



## OMNI ENERGY SERVICES CORP. (OMNI: NASDAQ)

Rating: Maintain at Speculative Buy

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### Share Statistics

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<b>Symbol</b>	OMNI
<b>Last Trade (3/3/05)</b>	\$ 1.95
<b>High/ Low 52 weeks</b>	\$1.21/\$9.00
<b>Average Volume (3m)</b>	249,272
<b>Market Capitalization</b>	\$22.77 Mn
<b>Shares Outstanding</b>	11.6 Mn

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Source: Yahoo Finance, SEC Filings

### Analyst comments:

*It is our view that it has been OMNI's intent to exit the debentures with this default clause, as it is alleged that these holdings have effectively been shorting OMNI stock given the note covenant provision where holdings receive more stock as the stock declines (while also making money on the shorts). We anticipate new financing arrangement announcements in the coming month. Therefore, we maintain our Speculative Buy Rating.*

### Update:

#### EVENTS OF DEFAULT UNDER CONVERTIBLE DEBENTURES

On February 25, 2005, OMNI received notice of certain alleged events of default under certain of its 6.5% Convertible Debentures issued to Portside Growth and Opportunity Fund (Portside) in principal amounts of \$2,500,000 and \$1,250,000.

Portside notified OMNI of the following alleged Events of Default under the Debentures:

1. Failure to make the October, 2004 Interest payment and to pay accrued and unpaid interest thereon;
2. Failure to pay the November Put, 2004, plus accrued and unpaid interest thereon;
3. Failure to pay a Put Amount with respect to December 2004, plus accrued and unpaid interest thereon;
4. Failure to pay interest with respect to the Debentures on January 1, 2005 and to pay accrued interest thereon;
5. Failure to pay a Put Amount with respect to January 2005, plus accrued and unpaid interest thereon;
6. Failure to pay a Put Amount with respect to February 2005, plus accrued and unpaid interest thereon; and
7. Failure to hold a shareholders meeting to seek the Shareholder Approval according to Securities Purchase Agreements.

Consequently, Portside demanded OMNI to redeem all of the Debentures held by it, in the aggregate principal amount of \$2,765,625, on March 2, 2005. Portside also warned OMNI of its intention to commence a civil action to obtain a judgment with respect to all amounts owed to it under the Debentures.

OMNI is required to pay the Mandatory Redemption Price to Portside no later than March 9, 2005. To date, no other holder of Debentures has required OMNI to pay the Mandatory Redemption Price.

If an Event of Default occurs, each Debenture holder can require OMNI to redeem all or a portion of its Debentures for an amount equal to the greater of

- 1 the outstanding principal of and accrued and unpaid interest on the Debentures and
- 2 the product of the aggregate number of shares of Common Stock into which the Debentures are convertible and the weighted average price of the Common Stock for the five days prior to redemption.

Previously on January 25, 2005 OMNI announced it had filed suit in the United States District Court for the Western District of Louisiana against the holders of the Debentures. OMNI considers the debenture holders were engaged in short-swing trading activity to force a deliberate decline in price of OMNI's stock.

**Kipley J. Lytel, CFA**, is a senior partner with money management firm Montecito Capital Management. For over three years Mr. Lytel served as the lead securities analyst for M.L. Stern & Company. Previously, he performed portfolio management and analyst coverage during his employment with two hedge funds, Pacific Strategic Fund Group and DD Capital Management. His background has been marked by his experience as a Generalist, with analyst coverage spanning numerous industries, including: telecommunications & wireless, health care, retail, consumer products, technology, gaming and energy (E&P). He received his Masters of Business Administration (MBA) with Honors from the Peter F. Drucker School of Management at Claremont Graduate University, where he also received his undergraduate Bachelors of Arts (BA) degree in Economics. Mr. Lytel is a Chartered Financial Analyst (CFA) and an active member of the Association of Investment Management and Research (AIMR) and the Los Angeles Society of Financial Analysts (LASFA).

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Spelman Research Associates, Ltd., 545 Madison Avenue, Suite 200, New York City, NY 10028 Phone: (212) 838 5520 Fax: (212) 838 5352 Web: [www.spelmanresearch.com](http://www.spelmanresearch.com) Email: [info@spelmanresearch.com](mailto:info@spelmanresearch.com)