

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

NUWAY ENERGY INC  
Form 10KSB/A  
March 20, 2002

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

-----

FORM 10-KSB/A-1

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

-----

For the fiscal year ended December 31, 2000 Commission File #33-43423

NUWAY ENERGY, INC.

A Delaware Corporation

65-0159115

(IRS Employer Identification Number)

19100 Von Karmon Avenue  
Irvine, CA 92612

(949) 553-8002

(Telephone Number)

Securities Registered Under Section 12(b) of the Exchange Act: None

Securities Registered Under Section 12(g) of the Exchange Act:

Common Stock, \$0.00067 par value

Warrants, exercisable at \$3.00 per share

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Check if no disclosure of delinquent filers in response to Item 405 of Regulation S-B is contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Issuer's revenues for its most recent fiscal year: \$669,651.

Aggregate market value of the voting stock held by non-affiliates, computed by reference to the average bid and asked prices of such stock, as of March 8, 2002: \$7,158,666.

Number of shares outstanding of the registrant's common stock, as of March 19, 2002: 5,133,883 shares.

LATIN AMERICAN CASINOS, INC.

FORM 10-KSB/A-1

# Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

## TABLE OF CONTENTS

	PAGE
PART I	
ITEM 1. BUSINESS.....	1
ITEM 2. PROPERTIES.....	4
ITEM 3. LEGAL PROCEEDINGS.....	5
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.....	5
PART II	
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.....	6
ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.....	7
ITEM 7. FINANCIAL STATEMENTS.....	10
ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.....	10
PART III	
ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS.....	10
ITEM 10. EXECUTIVE COMPENSATION.....	11
ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.....	15
ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS/COMPLIANCE WITH SECTION 16(b).....	17
ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.....	19

i

### PART I

#### ITEM 1. BUSINESS

##### GENERAL

Latin American Casinos, Inc. (the "Company") operates a slot machine rental and remanufacturing Company in South and Central America and is involved in the distribution and sale of its own premium brand cigars in the United States. The Company was initially organized as Repossession Auction, Inc., a Florida corporation, in 1989. The Company merged into a Delaware corporation bearing the same name in 1991. In 1994, the Company changed its name to Latin American Casinos, Inc. to reflect its entrance into the gaming and casino business in South and Central America. The Company does business under the name Latin American Industries, reflecting the diversification of the Company with the introduction of a premium cigar business. The Company maintains its principal place of business at 2000 NE 164th Street, North Miami Beach, Florida

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

33162. Its telephone number is (305)945-9300.

### SLOT MACHINE OPERATIONS

The Company concentrates its efforts on the rental of used five reel slot machines. The Company purchases these machines at a fraction of the cost of new machines, which are then refurbished at facilities in Latin America for use in South and Central America. Whereas a new slot machine costs approximately \$10,000, plus duty charges, the used slot machines purchased by the Company cost approximately \$700 each, including freight, duty, and limited refurbishing expenses. The Company has determined that more extensive refurbishing extends the working life of each slot machine for up to an additional five years. Currently, the expected useful life of a used slot machine is five years. Such additional refurbishing increases the cost of each machine by approximately \$100. This refurbishing in no way impacts any government regulations that could mandate obsolescence.

The Company entered the gaming and casino industry in Peru in 1994. Since then, the Company has been engaged in the renting of slot machines to licensed gaming establishments in various major cities through its wholly owned subsidiaries in South and Central America. In 1994, the Company formed its Peruvian subsidiary, in late 1995, the Company formed its Colombian subsidiary, and in 1997, the Company formed a subsidiary in Nicaragua, which was liquidated in year 2000.

As of December 31, 2000, approximately 678 slot machines were in operation in Peru and approximately 324 slot machines were in operation in Colombia. These machines are installed in, among other establishments, drug stores, pool halls, bars, restaurants and nightclubs. The Company is in the process of scaling down it's operations in both Peru and Columbia in order to prepare for the announced planned merger with Digital Convergence.

The Company has offices in Lima, Peru; and Bogota, and Medellin, Colombia.

Hurricane Mitch adversely affected the Company's operations in Nicaragua, which were not substantial, in October 1998. The Company liquidated all of its assets in Nicaragua in the year 2000.

The Company competes with all the major gaming companies in Latin America, including IGT, Novomatic and Admiral. Many of the companies are more established and have greater resources. The Company, through its current relationships with its existing clients believes that it has created in which the impact of competition from major companies is limited.

### SOURCE OF MACHINES

The Company had purchased used slot machines from several vendors in Australia, including Damlite Pty. Ltd. and Olympic Video Gaming, a subsidiary of International Gaming Technology. The Company's principal vendor is AJ Electronics Repairs Pty. Ltd., ("AJ"), an Australian Company which services and disposes of used slot machines. The loss of any of these suppliers, including AJ, would not have a material adverse effect on the Company's business due to the existence of other sources.

### REFURBISHING PROCESS

All slot machines purchased were delivered to the Company's warehouses in Lima, Peru or Bogota, Colombia and were refurbished by the Company's technicians. Each slot machine is electronically tested for 30 minutes to assure that it is in correct working order. Defective or worn parts are replaced or repaired. Once the technician is satisfied that the machine is in proper working order, the machine is thoroughly cleaned inside and out. At that time, a

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

computerized printed card that translates the rule of play from English to Spanish is placed inside the machine in such a way that it can be seen and read by the slot machine player. Refurbished machines are then placed in service in the various locations. While the

1

refurbishing does extend the useful life of a used slot machine, this refurbishing in no way impacts the effect of any possible government regulations that could mandate obsolescence.

### RENTAL OF SLOT MACHINES

The slot machines are rented to licensed individual owner operators under a rental contract usually for a term of one year or longer. The contract provisions vary depending on, among other things, the number of slot machines requested by the renter. All contracts are backed by a personal guarantee for the first four installment payments from the renter to insure against non-payment of rental fees in the contract's initial stage. The rental contracts also provide insurance to cover any loss by fire, theft, vandalism or political unrest.

### GOVERNMENT REGULATION

The governments of Peru, Colombia have regulations governing gaming activities. Essentially, these regulations establish licensing requirements for slot machine operations. It is anticipated that new regulations governing the age and condition of machines will soon be enacted. The Company takes appropriate steps to verify the licenses of its customers. The Company is in the process of reviewing it's operations in both Peru and Columbia in order to prepare for the announced planned merger with Digital Convergence.

The Peruvian government, in October 1996, imposed an excise tax of 200% on lessees of gaming equipment, including slot machines. The excise tax caused many of the Company's customers to return their slot machines to the Company rather than pay the higher tax.

In January 1997, the Company obtained a temporary injunction against the Peruvian government, prohibiting it from implementing the excise tax of 200%. The Government has lowered the tax to a more realistic level. It is anticipated that new regulations governing the age and condition of machines will be enacted in the coming years. Given this, the Company is evaluating whether to increase or decrease its slot machine operations in Peru.

The re-imposition of an excise tax of 200% in Peru would adversely affect future earnings. Accordingly, if the Company were not successful in preventing the tax, it would reevaluate its position in Peru.

### PREMIUM CIGAR OPERATIONS

Beginning in September 1997, the Company directed part of its efforts into establishing a business of producing, distributing and selling premium cigars throughout the United States.

World's Best Rated Cigar Company ("World's Best") was formed as a subsidiary to distribute cigars produced by Claudio Norberto Mercado. Mr. Mercado resides in Santiago, Dominican Republic, in the Villa Gonzalez region, the heart of the tobacco-growing valley. In a business arrangement, World's Best advanced \$75,000 to Mr. Mercado to build a cigar factory. World's Best also advanced the sum of \$15,000 to purchase all necessary fixtures to produce cigars, such as molds, rolling tables, compressors, etc. World's Best holds a

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

mortgage on the factory to secure these advances. However, the Company determined that the plan of selling one cigar from one manufacturer was too limited. Therefore, during the summer of 1998, World's Best entered into contractual arrangements with five other manufacturers in Nicaragua, Honduras and the Dominican Republic. All of the manufacturers produce hand made 100% Cuban seed, long leaf filler premium cigars. The manufacturers are world-renowned and they manufacture cigars for over 20% of the brand name cigars currently on the market.

These agreements allow the Company to acquire cigars at a fraction over their cost and will enable them to be sold at a retail price significantly below the current retail price for brand name premium cigars. The agreements require that the manufacturers use high grade long leaf tobacco, hand roll the cigars utilizing high grade filler and parchment wrapping of a grade selected by the Company and wrap the cigars individually in cellophane and box them for shipping. They also require the manufacturers to retain a specified amount of inventory at all times to satisfy the Company's cigar purchase orders. The cigars are then transported to the Company's facilities in Miami where they are shipped to both retail customers and wholesale distributors.

The cigars are marketed through our web site: [www.worldsbestrated.com](http://www.worldsbestrated.com) as well as our toll free number in bundles and boxes of twenty-five from the six manufacturers. A color-coded cigar ring identifies each of the products of the six cigar manufacturers. Traffic to the web site and to our toll free number, is generated by our advertising in both traditional and non-traditional cigar magazines, newspapers, electronic advertising. Our clients are provided with literature describing the manufacturer's history, factories and plantations. This change in sales strategy has resulted in a nearly six-fold increase in sales and the Company believes this increase can be sustained through the year 2001.

2

Suggested retail pricing on the cigars range from \$40.00 for a bundle of 25 panatelas to \$50.00 for a bundle of 25 presidentes. The popular Churchill size has a suggested retail price of \$48.00 for a bundle of 25. These prices are 60% to 80% lower than prices charged in tobacco shops for cigars of the same quality and they include free shipping anywhere in the USA. Substantially all incurred advertising expenses were paid with barter transactions.

The Company continues to work on establishing relationships with various distributors in the United States which supply convenience stores, restaurants, bars and supermarkets with products. While the Company has had limited success with this strategy, it will continue to attempt to establish these relationship with companies that have various means of distribution. These relationships require many meetings and conversations over a protracted period of time. The Company is committed to pursuing these relationships.

### EMPLOYEES

The Company currently has a total of 43 full-time employees. The reduction of 22 employees from the previous year was a result of our operations in Nicaragua, and downsizing of our technical staff in our other locations. The Company has four employees in the Miami office: two executives and two in clerical positions. In Lima, Peru, the Company has five clerical employees in its business office, including a general manager and 12 service technicians in its warehouse and remanufacturing plant. In Colombia, the Company employs a total of seven clerical employees including a general manager in its three business offices and 15 service technicians in its warehouse and refurbishing facility.

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

The Company believes its relations with its employees are good.

### ITEM 2. PROPERTIES

The Company's executive offices and operating facilities located at 2000 NE 164th Street, North Miami Beach, Florida 33162 are leased for a period of three years until September 30, 2001, at a monthly rental of \$2,500. The premises consist of approximately 3,300 square feet. The property is in overall good condition. In addition the Company is obligated for a two-year lease beginning on February 8, 1999 for warehouse space at a rental of \$1400 per month. This lease was renewed at the same rate for a period of one-year with a clause, which permits the Company to terminate the lease with three months notice.

The Company leases a 2,000 square foot business office in San Isidro, a municipality in Lima, Peru, for \$680 per month. The lease terminates in June 2001, with a renewal option. The Company also leases a 10,000 square foot main warehouse and refurbishing facility in Lima, for \$1,200 per month, the lease terminates on June 2001. The Company is currently negotiating with the landlords in Lima, Peru for a reduction in rent.

In Bogota, Colombia the Company leases a 4300 square foot combined office and warehouse facility for \$1065 per month. This lease terminates on January 1, 2002. The Company also leases in Bogota an additional 1100 square foot warehouse for \$260 per month. This lease expires May 19, 2001. In Medellin, Colombia the Company has rented a 2,700 square foot combined office and warehouse for \$465.00 per month. This lease expires on February 1, 2002. The Company is currently negotiating with the landlord in Medellin, Columbia to terminate the lease. The monthly rent has been converted into U.S. Dollars from Columbian Pesos and as such it fluctuates based upon the value of the U.S. Dollar in Columbia.

The Company was the lessor of office space and used car lot at 11337 NW 7th Avenue in Miami on a month-to-month basis for \$1,200 per month. The property is leased to an unrelated party. The Company acquired the property as an office space and used car lot in 1990. This property was converted to a rental property when the Company exited the used vehicle business and entered the slot machine business. Over the years, the Company, expended in excess of \$100,000 as a result of environmental concerns on the property. The Company took a charge to operations in 1999 to reduce the value of this property to its net realizable value. In March 2001, the Company sold this property and recorded a net loss on the sale of the property of \$64,000.

### ITEM 3. LEGAL PROCEEDINGS

The Company is a defendant from time to time in claims and lawsuits arising out of the normal course of its business, none of which have or are expected to have a material adverse effect on its business, operations, financial position or corporate liquidity.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of 2000.

3

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### MARKET INFORMATION

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

From June 20, 1994 until October 30, 1998, the Company's Common Stock and Warrants were listed on the NASDAQ Stock Market under the symbol "LACI" and "LACIW", respectively. Beginning in October 31, 1998, the Company's Common Stock and Warrants were listed on the NASDAQ Small Cap. The table below represents the quarterly high and low bid prices for the Company's Common Stock and Warrants for the last two fiscal years as reported by NASDAQ.

Common Stock -----	High ----	Low ---
1999 ----		
January 1 - March 31	1 5/8	27/32
April 1 - June 30	1 1/2	1 1/8
July 1 - September 30	1 3/8	1 1/32
October 1 - December 31	1 1/8	1 1/32
2000 ----		
January 1 - March 31	1 1/8	1 1/16
April 1 - June 30	1 7/16	1 3/16
July 1 - September 30	1 1/4	1 1/4
October 1 - December 31	1 3/4	1 11/16
Warrants -----	High ----	Low ---
1999 ----		
January 1 - March 31	1/4	1/4
April 1 - June 30	3/8	1/4
July 1 - September 30	3/8	5/16
October 1 - December 31	5/16	5/16
2000 ----		
January 1 - March 31	1/2	5/16
April 1 - June 30	3/8	5/16
July 1 - September 30	7/16	5/16
October 1 - December 31	5/8	7/16

The closing prices for the Common Stock and Warrants on March 28, 2001 were \$2.90625 and \$.75 respectively.

There were 48 registered owners and approximately 611 beneficial owners of the Common Stock of the Company as of December 31, 2000. The Company did not declare a dividend in 1998, 1999 or 2000.

As of December 31, 2000, the Company has outstanding (i) 1,725,000 publicly traded Warrants to purchase one share of the Company's Common Stock at an exercise price of \$3.00 through December 11, 2001, and (ii) 3,300,000 five year warrants to purchase one common stock at an exercise price of \$1.75 per share through December 11, 2005.

On December 14, 2000 the Company issued and sold \$3,500,000 principal amount of Convertible Debentures to certain accredited investors. The Convertible Debentures are convertible into shares of Common Stock at a price of \$1.75 per share and expires June 13, 2001. The Convertible Debentures were issued pursuant to the exemption from registration requirements of the Securities Act of 1933 provided by Section 4(2) of such Act

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

and Rule 506 promulgated by the Securities and Exchange Commission under that Section. The Company incurred approximately \$64,500 of costs in regard to this private placement. The debt issuance costs will be amortized over the life of the debentures. The interest on the debentures is payable either in cash or in additional shares of common stock, at the discretion of the company. The conversion price of the debentures was determined by the approximate market value of the common stock at the date of issuance.

In December 2000 the Company issued private warrants to purchase 3,300,000 shares of common stock at an exercise price of \$1.75 per share through December 11, 2005. These warrants were issued in connection with services rendered by several individuals and entities.

4

In June 1998 the Company issued 225,000 warrants to an investment banker in exchange for assistance in possible mergers, acquisitions and internal capital structuring. These warrants were originally exercisable at the closing bid price of \$1.875 as of June 5, 1998, which can be exercised through June 5, 2003. Effective February 8, 2000, the Board of Directors reduced the exercise price to \$1.06, which was the closing price of the stock at that date.

Effective December 31, 1998, the Company ratified the repricing of the employee stock options to \$1.00 per share and simultaneously authorized the issuance of 85,000 options at an exercise price of \$1.00 per share and canceled 10,000 options issued in 1995 at \$2.50 per share. Effective February 2000 the company issued 35,000 options at an exercise price of \$1.06 and in December 2000 the company issued 80,000 options at a \$1.75 exercise price.

As of December 31, 2000 the Company has agreed to register 135,000 shares of common stock (pursuant to employment agreements with certain employees of the Company), 225,000 shares of common stock underlying investment banking warrants (pursuant to piggy back registration rights contained in these investment banking warrants), 3,300,000 shares of common stock underlying private warrants (pursuant to piggy back registration rights contained in these warrants), and 2,120,000 shares of common stock underlying the company's convertible debentures. As of December 31, 2000 only the aforementioned 225,000 shares of common stock underlying investment banking warrants could be sold pursuant to Rule 144 under the Securities Act.

### ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

#### RESULTS OF OPERATIONS - 2000 COMPARED TO 1999

Revenues from the rental of slot machines in Peru and Colombia for the year ended December 31, 2000 decreased by \$1,181,000 or (63.8%), to \$670,000 from \$1,851,000 for the comparable period in 1999. The Company's revenues from cigar sales were \$163,900 for the year ended December 31, 2000 as compared to sales of \$28,000 for the same period in 1999.

The reason for the decrease in revenues was the overall weakness of the economy in South America. Additionally, the decrease was due in part to continued concerns over government-mandated obsolescence, political changes, increased competition, the devaluation of foreign currency as well as the need to replace machines with newer more modern equipment.

Selling, general, and administrative expenses incurred in the year ended December 31, 2000 increased \$823,500 or 46.5%, to \$2,595,200 from \$1,771,700 for the same period in 1999.



## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

The increase in selling, general, and administrative expenses were due to the costs involved in mergers and acquisitions as well as costs incurred in the issuance of debentures.

The Company recorded non-recurring expenses of compensation for stock issued of \$350,000, costs associated with the liquidation of Nicaraguan subsidiary of \$162,000 and officer compensation of \$115,000 due the former Chief operating officer, Lloyd Lyons, under his employment agreement. The increase is also due in part to the increased cost of servicing the older machines and the cost of employee severance requirements in these countries.

Net (loss) for the year ended December 31, 2000 was (\$2,116,800) or (\$0.63) per share compared to (\$1,506,300) loss or (\$0.46) per share for the same period in 1999. The net loss was attributable to the significant decline in revenues from slot machine operations and an increase in overhead expenditures including officer compensation.

Through 2000 the Company expended approximately \$1,142,000 on the establishment of a premium cigar business; additional expenditures for marketing and personnel are expected in year 2001. The Company expended approximately \$42,000 in 2000 in the cigar business down from \$174,000 in 1999 a decrease of \$132,000. There were no costs associated with acquisitions of cigars and related inventory in 2000, which resulted in the decrease in the expenditures in cigar operations in year 2000. The Company anticipates that it will generate significant revenues from this business in year 2001, although the amount of such revenues is, at this time, impossible to forecast. The effect that this business will have on the overall profitability of the Company is uncertain.

### RESULTS OF OPERATIONS - 1999 COMPARED TO 1998

The Company's revenues from the rental of slot machines were \$1,851,000 for the year ended December 31, 1999, a decreased of \$541,000 (22.6%) from the year ending December 31, 1998. The decrease was due in part to the concerns over government mandated obsolescence, political changes, increased competition, as well as the devaluation of the foreign currency. The Company's revenues from cigar sales were \$28,000 in 1999 and were negligible in 1998.

5

Selling, General and Administrative Expenses incurred in the operation of the Company's cigar, gaming and casino business for the year ended December 31, 1999 increased as a percentage of revenues from 72% in 1998 to 94% in 1999 from \$1,727,600 to \$1,771,700 in 1999.

As a result of the decrease in revenues, without a significant change in operating expenses, the effect of the increase in Selling, General and Administrative Expenses, as well as the impairment cost of the Company's gaming, cigar, and real estate assets, the Company's net loss was (\$1,506,000) and (\$0.46) per share for the year ended December 31, 1999 compared to net income of \$531,000 or \$0.16 per share for the preceding year. As a result of political changes and government-mandated obsolescence of certain gaming equipment, the company adjusted previously recorded cost of gaming equipment to its anticipated net realizable value.

Additionally, the Company reduced the valuation of certain real estate value in Miami to reflect current market conditions and adjusted its investment in the cigar operations to account for the slower than expected sales. The total impairment charge was computed as follows:

Gaming Equipment Asset Impairment Charge	\$ 1,245,000
Miami Real Estate Impairment Charge	86,000

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

Reduction of Cigar Investment	169,000
Other	15,000
	-----
Total	\$ 1,515,000
	=====

The gaming equipment impairment charge was based on valuation of obsolescence and replacement values made by management. Consideration in the valuation was the decrease in utilization of the gaming equipment due to decreased volume of operations. The impairment value of the Miami Real Estate was based on an independent appraisal received and subsequent sale of the property as further described in Note 13 to the Financial Statements. The impairment cost of the cigar inventory cost was the result of certain packaging and tube cost that had been abandoned.

Through 1999 the Company expended approximately \$1,100,000 on the establishment of a premium cigar business; additional expenditures for marketing and personnel are expected in year 2000. The Company expended approximately \$174,000 in 1999 in the cigar business down from \$926,000 in 1998 a decrease of \$752,000. The fact that there were no costs associated with acquisitions of cigars and related inventory in 1999, accounted for the change. In 1999, an insignificant amount was spent to acquire additional inventory. The Company anticipates that it will generate significant revenues from this business in year 2000, although the amount of such revenues is, at this time, impossible to forecast. The effect that this business will have on the overall profitability of the Company is uncertain.

### LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased approximately \$3,622,500 or 452%, to \$4,423,000 at December 31, 2000 from \$800,000 at December 31, 1999. The increase is attributable to the issuance of debentures in December 2000, which resulted in a \$3,435,000 net of expenses being received. In addition, stock options were exercised which resulted in an increase in cash of \$725,000.

The Company anticipates that its cash from operations and interest earned on cash equivalents should be sufficient to meet its cash needs for the next twelve months.

The Company does not have any commitments for material capital expenditures.

### FORWARD LOOKING STATEMENTS

From time to time, the Company may publish forward looking statements relating to such matters as anticipated financial performance, business prospects, new products and certain other matters. The words "may", "will", "expect", "anticipate", "continue", "estimate", "project", "intend" and similar expressions are intended to identify such forward looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause its actual results and experience to differ materially from anticipated results and other expectations that may effect the operations, performance, development and results of the Company's business, including the following:

1. Changes in government regulations of gaming, such as the excise tax imposed by Peru, could have an effect on the Company's operations and business.
2. Political factors affecting South and Central America, particularly as they pertain to currency valuation, could affect the Company's business in ways,

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

which are difficult to predict.

6

3. The agreements, which the Company has with five of its cigar manufacturers, are cancelable upon 60 days written notice. One or more such cancellations could have a material adverse effect on the Company's cigar operations.

4. The Company's cigar operations are in the final stages with regard to our marketing plan. This business is subject to all the risks and uncertainties associated with the commencement of a new enterprise. There can be no assurances that the Company will be able to successfully penetrate the market, or that its cigar operations will become profitable.

5. The Company may be required to raise additional funds to expand its business operations, particularly the cigar business, if it proves successful. There can be no assurances that the Company will be able to raise such funds, either through the sale of equity or debt securities or through commercial sources. The inability to acquire needed capital could have a material adverse effect on the Company's ability to expand.

6. The Company may be required to expand its infrastructure, including the hiring of additional personnel in its executive offices. There can be no assurances that the Company will be able to attract and retain qualified personnel who will be successful in managing the Company's operations.

7

### ITEM 7. FINANCIAL STATEMENTS

<u>Index to Consolidated Financial Statements</u>	<u>FORM 10-KSB/A-1</u>
Independent Auditors' Report	F-1
Consolidated Balance Sheets as of December 31, 2000 and 1999	F-2
Consolidated Statements of Changes in Stockholders' Equity for years ended December 31, 2000 and 1999	F-3
Consolidated Statements of Operations for the years ended December 31, 2000 and 1999	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 2000 and 1999	F-5
Notes to the Consolidated Financial Statements	F-6-16

### ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable

### PART III

### ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

The executive officers and directors of the Company are as follows:

Name ----	Age ---	Position -----
Todd Sanders	29	Director, President, Chief Executive Officer
William Bossung	42	Director, Secretary, Chief Operating Officer
Jose A. Caballero	43	Director
Michael Iscove	49	Director
Dennis R. Barry	61	Director

Directors are elected to an annual term that expires at our Company's annual meeting of stockholders.

Mr. Sanders joined the Company as a Director and Chief Executive Officer in October 2000. For the last five years Mr. Sanders has been acting as a private financier of both public and private ventures. Since 1998 Mr. Sanders has been the President of Strategic Capital Consultants, Inc., an Orange County, California based corporate finance and business development consulting company.

Mr. Bossung joined the Company as a Director and Chief Operating Officer in October 2000. For approximately the last ten years Mr. Bossung has been President of Alliance Financial Network, Inc. which provides financial consulting for public and private companies. From early 1995 until mid 1997 Mr. Bossung was the Director of Corporate Finance for Chadmoore Wireless Group, Inc. which was subsequently acquired by Nextel.

Mr. Caballero has served on the Board of Directors since April 1994. Mr. Caballero is the Vice President of Exfi International Corporation, an advertising and marketing agency that specializes in doing work for companies that plan to expand their business into Latin America. Mr. Caballero has been with Exfi International Corporation since 1987.

Mr. Iscove joined the Company in October 2000 as a Director. From June 1995 to date, Mr. Iscove served as the Chairman, President and Chief Executive Officer of Sirius Corporate Finance Inc.

8

Mr. Barry has been a member of the Board of Directors since June of 1999. Mr. Barry has been employed as a commercial mortgage broker and real estate salesman for the past 37 years. He is affiliated with Mortgage Systems, Inc.

### COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who own more than ten percent of a registered class of our equity securities, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of common stock and other equity securities of our Company. Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish us with copies of Section 16(a) forms they file.

To our knowledge, based solely on review of the copies of such reports

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

furnished to us and written representations that no other reports were required during the fiscal year ended December 31, 2000, the Company believes that, during the year ended December 31, 2000, all of the Company's executive officers, directors and greater-than-ten percent stockholders complied with all Section 16(a) filing requirements other than one late report filed by each of Messrs. Sanders, Bossung, Iscove, Barry, and Caballero.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth the compensation paid or accrued during the last three completed fiscal years ended December 31, 2000 by the Company for services rendered by the Lloyd Lyons, Chief Executive Officer during those years (and part of fiscal 2000), and Todd Sanders, Chief Executive Officer for part of fiscal 2000, and William Bossung, Chief Executive Officer for part of fiscal 2000:

SUMMARY COMPENSATION TABLE

(a)	(b)	Annual Compensation			Long Term Compensation		
		(c)	(d)	(e)	(f)	(g)	
Name and Principal Position	Year	Salary \$	Bonus \$	Other Annual Compensation \$	Restricted Stock Awards \$	Options SARs #	P
Lloyd Lyons, Chief Executive Officer	2000 (2)	151,000	--	--	--	--	
	1999	348,000	348,000	[42,000]		650,000	(1)
	1998	300,000	300,000	--		650,000	(1)
Todd Sanders, Chief Executive Officer	2000 (3)	--	--	--	100,000 (3)	750,000	(3)
William Bossung, Chief Operating Officer	2000 (4)	--	--	--	100,000 (4)	750,000	(4)

- (1) Options which were re-priced from \$2.50 to \$1.00 per share.
- (2) Including wage continuation payments and outstanding loan from the Company applied as compensation.
- (3) Became Chief Executive Officer in October 2000. Pursuant to an employment

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

arrangement the Company issued Mr. Sanders 100,000 shares of restricted Common Stock and warrants to purchase 750,000 shares of Common Stock for \$1.75 per share. Compensation of \$175,000 was recorded in regard to this transaction.

- (4) Became Chief Operating Officer in October 2000. Pursuant to an employment arrangement the Company issued Mr. Bossung 100,000 shares of restricted Common Stock and warrants to purchase 750,000 shares of Common Stock for \$1.75 per share. Compensation of \$175,000 was recorded in regard to this transaction.

9

OPTION/SAR GRANTS IN LAST FISCAL YEAR

[Individual Grants]

Name	Number of securities underlying options/SARs granted (#)	Percent of total options/SARs granted to employees in fiscal year	Exercise or base price (\$/Sh)
Todd Sanders, CEO	750,000 (1)	46.4	1.75
William Bossung, COO	750,000 (1)	46.4	1.75

- (1) Reflects private five year warrants issued to the named executive officer pursuant to an employment agreement with such executive officer.

REPORT ON RE-PRICING OF OPTIONS

The Board of Directors determined that in lieu of awarding a cash bonus and an increase in his non-accountable expense allowance to Mr. Lyons in connection with the performance of his duties as the Chief Executive Officer and Chairman of the Board of the Company, his outstanding stock options would be re-priced on the same basis as other outstanding stock options which were similarly re-priced.

The following table sets forth certain information with respect to outstanding stock options held by the Lloyd Lyons Chief Executive Officer (for part of 2000) or exercised in 2000.

Name (a)	Shares		Number of Securities Underlying Un-exercised In-the-Money Options at December 31, 2000	
	Acquired On Exercise (#)	Value Realized (\$)	Exercisable	Un-exercisable
Lloyd Lyons	650,000	162,500	--	--

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

### EMPLOYMENT AGREEMENTS

In January 1997, the Company entered into a five-year employment agreement with Lloyd Lyons, that provided for an annual salary commencing January 1997 of \$275,000 and increasing \$25,000 per annum commencing January 1, 1998. The contract provided for salary continuation for a period of two years after the death of the officer. In January 2000, Mr. Lyons passed away and effective August 2, 2000 the Company amended its employment contract with the surviving widow (Geraldine Lyons, the Company's Chief Financial Officer and Secretary) and primary beneficiary of the Estate of the Lloyd Lyons, where-in the salary continuation clause included in his contract was replaced with a severance arrangement which requires the Company to pay Geraldine Lyons \$100,000 over a one year period commencing on the first month following her termination from her employment with the Company and upon her termination she is to receive 100,000 shares of common stock pursuant to an amendment to her employment agreement. The amended employment agreement obligates the company to register these shares and reimburse her for the difference in the gross proceeds upon the sale of such shares and \$300,000, regardless of the time she holds such shares. Upon termination of the employee contract, the company will record additional compensation at the greater of the then market price of the company's stock or the guaranteed price stipulated in the contract. The agreement further provides that Geraldine Lyons remain in the employment of the company for at least four months following the amendment of the contract. The contract revisions further provided that the officer loan of Lloyd Lyons in the amount of \$115,000 be recorded as additional compensation, as required by the officer compensation agreement. The employment agreement with Geraldine Lyons remains intact in all other regards and obligates the company to provide an annual compensation at the rate of \$46,800 per annum in the year 2000 and \$51,480 in the subsequent year.

In January 2000 the company entered into two additional employment contracts, with President, Jeffrey Felder and President of Latin American Operations, Angel Garcia, both for the duration of two years and provides that company be obligated for an aggregate

10

compensation of \$115,000 in year 2000 and \$126,500 in year 2001. Effective August 2, 2000 both of these employment contracts were amended to reflect upon termination from employment these individuals would also be entitled to nine months of compensation and will receive in the aggregate 35,000 shares of common stock which the company has agreed to reimburse the respective employees the difference between the gross proceeds they receive upon sale and \$105,000, regardless of the term the employees hold such shares. Upon termination of the employee, the company will record additional compensation at the greater of the market price of the company stock or the guaranteed price stipulated in the contract.

The company entered into two additional one-year employment agreements with the Chief Operating Officer, William Bossung and the Chief Executive Officer, Todd Sanders, whereby the company issued to each 100,000 shares of stock and warrants to purchase 750,000 shares of common stock at \$1.75 per share. The issuance of the stock was considered compensation in the year 2000. The issuance of the private warrants were part of the arrangement with the executive officers of the corporation who also received restricted stock aggregating 200,000 shares. Compensation was recorded on the arrangement equal to the then market value of the restricted stock, \$350,000.

Other than the incentive bonus plan described above and the stock option plans described below, as of December 31, 2000, the Company does not have any

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

contingent forms of remuneration, including any pension, retirement, stock appreciation, cash or stock bonus, or other compensation plan.

### DIRECTOR COMPENSATION

Non-Management directors receive \$300 for each meeting attended.

### 1994 STOCK OPTION PLAN

In June 1994, the Board of Directors adopted the 1994 Stock Option Plan (the "Plan"). The maximum number of shares available for issuance under the Plan is 1,500,000 shares. The Plan terminates on June 13, 2004. The Plan is designed to provide additional incentives for Directors and officers and other key employees of the Company, to promote the success of the business and to enhance the Company's ability to attract and retain the services of qualified persons. The Board of Directors administers the Plan. The Plan authorizes the Board of Directors to grant key employees selected by it, incentive stock options and non-qualified stock options. The exercise price of shares of Common Stock subject to options qualifying, as incentive stock options must not be less than the fair market value of the Common Stock on the date of the grant. The exercise price of incentive options granted under the Plan to any participant who owns stock possessing more than 10% of the total combined voting power of all classes of outstanding stock of the Company must be at least equal to 100% of the fair market value on the date of grant. Fair market value has been determined to be the closing sales price for the Company's common stock reported by NASDAQ. In October 2000 the Board of Directors authorized the issuance of stock options under the Plan to certain officers and directors of the Company as more fully set forth in the footnotes to the Security Ownership table in Item 11 below.

### INCENTIVE STOCK OPTIONS OUTSTANDING

	Amount	Price Per Share
	-----	-----
Options Outstanding at January 1, 2000	932,500	1.00
Additional Options Issued	35,000	1.06
Additional Options Issued	80,000	1.75
Options Lapsed	(85,000)	1.00
Options Exercised	(725,000)	1.00
	-----	
Options Outstanding at December 31, 2000	237,500	=====

The Board of Directors may amend the Plan at any time but may not, without shareholder approval, adopt any amendment, which would materially increase the benefits accruing to participants, or materially modify the eligibility requirements. The Company also may not, without shareholder approval, adopt any amendment, which would increase the maximum number of shares, which may be issued under the Plans, unless the increase results from a stock dividend, stock split or other change in the capital stock of the Company. In March 1999, the Board of Directors authorized an amendment to the Plan increasing the number of shares to be issued thereunder from 1,000,000 to 1,500,000. This amendment was submitted for shareholder approval at the 1998 Annual Meeting and was approved.

11

### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding shares of the Common Stock beneficially owned as of March 28, 2001, by (i) each person or a



## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

group, known to the Company, who beneficially owns more than 5% of the Common Stock, (ii) each of the Company's directors, and (iii) all executive officers and directors as a group:

Name	Number of Shares Beneficially Owned(1)	Percent of
William Bossung c/o Latin American Casinos, Inc. 2000 NE 164th Street North Miami Beach, FL 33162	1,589,403 (2)	14.
Todd Sanders c/o Latin American Casinos, Inc. 2000 NE 164th Street North Miami Beach, FL 33162	1,475,117 (3)	13.
Augustine Fund, L.P. 141 W. Jackson, Suite 2182 Chicago, IL 60604	3,121,234 (4)	27.
M.H. Meyerson & Co. Inc. 525 Washington Boulevard Jersey City, NJ 07503	982,463 (5)	8.
Geraldine Lyons c/o Latin American Casinos, Inc. 2000 NE 164th Street North Miami Beach, FL 33162	226,024 (6)	
Angel Garcia Mariscal Sucre 321 Miraflores Lima, 18 Peru	75,000 (7)	
Kenneth Koock 525 Washington Boulevard Jersey City, NJ 07503	263,750 (8)	2.
Jose A. Caballero c/o Latin American Casinos, Inc. 200 NE 164th Street North Miami Beach, FL 33162	35,000 (9)	
Jeffrey A. Felder c/o Latin American Casinos, Inc. 2000 NE 164th Street North Miami Beach, FL 33162	50,092 (10)	
Dennis R. Barry c/o Latin American Casinos, Inc. 2000 NE 164th Street North Miami Beach, FL 33162	30,000 (11)	
Michael Iscove c/o Latin American Casinos, Inc. 2000 NE 164th Street North Miami Beach, FL 33162	50,000 (12)	

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

---

All Executive Officers and Directors as a group	3,530,636	31.
---	-----------	-----

---

\* Less than 1%

- (1) Under Rule 13d-3 under the Exchange Act, certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually outstanding at March 28, 2001.

12

- (2) Mr. Bossung is the Chief Operating Officer and a Director of the Company. Includes 125,000 shares which may be acquired upon exercise of Company's publicly traded warrants, 200,000 shares which may be acquired upon conversion of the Company's Convertible Debentures, and 750,000 shares which may be acquired upon exercise of the Company's private warrants at a price of \$1.75 per share.
- (3) Mr. Sanders is the Chief Executive Officer and a Director of the Company. Includes 125,000 shares which may be acquired upon exercise of Company's publicly traded warrants, 85,714 shares which may be acquired upon conversion of the Company's Convertible Debentures, and 750,000 shares which may be acquired upon exercise of the Company's private warrants at a price of \$1.75 per share.
- (4) Based upon filings by Augustine Fund, L.P. with the Securities and Exchange Commission. Includes 457,143 shares which may be acquired upon conversion of the Company's Convertible Debentures owned by Augustine Fund, L.P. Includes 285,714 shares which may be acquired upon conversion of the Company's Convertible Debentures owned by Brian D. Porter. Includes 28,571 shares which may be acquired upon conversion of the Company's Convertible Debentures and 45,000 shares which may be acquired upon exercise of the Company's private warrants owned by David M. Matteson at a price of \$1.75 per share. Mr. Porter and Mr. Matteson are either controlling members, directors and officers of Augustine Capital, the general partner of Augustine Fund L.P. Also, includes 750,000 shares which may be acquired upon exercise of the Company's private warrants at a price of \$1.75 per share owned by Delano Group Securities LLC, which is owned, controlled and/or managed by certain affiliates of Augustine Fund L.P.
- (5) Includes 554,050 shares of stock which may be acquired upon exercise of the Company's publicly traded warrants, and 103,000 shares of stock which may be acquired upon exercise of investment banker warrants exercisable at \$1.06 per share.
- (6) Includes 10,000 shares which may be acquired upon exercise of Company options which are exercisable at \$1.75 per share, and 41,024 shares of Common Stock held in trust for grandchildren.

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

- (7) Includes 65,000 shares which may be acquired upon exercise of Company options which are exercisable at \$1.00 per share and 10,000 shares which may be acquired upon exercise of Company options which are exercisable at \$1.75 per share.
- (8) Includes 100,750 shares which may be acquired upon exercise of investment banker warrants exercisable at \$1.06 per share.
- (9) Includes 25,000 shares which may be acquired upon exercise of Company options exercisable at \$1.06 per share and 10,000 shares which may be acquired upon exercise of Company options exercisable at \$1.75 per share.
- (10) Includes 5,000 shares which may be acquired upon exercise of Company options exercisable at \$1.06 per share and 25,000 shares which may be acquired upon exercise of Company options exercisable at \$1.75 per share.
- (11) Includes 5,000 shares which may be acquired upon exercise of Company options exercisable at \$1.06 per share and 25,000 shares which may be acquired upon exercise of Company options exercisable at \$1.75 per share.
- (12) Includes 50,000 shares which may be acquired upon exercise of the Company's private warrants.
- (13) Percentage is based upon a total number of shares assuming conversion in full of the Company's Convertible Debentures, and exercise in full of all of the Company's publicly traded warrants and private warrants. Also assumes the exercise of 237,500 of the Company's options into shares of Common Stock.

13

### ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company advanced \$150,000 to Lloyd Lyons, the Chief Executive Officer in 1993. Mr. Lyons repaid \$21,000 during 1994, \$4,000 during 1997, \$8,000 in 1998 and \$2,000 in 1999. All interest charged through December 31, 1999, had been paid by Mr. Lyons. Interest was being charged at a rate of prime plus 1% per annum. In August 2000, the note receivable was considered compensation due to the estate of Mr. Lyons.

In December 2000 the Company entered into an agreement with Delano Group Securities LLC (which is owned, controlled and/or managed by certain affiliates of Augustine Fund L.P.) to render investment banking, capital formation, consulting and advisory services. Pursuant to this agreement Delano received warrants to purchase 1,500,000 shares of Common Stock at a price of \$1.75 per share. These warrants expire on December 11, 2005.

In December 2000 the Company issued and sold \$3,500,000 principal amount of 6% Convertible Debentures. These Convertible Debentures are convertible into shares of Common Stock at a price of \$1.75 per share and mature on June 13, 2001. The following officers and greater than five percent owners of Common Stock are owners of the Convertible Debentures: Todd Sanders, Chief Executive Officer, Director, \$150,000 principal amount of Convertible Debentures; William Bossung, Chief Operating Officer, Director, \$350,000 principal amount of Convertible Debentures; John Porter, controlling member, director or officer of Augustine Capital Augustine Capital, the general partner of Augustine Fund L.P. a greater than five percent owner, \$500,000 principal amount of Convertible Debentures; David Matteson, controlling member, director or officer of Augustine Capital Augustine Capital, the general partner of Augustine Fund L.P. a greater than five percent owner, \$50,000 principal amount of Convertible Debentures; and Augustine Fund, L.P., greater than five percent owner, \$800,000 principal amount

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

of Convertible Debentures.

For more information concerning transactions between us and related parties, see Note 13 of the Notes to the Financial Statements.

14

### ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Index of exhibits as required by Item 601 of Regulation S-B.

Exhibit No. -----	Description of Exhibit -----
3.1	Articles of Incorporation (Delaware), as amended
3.2	Certificate of Merger Merging Repossession Auction, Inc. (Florida corporation) and Repossession Auction, Inc. (Delaware corporation)
3.3	Bylaws
4.3	Form of publicly traded Warrant Agreement
4.4	Form of private warrant dated December 12, 2000
4.5	Form of 6% Convertible Debenture dated December 14, 2000
10.3	Employment Agreement between the Company and Lloyd Lyons dated January 1, 1997(1)
10.4	1994 Stock Option Plan
10.5	Lease dated September 9, 1998 between Company and Oska Partnership re: executive offices.
10.6	Agreement dated July 12, 1998 with Tabacelera Panamericano Y Del Caribe S.A. (with certain portions omitted pursuant to Rule 24b-2)
10.7	Agreement dated July 20, 1998 with Tabacos DeOriente (with certain portions omitted pursuant to Rule 24b-2)
10.8	Agreement dated July 20, 1998 with Tabacos Del Caribe (with certain portions omitted pursuant to Rule 24b-2)
10.9	Agreement dated July 12, 1998 with Tacunisa (with certain portions omitted pursuant to Rule 24b-2)
10.10	Agreement dated July 12, 1998 with Tabanica, S.A. (with certain portions omitted pursuant to Rule 24b-2)
10.11	Form of Employment Agreement between the Company and Todd Sanders dated March 2001
10.12	Form of Employment Agreement between the Company and William Bossung dated March 2001
10.13	Form of Agreement between the Company and Delano Group Securities LLC dated December 2000

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

- 10.14 Form of Convertible Debenture Purchase Agreement dated  
December 14, 2001
- 27.1 Financial Data Schedule

(1) Incorporated herein by reference from the 10-KSB filed by the Company for  
the year ended December 31, 1997.

(b) Reports on Form 8-K

- 10/4/00 Change in Control of Registrant and Other Events  
11/17/00 Other Events  
12/14/00 Other Events

15

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
-----

AUDIT REPORT  
-----

AS OF DECEMBER 31, 2000  
-----

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
-----

CONTENTS  
-----

Independent Auditor's Report	F-1
Consolidated Balance Sheets as of December 31, 2000 and December 31, 1999	F-2
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2000 and 1999	F-3
Consolidated Statements of Operations for the years Ended December 31, 2000 and 1999	F-4
Consolidated Statements of Cash Flows for the years Ended December 31, 2000 and 1999	F-5
Notes to Consolidated Financial Statements as of December 31, 2000 and December 31, 1999	F-6-17

INDEPENDENT AUDITOR'S REPORT  
-----

To the Board of Directors of:  
NuWay Energy, Inc. (F/K/A Latin American Casinos, Inc.) and Subsidiaries

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

We have audited the accompanying consolidated balance sheet of Latin American Casinos, Inc. and Subsidiaries as of December 31, 2000, and 1999 the related consolidated statements of operations, changes in stockholder's equity and cash flows for the years ended. These consolidated financial statements are the responsibility on the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Latin American Casinos, Inc. and subsidiaries as of December 31, 2000 and 1999 the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

As discussed in note 10 to the financial statements the company reduced its asset values and has charged current operations with \$1,515,000 asset impairment costs.

Shubitz Rosenbloom & Co., P.A.

Miami, Florida  
March 15, 2001  
(Except As To Note 1 N,  
Whose Date is March 12, 2002)

F-1

### LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES

#### CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2000 AND 1999

#### ASSETS

	December 31, 2000	December 31, 1999
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,422,715	\$ 800,223
Accounts Receivable, Less \$150,000 of Allowance for Doubtful Accounts in 2000 and 1999	1,382,382	1,591,399

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

Inventory	539,560	645,172
Prepaid Expenses and Other Current Assets	136,717	212,429
	-----	-----
Total Current Assets	6,481,374	3,249,223
	-----	-----
PROPERTY AND EQUIPMENT - NET	3,708,795	4,568,008
	-----	-----
OTHER ASSETS		
Financing Arrangement Receivable	--	94,624
Deposits	11,609	11,609
Note Receivable - Stockholder	--	115,000
Other Assets	46,208	25,925
	-----	-----
Total Other Assets	57,817	247,158
	-----	-----
TOTAL ASSETS	\$ 10,247,986	\$ 8,064,389
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
-----		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 190,703	\$ 191,650
Debentures Payable, net of deferred debt issuance costs of \$64,500	3,435,500	--
	-----	-----
Total Current Liabilities	3,626,203	191,650
	-----	-----
COMMITMENTS AND CONTINGENCIES		
	--	--
	-----	-----
Total Liabilities	3,626,203	191,650
	-----	-----
STOCKHOLDERS' EQUITY		
Common Stock, \$.00067 Par Value 15,000,000		
Shares Authorized, 4,225,000 Shares Issued		
4,221,600 Shares Outstanding and 3,400 Shares held as Treasury Stock		
	2,831	2,211
Additional Paid-In Capital	13,796,612	10,203,732
Accumulated Other Comprehensive Income (Loss)	(560,326)	(415,193)
Retained Earnings (Deficit)	(6,612,099)	(1,912,776)
Treasury Stock, at cost	(5,235)	(5,235)
	-----	-----
Total Stockholders' Equity	6,621,783	7,872,739
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 10,247,986	\$ 8,064,389
	=====	=====

See Independent Auditor's Report.  
The accompany notes are an integral part of this statement.

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	COMMON STOCK			ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
	NUMBER OF SHARES	PAR VALUE \$.00067	ADDITIONAL PAID-IN CAPITAL	
BALANCE JANUARY 1, 1999	3,300,000	\$ 2,211	\$10,203,732	(\$ 517,151)
ADJUSTMENT FOR FOREIGN CURRENCY TRANSLATIONS	-	-	-	101,958
NET LOSS OF THE YEAR ENDED DECEMBER 31, 1999	-	-	-	-
BALANCE DECEMBER 31, 1999	3,300,000	2,211	10,203,732	(415,193)
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR ENDED DECEMBER 31, 1999	-	-	-	-
ADJUSTMENT FOR FOREIGN CURRENCY TRANSLATIONS	-	-	-	(145,133)
WARRENTS ISSUED IN EXCHANGE FOR SERVICE	-	-	1,991,700	-
COMPENSATION EXPENSE ON VARIABLE OPTIONS PLAN	-	-	491,700	-
COMPENSATION ON RE-PRICING OF STOCK OPTIONS	-	-	34,900	-
EXERCISE OF STOCK OPTIONS	725,000	489	724,514	-
STOCK ISSUED AS COMPENSATION	200,000	134	349,866	-
NET (LOSS) FOR THE YEAR ENDED DECEMBER 31, 2000	-	-	-	-



Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

BALANCE MARCH 31, 2000	4,225,000 =====	\$ 2,831 =====	\$13,796,612 =====	(\$ 560,326) =====
Comprehensive Income For The Years Ended December 31, 2000	-	-	-	-

READ ACCOUNTANTS REVIEW REPORT AND NOTES TO FINANCIAL STATEMENTS  
F-3

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
-----  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
-----  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 (continued)  
-----

	Treasury Stock -----	Comprehensive Income (Loss) -----
BALANCE JANUARY 1, 1999	\$ 5,235	\$ -
ADJUSTMENT FOR FOREIGN CURRENCY TRANSLATIONS	-	101,958
NET LOSS OF THE YEAR ENDED DECEMBER 31, 1999	- -----	(1,506,292) -----
BALANCE DECEMBER 31, 1999	5,235	-
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR ENDED DECEMBER 31, 1999		(\$1,404,334) =====
ADJUSTMENT FOR FOREIGN CURRENCY TRANSLATIONS	-	(145,133)
WARRENTS ISSUED IN EXCHANGE FOR SERVICE	-	-
COMPENSATION EXPENSE ON VARIABLE OPTIONS PLAN	-	-
COMPENSATION ON RE-PRICING OF STOCK OPTIONS	-	-
EXERCISE OF STOCK OPTIONS	-	-
STOCK ISSUED AS		

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

COMPENSATION	-	-
NET (LOSS) FOR THE YEAR ENDED DECEMBER 31, 2000	-	(2,116,823)
	=====	=====
BALANCE MARCH 31, 2000	\$ 5,235	\$ -
Comprehensive Income For The Years Ended December 31, 2000	-	(\$2,261,956)
		=====

READ ACCOUNTANTS REVIEW REPORT AND NOTES TO FINANCIAL STATEMENTS  
F-3

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
-----  
CONSOLIDATED STATEMENTS OF OPERATIONS  
-----  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999  
-----

	2000 ----	1999 ----
Revenue		
Rental Income	\$ 669,651	\$ 1,851,062
Sales of Cigars	163,886	28,009
	-----	-----
Total Revenues	\$ 833,537	\$ 1,879,071
	-----	-----
Cost and Expenses		
Selling, General & Administration	2,595,199	1,771,763
Depreciation	268,462	197,187
Cost of Cigar Sales	119,183	22,407
Expenses Associated With Options and Warrants	2,518,500	--
Impairment Charges	64,000	1,515,000
Total Cost and Expenses	\$ 5,565,344	\$ 3,506,357
	-----	-----
Operating Income (Loss)	(4,731,807)	(1,627,286)
	-----	-----
Other Income (Expenses)		
-----		
Interest Income	35,957	109,458
Net Other Income (Expenses)	35,957	(109,548)
	-----	-----
Income (Loss) Before Income Taxes	(4,695,850)	(1,517,828)

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

Income Taxes (Provision) Benefit	(3,473)	11,536
	-----	-----
Net Income (Loss)	(\$4,699,323)	(\$1,506,292)
Earnings (Loss) Per Common Share and Common Share Equivalent Basic And Fully Diluted		
Common Share Equivalent Outstanding	3,367,200	3,296,000
	=====	=====
Net Income (Loss) per share	(\$ 1.40)	(\$ .46)
	=====	=====

See Independent Auditor's Report.  
The accompany notes are an integral part of this statement.

F-4

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	(\$ 4,699,323)	(\$ 1,506,292)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Off Set of Officers Notes Receivable and Accrued Compensation	115,000	--
Depreciation	268,462	197,187
Issuance of Stock Accounted for As Compensation	350,000	--
Impairment Charges	64,000	761,350
Issuance of Warrants and Options Accounted for As Compensation	2,518,500	--
Loss on Property in Nicaragua	219,505	--
Changes in Assets - (Increase) Decrease:		
Accounts Receivable	303,641	(269,269)
Prepaid Expenses and Other Current Assets	75,712	(21,953)
Inventory of Cigars	105,612	80,437
Changes in Liabilities - Increase (Decrease):		
Accounts Payable and Accrued Expenses	(947)	(56,439)
Foreign Income Tax Payable	--	(28,707)
	-----	-----
Net Cash Provided by (Used In) Operating Activities	(679,838)	(843,686)
	-----	-----

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds on Sale of Fixed Assets	358,206	--
Fixed Assets, Other	(50,960)	(28,811)
Other Assets	(20,283)	2,989
	-----	-----

Net Cash Provided By (Used by) Investing Activities	286,963	(25,822)
	-----	-----

CASH FLOWS FROM FINANCING ACTIVITIES

Expenditures incurred in connection with Private Placement	(64,500)	--
Issuance of Debentures	3,500,000	--
Exercise of Stock Options	725,000	--
	-----	-----

Net Cash Provided From Financing Activities	4,160,500	--
	-----	-----

Effect of Exchange Rate Changes on Cash and Cash Equivalents	(145,133)	101,958
	-----	-----

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,622,492	(767,550)
--	-----------	-----------

CASH AND CASH EQUIVALENTS - BEGINNING	800,223	1,567,773
	-----	-----

CASH AND CASH EQUIVALENTS - ENDING	\$ 4,422,715	\$ 800,223
	=====	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:

Cash Paid During the Period for:

Interest	\$ --	\$ --
	=====	=====
Income Taxes, Foreign	\$ 3,473	\$ 28,707
	=====	=====

See Independent Auditor's Report The accompany notes are an integral part of this statement.

F-5

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2000 AND 1999

Note 1. Summary of Significant Accounting Policies

A Business and Organization

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

Latin American Casinos, Inc. (formerly Repossession Auction, Inc.) is a Delaware corporation incorporated on September 19, 1991. In 1994, the company entered in the gaming and casino business, primarily in Peru and other Latin American countries renting casino type slot machines.

In 1994, the company formed a Peruvian subsidiary; in 1995, the company formed a Colombian subsidiary and in 1997, the company formed a subsidiary in Nicaragua that are in the gaming and casino business in Latin America (See Note 9C). The operations include the renting of casino slot machines to casino operators. As of December 31, 2000, the company had acquired approximately 8,000 slot machines, approximately 3,000 of which have been acquired for parts and other related equipment, at a total cost of \$4,197,282 including applicable costs for transportation, duty and refurbishing (See note 10).

### B Principles of Consolidation

-----

The accompanying consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Latin American Casinos Del Peru S.A. (formerly known as Latin American Casinos, Inc. S.A.) a Peruvian Corporation, Latin American Casinos of Colombia LTDA, a Colombian Corporation, and Latin American Casinos of Nicaragua. Effective September 23, 1997, the company incorporated World's Best Rated Cigar Company (World) as a wholly-owned subsidiary of Latin American Casinos, Inc., to distribute quality cigars. In addition, Premium Cigar Manufacturers (Premium) was incorporated in 1998 as a wholly-owned subsidiary of Latin American Casinos, Inc. It was originally intended that World would market premium cigars at "off price", whereas Premium will acquire quality cigars from six South American producers and market them through large retail chains, initially on a consignment basis Premium Cigar has subsequently been administratively dissolved Operations of these subsidiaries have been slower than originally anticipated. As of December 31, 2000, the company had expended approximately \$1,142,000 in regard to the cigar operations. Such expenditures have been included in the accompanying consolidated balance sheet as follows:

Cash	\$ 2,000
Accounts Receivable	55,000
Prepaid and Other Current Assets	17,000
Inventory	540,000
Fixed Assets, Net of Accumulated Depreciation	75,000
Other Assets	3,000
Aggregate Accumulated Deficit	450,000
	-----
Total Investment	\$1,142,000
	=====

All material intercompany transactions, balance and profits have been eliminated.

See Independent Auditor's Report.

F-6

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2000 AND 1999

Note 1. Summary of Significant Accounting Policies (Continued)

C Property and Equipment

Property and Equipment are stated at cost. Depreciation is provided on accelerated and straight-line methods over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterment's are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. Whenever there is a change in events or circumstances, the Company performs an impairment analysis by comparing the future undiscounted cash flows are less than the carrying amount, and impairment charge is recorded to reduce the assets to its estimated fair value.

D Revenue Recognition

Revenue is recognized monthly on the rental of slot machines as the slot machines are placed in service. Typical rental arrangements for slot machines are for one year or less in duration with consistent rent income earned over the life of the lease. As a general rule the company does not incur any significant direct cost with the inception of the lease. All leasing expense, payroll and maintenance of equipment are charged to operations as incurred. Revenue on the sale of cigars are recorded when customer orders are shipped. The cost of cigar sales represent the direct cost of the product sold.

E Statement of Cash Flows

For purposes of this statement, the company considers all liquid investments purchased with an original maturity of three months or less to be cash equivalents.

F Income (Loss) Per Common Share

Basic earnings per common share and common share equivalent were computed by dividing net (loss) by the weighted average number of shares of common stock outstanding during the period. Fully diluted earnings per share was calculated based on the assumption that the increase in the number of common shares assumed outstanding on conversion are reduced by the number of common shares that are assumed to be purchased with the proceeds from the exercise of the incentive stock options. During 2000 and 1999 all warrants, stock options and underwriter's options (Note 5, 6, 7) were anti-dilutive, and excluded from the computation of basic and diluted earning (loss) per share. In the future the convertible debt, and these warrants, stock options, and underwriting options could be dilutive and as such future earnings per share could be

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

diluted by 7,607,496 additional shares.

G Significant Concentration of Credit Risk  
-----

The company has concentrated its credit risk for cash by maintaining deposits in banks located within the same geographic region. The maximum loss that would have resulted from risk totaled \$4,320,000 and \$697,000 as of December 31, 2000 and December 31, 1999 for the excess of the deposit liabilities reported by the bank over the amounts that would have been covered by federal deposit insurance.

See Independent Auditor's Report.

F-7

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
-----

AS OF DECEMBER 31, 2000 AND 1999  
-----

Note 1. Summary of Significant Accounting Policies (Continued)  
-----

H Use of Estimates  
-----

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are used when accounting for uncollectible accounts receivable, obsolescence, equipment depreciation and amortization, taxes, among others.

I Foreign Currency Translation  
-----

For most international operations, assets and liabilities are translated into U.S. dollars at year-end exchange rates, and revenues and expenses are translated at average exchange rates prevailing during the year. Translation adjustments, resulting from fluctuations in exchange rates are recorded as a separate component of shareholders' equity, as other comprehensive income (loss).

J Inventories  
-----

Inventory of cigars and related material are stated at the lower of average cost or market.

K Valuation of Company's Stock Options and Warrants  
-----

As permitted under the Statement of Financial Accounting Standards

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

No. 123 (SFAS No. 123), Accounting for Stock-Based Compensation, the Company accounts for its stock-based compensation to employees in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. As such, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. Certain pro forma net income and EPS disclosures for employee stock options grants are also included in the notes to the financial statements as if the fair value method as defined in SFAS No 123 had been applied. Transactions in equity instruments with non-employees for goods or services are accounted for by the fair value method.

L Advertising  
-----

The company expenses all advertising cost as incurred. Included in the statement of operations is approximately \$110,000 and \$17,000 advertising expense charged to operations for the years ended December 31, 2000 and 1999, respectively. Substantially all incurred advertising expenses were paid with barter transactions.

M Reclassifications  
-----

Certain amounts reported in prior financial statements have been reclassified to conform to current classification.

See Independent Auditor's Report.

F-8

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
-----

AS OF DECEMBER 31, 2000 AND 1999  
-----

Note 1. Summary of Significant Accounting Policies (Continued)  
-----

N Restatements  
-----

The Company has restated its previously issued financial statements for the years ended December 31, 2000 and 1999 for the following adjustments:

1. Recognition of impairment loss on the sale of Miami Property \$64,000.
2. Adjustment of beginning additional paid in Capital and retained earnings deficit for expense account with options and warrants issued in 1998, \$284,175.
3. Adjustment of current earnings and additional paid in capital for the cost of warrants issued, compensation expenses on variable option plan and compensation received on repricing of stock option \$2,518,500.

Note 2. Property and Equipment



Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

Property and Equipment are summarized as follows:

	December 31, 1999	December 31, 2000
	-----	-----
Land & Building (See Note 10)	\$ 335,363	\$ 335,363
Rental Equipment (See Note 10)	4,197,282	4,715,798
Leasehold Improvements	26,027	26,027
Furniture, Fixtures & Office Equipment	141,914	185,327
Transportation Equipment	48,510	158,592
Total	4,749,096	5,421,107
Less: Accumulated Depreciation	976,301	853,099
	-----	-----
Property and Equipment - Net	\$ 3,772,795	\$ 4,568,008
	=====	=====

The estimated useful lives of property and equipment, is as follows:

Rental Equipment	5-7 years
Special Used Buildings	10 years
Commercial Buildings	30 years
Leasehold Improvements	7 years
Furniture, Fixtures and Office Equipment	5-7 years
Transportation Equipment	5 years

Included in Rental Equipment is approximately \$3,000,000 of parts and supplies purchased or obtained from other machines previously disassembled for parts.

Rent expense for the years ended December 31, 2000 and 1999 were \$92,000 and \$113,000, respectively.

The company leases the land and building it owns in Miami for \$1,200 per month, on a month to month basis (See Note 11).

See Independent Auditor's Report.

F-9

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2000 AND 1999

Note 3. Note Receivable - Stockholder

The company advanced \$150,000 to one of the stockholders in 1993. The stockholder repaid \$21,000 during 1994, \$4,000 during 1997,

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

\$8,000 in 1998 and \$2,000 in 1999. All interest charged through December 31, 1999, has been paid by the stockholder. Interest was being charged at a rate of prime plus 1% per annum. In August 2000, the note receivable was forgiven and additional compensation due to the Estate of the shareholder was recorded.

Note 4. Warrants and Options  
-----

As of December 31, 2000, the company has outstanding 1,725,000 five year publicly traded warrants that were issued as part of the company's initial public offering to purchase one share of the company's common stock at an exercise price of \$3.00 by December 11, 2001. In December 2000 the board of directors authorized the issuance of an additional 3,300,000 private five year stock warrants to acquire common stock at \$1.75 per share. The issuance of the private warrants were part of the arrangement with the executive officers of the corporation who also received restricted stock aggregating 200,000 shares, compensation was recorded on the arrangement equal to the market value of the restricted stock, \$350,000. The remaining warrants were issued for service and were valued at \$1,800,000 using the Black-Scholes option pricing model. This amount has been recorded in the statement of operations.

Note 5. Investment Banker Warrants  
-----

Effective June 5, 1998, the company contracted with an investment banker to provide on a non-exclusive basis to the company assistance in possible mergers, acquisitions and internal capital structuring. The duration of the contract is for five years. In consideration for these services, Latin American Casinos, Inc. granted warrants to purchase an aggregate of 225,000 shares of common stock at the closing bid price of \$1.875 as of June 5, 1998, which can be exercised through June 5, 2003. Effective February 8, 2000, the Board of Directors reduced the exercise price to \$1.06, which was the closing price of the stock at that date. These warrants vest and become irrevocable as follows: 75,000 warrants with signing of the agreement, 75,000 warrants 180 days after the signing of the agreement and an additional 75,000 warrants 365 days after the signing of the agreement. At the date issuance and subsequent re-pricing date the warrant price equaled or exceeded the market value of the corporate stock. The incremental value of the re-priced warrants over the current value of the warrants before the repricing was approximately \$35,000, using the fair values calculated with the Black-Scholes option pricing model. This amount is recorded in the statement of operations.

See Independent Auditor's Report.

F-10

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
-----

AS OF DECEMBER 31, 2000 AND 1999  
-----

Note 6. Incentive Stock Option Plan  
-----

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

On June 13, 1994, the Board of Directors adopted the 1994 Stock Option Plan in which the aggregate number of shares for which options may be granted under the Plan shall not exceed 1,000,000 shares. The term of each option shall not exceed ten years from the date of granting (five years for options granted to employees owning more than 10% of the outstanding shares of the voting stock of the company). The 1991 plan became effective on September 30, 1991 and was terminated in March, 1999. The 1994 plan became effective on June 13, 1994 and will terminate in June, 2004, unless terminated earlier by action of the Board of Directors. In December, 1995, the company authorized the issuance under the 1994 Stock Option Plan of 492,500 options at an exercise price of \$2.50 per share to various officers and employees. On March 6, 1997 the company authorized the issuance of an additional 415,000 options at an exercise price of \$2.50 to various officers and employees. In June, 1999, the company increased the shares allocated to the plan to 1,500,000.

Effective December 31, 1998, the company ratified the repricing of the employee stock options to \$1.00 per share and simultaneously authorized the issuance of 85,000 options at an exercise price of \$1.00 per share and canceled 10,000 options issued in 1995 at \$2.50 per share. Effective February 2000 the company issued 35,000 options at an exercise price of \$1.06 and in December 2000 the company issued 80,000 options at a \$1.75 exercise price.

### Incentive Stock Options Outstanding

	Amount	Price Per Share
	-----	-----
Options Outstanding at January 1, 1999 and 2000	932,500	\$1.00
Additional Options Issued	35,000	\$1.06
Additional Options Issued	80,000	\$1.75
Options Lapsed	( 85,000)	\$1.00
Options Exercised	( 725,000)	\$1.00
	-----	
Options Outstanding at December 31, 2000	237,500	
	=====	

All outstanding warrants and non-qualified options are incentive stock options were exercisable at December 31, 2000.

The following table shows the years in which all of the company's options and warrants (as discussed in Notes 4, 5 and 6) will expire:

	Range		Number of Shares	Weighted Average Exercise Price
	----- Low	High -----		----- Price -----
Year Ending December 31	-----	-----	-----	-----

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

2001	\$ 3.00	\$ 3.00	1,725,000	\$ 3.00
2002	1.00	1.00	172,500	1.00
2003	1.00	1.00	310,000	1.00
2004	-	-	-	-
Thereafter	1.06	1.75	3,415,000	1.74
Total			5,622,500	

See Independent Auditor's Report.

F-11

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2000 AND 1999

Incentive Stock Options Outstanding (continued)

The weighted average fair value of options granted during fiscal 2000 was \$1.07 per share. All options were granted at an exercise price that equaled the market price.

The Company adopted the provisions so SFAS No. 123, Accounting for Stock Based Compensation, effective for fiscal year 1997 for all issuances of stock options to non-employees of the Company. The Company will continue to apply APB Opinion No. 25 (Opinion 25), Accounting for Stock Issued to Employees for all issuances stock options to its employees. In June 1999, the Company adopted the Financial Accounting Standards Board Interpretation Number 44, which requires re-priced options be re-measured for expenses each quarter based on the quarter end stock price. Expenses are also re-measured upon exercise for the options. The Company recorded no expenses and \$491,900 of expenses as a result of the aforementioned accounting in 1999 and 2000, respectively.

Had compensation cost for the Plan been determined based upon the fair value at the grant date for options granted consistent with the provision of SFAS 123, the Company's net loss and net loss per share would have been reduced to the pro forma amounts indicated below:

	2000	1999
	-----	-----
Net income - as reported	\$ (4,699,323)	\$ (506,292)
Net income - pro forma	\$ (6,429,924)	\$ (506,292)
Loss per share - as reported:		
Basic and Diluted	\$ (1.40)	\$ (.46)
Loss per share - pro forma:		
Basic and Diluted	\$ (1.90)	\$ (.46)

The fair value of each option grant under the Plan is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

	2000
Risk - free interest	\$ 5.80%
Expected life	5 years
Expected volatility	68.19%
Expected dividend	-

Note 7. Debentures

In December 2000, the company, through a private placement issued \$3,500,000 principle amount of 6% Convertible Debentures. These debentures were due June 13, 2001 which had been subsequently extended to December 13, 2001 and are Convertible into common stock at an exercise price of \$1.75 per share. The company incurred approximately \$64,500 of costs in regard to this private placement. The debt issuance costs will be amortized over the life of the debentures. The interest on the debentures is payable either in cash or in additional shares of common stock, at the discretion of the company. The conversion price of the debentures was determined by the approximate market value of the common stock at the date of issuance.

See Independent Auditor's Report.  
F-12

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2000 AND 1999

Note 8. Provision of Income Taxes

As of December 31, 2000 the company had available for income tax purposes unused net operating loss carry forwards which may provide future tax benefits of \$3,783,000 expiring in the year 2015. No valuation allowance has been provided for unremitted foreign profits. No provision had been provided for deferred taxes in the accompanying financial statements. The current provision for taxes, if any, are based on tax provision based for foreign operations.

Note 9. Commitments and Contingencies

A Litigation

The company is a defendant from time to time on claims and lawsuits arising out of the normal course of its business, none of which are expected to have a material adverse effect on its business, operations, financial position or corporate liquidity.

B Employment Agreements

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

In January 1997, the company entered into a five year employment agreement with Lloyd Lyons which provided for an annual salary commencing January, 1997 of \$275,000 and increasing at \$25,000 per annum commencing January 1, 1998. The 1999 increase had been waived. The agreement provided for an adjustment in salary to reflect increases, but not decreases, in the consumer price index. The agreement further provided that in the event of either a merger, consolidation, sale or conveyance of substantially all the assets of the company which results in the discharge of Mr. Lyons, he would be entitled to 200% of the balance of payments remaining under the contract. Further, the agreement provided that an annual bonus shall be at the discretion of the Board of Directors. The contract provided the salary continuation for a period of two years after the death of the officer. In January 2000, Mr. Lyons passed away and effective August 2, 2000 the company amended its employment contract with the surviving widow and primary beneficiary of the Estate of Lloyd Lyons, where-in the salary continuation clause included in his contract was replaced with a severance arrangement which requires the company to pay the spouse \$100,000 over a one year period commencing on the first month following her termination, from her employment with the company and upon her termination she is to receive 100,000 shares of common stock pursuant to an amendment to her employment agreement. The amended employment agreement will obligate the company to register these shares and reimburse her for the difference in the gross proceeds upon the sale of such shares and \$300,000, regardless of the time she holds such shares. Upon termination of the employee contract the company will record additional compensation at the greater of the market price of the company stock or the guaranteed price stipulated in the contract. The agreement further provides that the spouse remain in the employment of the company for at least 4 months following the amendment of the contract. The contract revisions further provided that the officer loan of \$115,000 be recorded as additional compensation as required by the officer compensation agreement, the employment agreement with the spouse remains intact in all other regards and obligates the company to provide an annual compensation at the rate of \$46,800 per annum in the year 2000 and \$51,480 in the subsequent year.

See Independent Auditor's Report.

F-13

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2000 AND 1999

Note 9. Commitments and Contingencies (Continued)

In January 2000 the company entered into two additional employment contracts, both for the duration of two years and provides that company be obligated for an aggregate compensation of \$115,000 in year 2000 and \$126,500 in year 2001. Effective August 2, 2000 both of these employment contracts were amended to reflect upon termination from employment these individuals will be entitled to nine months of compensation and will receive in the aggregate 35,000 shares of common stock which the company has agreed to

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

reimburse the respective employees the difference between the gross proceeds they receive upon sale and \$105,000, regardless of the term the employees hold such shares. Upon termination of the employee contract the company will record additional compensation at the greater of the market price of the company stock or the guaranteed price stipulated in the contract.

The company entered into two additional one-year employment agreements with the Chief Operating Officer and the Chief Executive Officer requiring the company issue 100,000 shares of stock individually and 750,000 warrants to purchase additional common stock at \$1.75 per shares, individually (see notes 4 & 12). The issuance of the private warrants were part of the arrangement with the executive officers of the corporation who also received restricted stock aggregating 200,000 shares. Compensation was recorded on the arrangement equal to the market value of the restricted stock, \$350,000.

C Foreign Assets  
-----

The accompanying consolidated balance sheets for the period ended December 31, 2000, includes assets relating to the company's slot machine operations in Peru and Colombia of \$3,537,000 and \$1,281,000 respectively. Although these countries are considered politically and economically stable, it is possible that unanticipated events in foreign countries could disrupt the company's operations. In that regard, the company was informed that in Peru an excise tax has been instituted effective October 1, 1996, on the leases of gaming equipment. The company with others in the industry negotiated with the appropriate governmental agencies and have had the excise tax significantly curtailed. In addition, a significant portion of the company's inventory in cigars is being stored in South America awaiting instructions to deliver them to the Miami location. Revenue from rental operations is entirely earned in Colombia and Peru. In October, 1998, Nicaragua suffered the effects of hurricane "Mitch" and ceased operations in Nicaragua. In the year 2000 the company had decided to liquidate all remaining assets in Nicaragua and included in operating expense is \$75,000 as compensation the fair value of the assets retained by an employee of the Nicaraguan subsidiary. The compensation is included as part of the selling general and administrative expenses in the accompanying report. In addition, \$87,000 of asset impairment costs were recorded for the physical deterioration and theft of other assets in Nicaragua.

See Independent Auditor's Report.

F-14

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
-----

AS OF DECEMBER 31, 2000 AND 1999  
-----

Note 9. Commitments and Contingencies (Continued)  
-----

D Lease Commitment  
-----

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

The company's Miami office is obligated for a three year lease for its premises, which expires in September, 2001 and requires monthly rent of \$2,500. In addition, the company is obligated for a two year lease for warehouse space at a monthly rent of \$1,400.

Future minimum payments required as of December 31, 2000 on all non-cancelable leases in effect that are one year in duration or longer, are as follows:

	Total	Miami Faculty	Warehouse Faculty
Year 2001	\$39,300	\$ 22,50	\$ 16,800
Year 2002	16,800	-	16,800
Total	\$56,100	\$ 22,500	\$ 33,600

All other leases are less than 12 month in duration or are on a month to month basis.

Note 10      Sublease Agreement and Financing Arrangement

In 1994, the company had subleased the used car and truck lot and a portion of the office space in Miami, Florida to an unrelated party for the operation of a used car business. The company was owed \$114,460. The outstanding balance was collateralized by inventory, equipment, accounts receivable and was personally guaranteed by the sub lessee's stockholder. As of May 1, 1995, the sub lessee abandoned the property without notice. Management has concluded its attempt at recovering the amounts due under the financing arrangement. The receivable that had been shown as a long-term and was substantially reserved for non-collection. In year 2000 after all legal remedies were exhausted the account and related reserves were removed from the books and records.

Note 11      Impairment Charges

In the fourth quarter of 1999, as a result of the death of both its founder and its Chief Financial Officer, the company initiated a review of the company's operation on a country by country basis. As a result of political changes and government mandated obsolescence of certain gaming equipment, the company adjusted previously recorded cost of gaming equipment to its anticipated net realizable value. Additionally, the company reduced the valuation of certain real estate value in Miami to reflect current market conditions and adjusted its investment in the cigar operations to account for the slower than expected sales. The total impairment cost were computed as follows.

	1999	2000
Gaming Equipment Asset Impairment Charge	\$ 1,245,000	\$ 64,000
Miami Real Estate Impairment Charge	86,000	-



Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

Reduction of Cigar Investment	169,000	-
Other	15,000	-
	-----	-----
Total	\$ 1,515,000	\$ 64,000
	=====	=====

See Independent Auditor's Report.  
F-15

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2000 AND 1999

Note 11 Impairment Charges (Continued)

The gaming equipment impairment cost in 1999 was based on valuation of obsolescence and replacement values made by management. Consideration in the valuation was the decrease in utilization of the gaming equipment due to decreased volume of operations. The impairment value of the Miami Real Estate was based on an independent appraisal received and subsequent sale of the property as further described in Note 13. The impairment cost of the cigar inventory cost was the result of certain packaging and tube cost that had been abandoned.

Note 12 Quarterly Interim Financial Information (Unaudited)

The company recorded the following expenses in the last quarter of the year which unduly burdened the loss incurred during that quarter.

o Expense Associated With Options And Warrants	\$2,518,500
o Compensation for Stock Issued	\$ 350,000
o Liquidation and Incremental Cost incurred in Nicaragua (Note 9)	162,000
o Impairment Charge	64,000
	-----
	\$3,094,500

Note 13 Subsequent Event

In February, 2001 the company announced that it had entered into a non binding letter of intent to merge with Digital Convergence Corporation, a privately held California company. Digital Convergence is a provider of E-business software products and consulting services. The letter of intent contemplates a tax free exchange of stock and is subject to definitive negotiated merger agreement which has not been completed. Upon the completion of the merger it is anticipated that the current operations of Latin America Casinos, Inc., will be reviewed to determine the future course of the company. The company has deferred \$37,500 cost

## Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

incurred in connection with this merger and included such cost as part of the other assets. It is contemplated that if the merger is consummated the acquisition will be recorded as a "purchase" and the deferred cost will be allocated to the purchase price of the acquired assets.

In January, 2001 the company entered into a contract to sell its Miami property for a total consideration of \$145,000 and record in year 2000 an asset impairment loss of \$64,000.

See Independent Auditor's Report.

F-16

### LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2000 AND 1999

Note 14      Operating Segments

	For The Year Ended December 31, 2000			
	Total	Cigar Operations	Gaming Equipment	Un
Revenues	\$ 833,537	\$ 163,886	\$ 669,651	\$
Cost & Expenses				
Cost of Product Sold	119,183	119,183	0	
Direct Overhead Cost	1,154,226	166,080	988,146	
Expenses Associated With Options				
Warrants	2,518,500	--	--	
Allocated Overhead Cost	1,440,973	283,317	1,157,656	
Depreciation	268,462	11,364	250,385	
Asset Impairment Cost	64,000	0	0	
Total Cost and Expenses	5,565,344	579,944	2,396,187	
Operating Income (Loss)	(\$ 4,731,807)	(\$ 416,058)	(\$ 1,726,536)	(\$
Total Assets	\$ 10,248,000	\$ 692,000	\$ 4,753,000	\$

The company allocates indirect overhead expenses to specific segments in proportion to the revenues earned by the segment.

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

For The Year Ended December 31, 2000

	Total	Cigar Operations	Gaming Equipment	Un
Revenues	\$ 1,879,071	\$ 28,009	\$ 1,851,062	\$
Cost & Expenses				
Cost of Product Sold	22,407	22,407	-	
Direct Overhead Cost	1,018,671	106,560	912,111	
Allocated Overhead Cost	753,092	11,225	741,867	
Depreciation	197,187	10,461	172,726	
Asset Impairment Cost	1,515,000	169,000	1,245,000	
Total Cost and Expenses	3,506,367	319,653	3,071,704	
Operating Income (Loss)	(\$ 1,627,286)	(\$ 291,644)	(\$ 1,220,642)	(\$
Total Assets	\$ 8,064,000	\$ 797,000	\$ 6,601,000	\$

The company allocates indirect overhead expenses to specific segments in proportion to the revenues earned by the segment. All revenue from gaming equipment and the related assets are in South America where as all revenue and a majority of the assets of the cigar operations are in the United States.

See Independent Auditor's Report.

F-17

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, NuWay Energy, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NUWAY ENERGY, INC.

By: /s/ Todd Sanders

Todd Sanders, President

Date: March 19, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of NuWay Energy, Inc., and in the capacities and on the 19th day of March, 2002.

Edgar Filing: NUWAY ENERGY INC - Form 10KSB/A

/s/ TODD SANDERS

-----  
Todd Sanders, President, Chief Executive  
Officer, Director

/s/ WILLIAM BOSSUNG

-----  
William Bossung, Secretary, Chief  
Operating Officer, Director

/s/ JOE TAWIL

-----  
Joe Tawil, Acting Chief Financial  
and Accounting Officer

/s/ JOSE A. CABALLERO

-----  
Jose A. Caballero, Director

/s/ DENNIS R. BARRY

-----  
Dennis R. Barry, Director

/s/ MICHAEL ISCOVE

-----  
Michael Iscove, Director