholders	<u>69,578</u>	\$ 2.33	<u>30,422</u>	<u>100,000</u>
Total	<u>1,484,759</u>	<u>\$ 2.63</u>	<u>1,115,241</u>	<u>2,600,000</u>

PROPOSAL NO. 2

PRIVATE PLACEMENT

Summary

On May 17, 2005, we entered into a Securities Purchase Agreement with The Dennis R. Sciotto Family Trust dated December 19, 1994, Edward E. Colson, III Trust dated January 2, 1995, Jimit Mehta, James C. Eckert, our President, Chief Executive Officer and director, and G. Darcy Klug, our Executive Vice President (collectively, the Purchasers). Pursuant to the terms of the Securities Purchase Agreement, we agreed to issue to the Purchasers up to 5,000 shares of Series C 9% Convertible Preferred Stock, no par value (Series C Preferred Stock), and warrants (the Warrants) to purchase up to 6,550,000 shares of common stock, \$0.01 par value (the Common Stock), at the exercise prices described below, for consideration of up to \$5,000,000. The Series C Preferred Stock is convertible into shares of Common Stock at an initial conversion price of \$1.95 per share. The 5,000 shares of Series C Preferred Stock converts into approximately 2,564,103 shares of Common Stock.

The transactions contemplated by the Securities Purchase Agreement close 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 Preferred Stock and Warrants to acquire up to 4,585,000 shares of Common Stock, in exchange for \$3,500,000. Subject to the terms and conditions set forth in the Securities Purchase Agreement, the second tranche is scheduled to close on August 15, 2005, at which time the remainder of the Series C Preferred Stock and Warrants will be issued. A majority in interest of the Purchasers have the option, in their sole discretion, to elect not to effect the second closing by providing notice to us at least ten business days prior to the second closing.

The Nasdaq National Market has certain rules that prohibit the issuance of securities that would result in a person or group of affiliated persons owning or having the potential to own 20% or more of a company's outstanding common stock, unless shareholder approval is received before such issuance. Because the issuance of the Series C Preferred Stock and Warrants in the second tranche could potentially result in a Purchaser holding 20% or more of our Common Stock, we are seeking stockholder approval. Stockholder approval will result in the removal of certain restrictions on the dividend payments, exercise, conversion and voting rights of the Series C Preferred Stock and Warrants. If stockholder approval is not obtained, the closing of the second tranche for \$1,500,000 will likely not occur.

Background

In January 2005, our management team and the Board determined a critical need to raise additional capital to, among other things, repay an existing matured bridge loan, provide funds to settle certain outstanding litigation and to cure certain defaults under our existing credit line. As a result of our need for capital, we explored a number of debt and equity financing options.

On or about February 1, 2005, we engaged Cove Partners LLC, an investment banking firm, to assist us in completing a new credit facility and a private placement transaction. Cove Partners and members of our management team engaged in extensive efforts to locate debt and equity financing. Cove Partners contacted in excess of 25 potential financing sources, including existing stockholders.

On April 26, 2005, our Board met to consider approval of a proposed financing with General Electric Capital Corporation (GECC) and to discuss a proposed Series C convertible preferred stock and common stock warrant private placement to a group of investors identified by Cove Partners, including certain of our existing stockholders. As a condition to entering into the private placement, the investors identified by Cove Partners required the participation by some of our existing management. The closing of the private placement was also a pre-condition to the

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closing of the GECC financing. The Board approved the proposed financing with GECC and directed management to explore the possibility of completing a transaction with the investors in the private placement.

After extensive negotiations with the investors in the private placement, on May 17, 2005, the Board held a special meeting to consider approval of the Securities Purchase Agreement and the Related Agreements (as

defined in the Securities Purchase Agreement), including the issuance of the Series C Preferred Stock and Warrants to the Purchasers. As noted above, some of our management and existing stockholders (including James Eckert, our President, Chief Executive Officer and director, G. Darcy Klug, our Executive Vice President, and Dennis R. Sciotto, then a 7.5% beneficial stockholder of our Company) were Purchasers in the proposed private placement. Their interests were fully disclosed to and known by the Board in connection with its deliberations regarding the issuance of the Series C Preferred Stock and Warrants.

After extensive discussion of the terms and conditions of the proposed private placement and the alternatives available should the proposed private placement not be completed, the disinterested directors, consisting of Michael G. DeHart, David A. Melman and Richard C. White, unanimously authorized and approved the Securities Purchase Agreement and the Related Agreements, including the issuance of the Series C Preferred Stock and Warrants to the Purchasers. Mr. Eckert was present at the meeting but exited the meeting after it was called to order. Craig P. Rothwell was absent from the meeting and did not participate in any of the Board's deliberations.

On May 17, 2005, we completed the first tranche of the private placement where we sold 3,500 shares of Series C Preferred Stock and Warrants to acquire up to 4,585,000 shares of Common Stock for aggregate gross proceeds of \$3,500,000.

Reasons for Stockholder Approval