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NUWAY ENERGY INC  
Form 10QSB/A  
March 25, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB/A-1

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 33-43423

NUWAY ENERGY, INC.

-----  
(Exact name of small business issuer as  
specified in its charter)

DELAWARE

65-0159115

-----  
(State or other jurisdiction  
of incorporation or organization)

-----  
(IRS Employer  
Identification No.)

19100 Von Karman Ave, Ste 450  
Irvine, CA 92612

-----  
(Address of principal executive offices)

(949) 553-8002

-----  
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act 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

Number of shares outstanding of each of the issuer's classes of common  
equity, as of March 22, 2002: 5,133,883 shares of common stock, \$0.00067 par  
value per share.

LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES

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Accountants' Review Report  
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To the Board of Directors of:  
Latin American Casinos, Inc. and Subsidiaries

We have reviewed the accompanying consolidated balance sheets of Latin American Casinos, Inc. and Subsidiaries as of March 31, 2001, and the related consolidated statements of operations, changes in stockholders equity and cash flows for the three months ended March 31, 2001, in accordance with the Statements for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Latin American Casinos, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The balance sheet for the year ended December 31, 2000 was audited by us and we expressed an unqualified opinion on it in our report dated March 15, 2001, and restated on March 12, 2002 but we have not performed any auditing procedures since that date.

Shubitz Rosenbloom & Co., P.A.

Miami, Florida  
May 18, 2001  
(Except as to Note 1 N  
Whose date is March 22, 2002)

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LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
MARCH 31, 2001 AND DECEMBER 31, 2000  
-----

	March 31, 2001	December 31, 2000
	-----	-----
ASSETS -----		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,381,785	\$ 4,422,715
Accounts Receivable, Less \$150,000 of Allowance for Doubtful Accounts in 2001 and 2000	1,282,858	1,382,382
Inventory	554,764	539,560
Prepaid Expenses and Other Current Assets	142,262	136,717
	-----	-----
Total Current Assets	6,361,669	6,481,374
	-----	-----
PROPERTY AND EQUIPMENT - NET	3,277,362	3,708,795
	-----	-----
OTHER ASSETS		
Deposits	11,609	11,609
Other Assets	50,504	46,208
	-----	-----
Total Other Assets	62,113	57,817
	-----	-----
TOTAL ASSETS	\$ 9,701,144	\$ 10,247,986
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY -----		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 139,576	\$ 190,703
Debentures Payable Net of Deferred Issuance Costs of \$48,375 and \$64,500 in 2001 and 2000	3,451,625	3,435,500
	-----	-----
Total Current Liabilities	3,591,201	3,626,203
	-----	-----
COMMITMENTS AND CONTINGENCIES	-	-
	-----	-----
Total Liabilities	3,591,201	3,626,203
	-----	-----
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	2,831
Additional Paid-In Capital	13,796,612	13,796,612
Accumulated Other Comprehensive Income (Loss)	( 559,444)	( 560,326)
Retained Earnings (Deficit)	( 7,124,821)	( 6,612,099)
Treasury Stock, at cost	( 5,235)	( 5,235)
	-----	-----
Total Stockholders' Equity	6,109,943	6,621,783

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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 9,701,144	\$ 10,247,980
	=====	=====

Read accountants' review report and notes to financial statements.

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LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND  
FOR THE YEAR ENDED DECEMBER 31, 2000

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Stock
	Number of Shares	Par Value \$.00067				
BALANCE JANUARY						
1,2000	3,300,000	\$ 2,211	\$10,203,732	(\$415,193)	(\$ 1,912,776)	\$
ADJUSTMENT FOR FOREIGN CURRENCY TRANSLATIONS	-	-	-	(145,133)	-	
WARRANTS ISSUED IN EXCHANGE FOR SERVICE	-	-	1,991,700	-	-	
COMPENSATION EXPENSE ON VARIABLE OPTIONS PLAN	-	-	491,900	-	-	
COMPENSATION ON RE-PRICING OF STOCK OPTIONS	-	-	34,900	-	-	
EXERCISE OF STOCK OPTIONS	725,000	486	724,514	-	-	
STOCK ISSUED AS COMPENSATION	200,000	134	349,866	-	-	
NET (LOSS) FOR THE YEAR ENDED DECEMBER 31, 2000	-	-	-	-	( 4,699,323)	
BALANCE DECEMBER 31, 2000	4,225,000	2,831	13,796,612	( 560,326)	( 6,612,099)	
Comprehensive Income For The Years Ended						

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December 31, 2000	-	-	-	-	-
ADJUSTMENT FOR FOREIGN CURRENCY TRANSLATIONS	-	-	-	882	-
NET (LOSS) FOR THE THREE MONTH ENDED MARCH 31, 2001	-	-	-	-	( 512,722)
BALANCE MARCH 31, 2001	4,225,000	\$ 2,831	\$13,796,612	(\$ 559,444)	(\$ 7,124,821)
Comprehensive Income (Loss) For The Three Months Ended March 31, 2001					

Read accountants review report and notes to financial statements.

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LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000

	2001	2000
Revenue		
Rental Income	\$ 148,335	\$ 240,146
Sales of Cigars	33,916	24,301
Total Revenues	\$ 182,251	\$ 264,447
Cost and Expenses		
Selling, General & Administration	517,336	527,852
Depreciation	16,630	32,847
Cost of Cigar Sales	21,384	19,783
Impairment Charges	194,419	-
Total Cost and Expenses	749,769	580,482
Operating Income (Loss)	(567,518)	(316,035)
Other Income (Expenses)		
Interest Income	54,796	10,839
Net Other Income (Expenses)	54,796	10,839

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Income (Loss) Before Income Taxes	(512,722)	(305,196)
Income Taxes (Provision) Benefit	-	-
Net Income (Loss)	(\$ 512,722)	(\$ 305,196)
Earnings (Loss) Per Common Share and Common Share Equivalent Basic And Fully Diluted		
Common Share Equivalent Outstanding	4,221,600	3,296,600
Net Income (Loss) per share	(\$ .12)	(\$ .09)

Read accountants' review report and notes to financial statements.

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LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	(\$ 512,722)	(\$ 305,196)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	16,630	32,847
Asset Impairment Charges	194,419	-
Amortization of Deferred Debt Issuance Costs	16,125	-
Loss On Sale Of Assets	34,022	4,867
Changes in Assets - (Increase) Decrease:		
Accounts Receivable	99,524	2,105
Prepaid Expenses and Other Current Assets	(5,545)	20,437
Inventory of Cigars	(15,204)	17,036
Changes in Liabilities - Increase (Decrease):		
Accounts Payable and Accrued Expenses	(51,127)	(23,684)
Net Cash Provided by (Used In) Operating Activities	(223,878)	(251,588)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on Sale of Fixed Assets	165,303	211,607
Fixed Assets, Other	21,059	(9,404)
Other Assets	(4,296)	8,961
Net Cash Provided By (Used by) Investing Activities	182,066	211,164
Effect of Exchange Rate Changes on Cash and Cash Equivalents	882	(119,912)

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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(40,930)	(160,336)
CASH AND CASH EQUIVALENTS - BEGINNING	4,422,715	800,223
CASH AND CASH EQUIVALENTS - ENDING	\$ 4,381,785	\$ 639,887

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:

Cash Paid During the Period for:

Interest	\$ 1,715	\$ -
Income Taxes, Foreign	\$ -	\$ -

Read accountants' review report and notes to financial statements.

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LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF MARCH 31, 2001 AND DECEMBER 31, 2000

Note 1. Summary of Significant Accounting Policies

A Business and Organization

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 (which has subsequently been liquidated) 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 March 31, 2001, 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 \$3,944,111 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 and Latin American Casinos of Colombia LTDA, a Colombian Corporation 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. It was originally intended that the company would market premium cigars at "off price", and will acquire quality cigars from six South American producers and market them through large retail chains,

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initially on a consignment basis. The cigar operations have been slower than originally anticipated and as of March 31, 2001, the company had expended approximately \$1,190,000 in regard to the cigar operations. Such expenditures have been included in the accompanying consolidated financial statements as follows:

Cash	\$ 7,000
Accounts Receivable	60,000
Prepaid and Other Current Assets	16,000
Inventory	555,000
Fixed Assets, Net of Accumulated Depreciation	73,000
Other Assets	3,000
Aggregate Accumulated Deficit	476,000
	-----
Total Investment	\$1,190,000

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

Read accountants' review report.

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LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF MARCH 31, 2001, AND DECEMBER 31, 2000  
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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 betterments 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 and if they 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 a 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 represents the direct cost of the product sold.

E Statement of Cash Flows



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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 2001 and 2000 all warrants, stock options and underwriter's options (Note 4, 5, 6) were anti-dilutive, and excluded from the computation of basic and diluted earnings (loss) per share. In the future these warrants, stock options, and underwriter options could be dilutive and as such future earnings per share would be 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 \$4,266,000 and \$4,320,000 as of March 31, 2001 and December 31, 2000 for the excess of the deposit liabilities reported by the bank over the amounts that would have been covered by federal deposit insurance.

Read accountants' review report.

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LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENT  
AS OF MARCH 31, 2001 AND DECEMBER 31, 2000  
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Note 1. Summary of Significant Accounting Policies (Continued)  
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H Use of Estimates  
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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  
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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 Stocks Options and Warrants

-----

As permitted under the Statement of Financial Accounting Standards 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 costs as incurred. Included in the statement of operations is approximately \$49,000 and \$34,000 advertising expense charged to operations for the six months ended June 30, 2001 and 2000, respectively. Substantially all advertising expense incurred is paid with a barter transaction.

### M Reclassifications

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

Read accountants' review report.

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## LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2001 AND DECEMBER 31, 2000

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

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### N Restatements

-----

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

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adjustments:

1. Recognition of impairment loss on the sale of Miami Property of \$64,000 was recorded in year 2000 instead of year 2001.
2. Adjustment of beginning additional paid in Capital and retained earnings deficit for expense recorded with option and warrants issued in 1998, \$284,175.
3. Adjustment of retained earnings (deficit) and additional paid in capital for the cost of warrants issued, compensation expenses on variable option plan and compensation recorded on repricing of stock options, \$2,518,500 in year 2000.

Note 2. Property and Equipment  
-----

Property and Equipment are summarized as follows:

	March 31, 2001	December 31, 2000
	-----	-----
Land & Building (See Note 9)	\$ 75,000	\$ 335,363
Rental Equipment (See Note 9)	3,944,111	4,197,282
Leasehold Improvements	19,894	26,027
Furniture, Fixtures & Office Equipment	143,899	141,914
Transportation Equipment	25,823	48,510
	-----	-----
Total	4,208,727	4,749,096
Less: Accumulated Depreciation	931,365	976,301
	-----	-----
Property and Equipment - Net	\$ 3,277,362	\$ 3,772,795
	=====	=====

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

Rental Equipment	5-7 years
Special Use 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 three months ended March 31, 2000 and 2000 were \$20,000 and \$21,000, respectively.

The company had leased the land and building it owned in Miami for \$1,200 per month, on a month to month basis. The property was sold in 2001 (See Note 9).

Read accountants' review report.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF MARCH 31, 2001 AND DECEMBER 31, 2000  
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### Note 3. Warrants and Options -----

At March 31, 2001 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 then 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 for year 2000.

### Note 4. 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 of issuance and subsequent re-pricing date the warrant price equaled or exceeded the market value of the corporate stock. 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 repriced warrants over the current value of the warrants calculated with the Black-Scholes option pricing model was recorded in the restated financial statements of year 2000.

Read accountants' review report.

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LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF MARCH 31, 2001 AND DECEMBER 31, 2000  
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### Note 5. Incentive Stock Option Plan -----

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

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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, 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 and March 31, 2001	\$ 237,500	
	=====	

Read accountants' review report.

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### LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2001 AND DECEMBER 31, 2000

#### Note 5. Incentive Stock Option Plan (Continued)

All outstanding warrants and non-qualified options are incentive stock options were exercisable at March 31, 2001.

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

	Range		Number of Shares	Weighted Average Exercise Price
Year Ending December 31	Low	High	-----	-----
	-----			
2001	\$ 3.00	\$ 3.00	1,725,000	\$ 3.00

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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	

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 provision 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 On 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 \$491,900 and no expenses as a result of the aforementioned accounting in 2000 and 2001, 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:

	2001	2000
	-----	-----
Net income - as reported	\$ (512,722)	\$ (4,699,323)
Net income -pro forma	\$ (512,722)	\$ (6,429,924)
Loss per share - as reported:		
Basic and Diluted	\$ (.12)	\$ (1.40)
Loss per share - pro forma:		
Basic and Diluted	\$ (.12)	\$ (1.90)

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:

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

Read accountants' review report.

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LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF MARCH 31, 2001 AND DECEMBER 31, 2000  
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Note 6. Debentures  
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In December 2000 the company, through a private placement issued

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\$3,500,000 principle amount of 6% convertible debentures. These debentures were due June 13, 2001 which has 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 are being 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. Included as part of selling general & administration expenses in the statements of operations for the three months ended March 31, 2001 is \$16,125 amortization of deferred debt issuance costs.

Note 7. Provision of Income Taxes  
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As of March 31, 2001 the company had available for income tax purposes unused net operating loss carry forwards which may provide future tax benefits of \$4,344,000 expiring in the year 2016. No valuation allowance has been provided for unmerited 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 a tax provision for foreign operations.

Note 8. Commitments and Contingencies  
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A Litigation  
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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.

Read accountants' review report.

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LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF MARCH 31, 2001 AND DECEMBER 31, 2000  
-----

Note 8. Commitments and Contingencies (Continued)  
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B Employment Agreements  
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In January 1997, the company entered into a five year employment agreement with The Chief Executive Officer Lloyd Lyons, which provided for an annual salary commencing January, 1997 of \$275,000. The agreement provided that in the event of either a merger, consolidation, sale or conveyance of substantially all the assets of the company which results in his discharge, he would be entitled to 200% of the balance of payments remaining under the contract. The contract provided for the salary continuation for a period of two years after the death of the officer. In January 2000, The Chief Executive Officer passed away and effective August 2, 2000 the company amended its employment contract

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with his surviving widow and primary beneficiary of the Estate 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 then market price of the company's 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 then 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.

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 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, requiring the company issue 100,000 shares of stock and 750,000 warrants to purchase additional common stock at \$1.75 per share, individually. The distribution of the stock was considered compensation in the year 2000 (See Note 3). 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.

Read accountants' review report.

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LATIN AMERICAN CASINOS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF MARCH 31, 2001 AND DECEMBER 31, 2000  
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Note 8. Commitments and Contingencies (Continued)  
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C Foreign Assets  
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The accompanying consolidated balance sheets include assets relating to the company's slot machine operations in Peru and Colombia of \$3,520,000 and \$1,264,000 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 operation is entirely earned in Colombia and Peru.

D Lease Commitment  
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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 its warehouse space, at a monthly rent of \$1,400.

Future minimum payments required as of March 31, 2001 on all non cancelable leases in effect that are one year in duration or longer, are as follows:

	Total	Miami Faculty	Warehouse
	-----	-----	-----
Year 2001	\$ 27,600	\$ 15,000	\$ 12,600
Year 2002	16,800	-	16,800
	-----	-----	-----
Total	\$ 44,400	\$ 15,000	\$ 29,400
	=====	=====	=====

All other leases are less the 12 month in duration or are on a month to month bases.

Note 9 Impairment Charges  
-----

In March 2001, the company sold it's Miami property for an aggregate consideration of \$139,000 and recorded a net loss on disposition of \$64,000. The \$64,000 loss had been recorded as an impairment charge in the restated fiscal year 2000 financial statement. In addition, the company recorded an additional impairment loss due to obsolescence in value for certain slot machine parts of \$194,000. The impairment cost associated with gaming equipment parts was the result of non-usable parts previously recorded as part of the slot machine fixed asset costs on the accompanying balance sheet.

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AS OF MARCH 31, 2001 AND DECEMBER 31, 2000  
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### Note 10 Pending Merger -----

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. The company had deferred \$37,500 of cost incurred in connection with this merger. It is contemplated that if the merger is consummated, the acquisition will be recorded as a "purchase" and the deferred costs will be allocated to the purchase price of the acquired assets. The company terminated these negotiations on May 17, 2001.

### Note 11 Operating Segments Three Months Ended March 31, 2001 -----

	Total	Cigar Operations	Gaming Equipment	Unallocated
Revenues	\$ 182,251	\$ 33,916	\$ 148,335	\$ 0
Cost & Expenses				
Cost of Product Sold	21,384	21,384	0	0
Direct Overhead Cost	374,140	36,650	337,490	
Allocated Overhead Cost	143,196	26,648	116,548	0
Depreciation	16,630	2,601	12,926	1,103
Asset Impairment Cost	194,419	0	194,419	-
Total Cost and Expenses	749,769	87,283	661,383	1,103
Operating Income (Loss)	(\$ 567,518)	(\$ 53,367)	(\$ 513,048)	(\$ 1,103)
Total Assets	\$ 9,701,144	\$ 713,370	\$ 4,637,600	\$ 4,350,174

### For The Quarter Ended March 31, 2000 -----

	Total	Cigar Operations	Gaming Equipment	Unallocated
Revenues	\$ 264,447	\$ 24,301	\$ 240,146	\$ -
Cost & Expenses				
Cost of Product Sold	19,783	19,783	-	-
Direct Overhead Cost				
Expenses Associated	304,309	18,667	285,642	-
Allocated Overhead Cost				
Cost	223,543	20,542	203,001	-
Depreciation	32,847	2,841	28,006	2,000
Total Cost and Expenses	580,482	61,833	516,649	2,000

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Operating Income				
(Loss)	\$ (316,035)	\$ (37,532)	\$ (276,503)	\$ (2,000)
-----	=====	=====	=====	=====
Total Assets	\$ 10,312,000	\$ 682,000	\$ 8,635,200	\$ 1,404,000
-----	=====	=====	=====	=====

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

Read accountants' review report.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

#### General

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The Company entered the gaming and casino industry in Peru in 1994. Since January 1995, the Company has been engaged in the renting of slot machines and other gaming equipment to licensed gaming establishments in various 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.

As of March 31, 2001, the Company had approximately 900 machines under rental contracts in Peru and Colombia.

The Company concentrates its efforts on the rental of used five reel slot machines. These machines were purchased at a fraction of the cost of new machines and are refurbished for use in South and Central America. Whereas a new slot machine would cost approximately \$10,000 plus additional charges for duty, the used slot machines cost approximately \$700 each including freight, duty, and refurbishing expenditures.

In March 1997, the Company expanded its slot machine operations in Colombia to include gaming slot route operations. In January 2000, the Company suspended these route operations due to increasing cost of maintaining these routes.

In September 1997, the Company incorporated World's Best Rated Cigar Company, as a wholly owned subsidiary, to distribute premium cigars. It was originally intended that the company would acquire quality cigars from six manufacturers and market them at "off price" through large retail chains. In February 2000, the marketing strategy was modified to include selling directly to consumers through our web site, [www.worldsbestrated.com](http://www.worldsbestrated.com), and our toll free number. Substantially all advertising expense incurred is paid with barter transactions.

In March 2001, the company sold it's Miami property for an aggregate consideration of \$139,000 and recorded a net loss on disposition of \$64,000. The \$64,000 loss had been recorded as an impairment charge in the restated fiscal year 2000 financial statement. In addition, the company recorded an additional impairment loss due to obsolescence in value for certain slot machine parts of \$194,000. The impairment cost associated with gaming equipment parts was the result of non-usable parts previously recorded as part of the slot machine fixed

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asset costs on the accompanying balance sheet.

### Results of Operations

#### First Quarter

Revenues from the rental of slot machines in Peru and Colombia for the three months ended March 31, 2001 decreased by \$91,800 or 38.2 %, to \$148,350 from \$240,150 for the comparable period in 2000. The Company's revenues from cigar sales were \$33,900 in the first quarter of 2001 as compared to sales of \$24,300, an increase of \$9,600 or 39.5% for the same period in 2000.

The decrease in revenues was the result of an overall weakness of the economy in South America and the continued concerns over government-mandated obsolescence, political changes, increased competition as well as the increasing need to replace the older machines on rental with more modern machines.

Selling, general, and administrative expenses incurred in the quarter ended March 31, 2001 decreased \$10,500 or 5.0%, to \$517,000 from \$527,850 for the same period in 2000.

The decrease is due to a reduction in staffing in South America offset by employee severance payments in South America.

Net (loss) for the three months ended March 31, 2001 was (\$576,800) or (\$0.14) per share compared to (\$305,200) loss or (\$0.09) per share for the same period in 2000.

The net loss was attributable to the significant decline in revenues from slot machine operations, the write down of slot machine parts and the loss incurred on the sale, by the company, of it's real estate in Miami.

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Through March 31, 2001 the Company expended approximately \$1,190,000 on the establishment of a premium cigar operation; minor additional expenditures for marketing and personnel are expected throughout the year 2001. No significant cost associated with acquisitions of new cigars and related inventory are expected in year 2001. The Company anticipates that it will generate increased revenues from this business in year 2001, although the amount of such increased revenues is, at this time, impossible to forecast. The effect that this business will have on the overall profitability or loss of the Company is uncertain.

### Liquidity and Capital Resources

Cash and cash equivalents decreased approximately \$40,900 or less than 1%, to \$4,381,800 at March 31, 2001 from \$4,422,700 at December 31, 2000. The decrease is attributable to the poor results of the slot machine operations, partially offset by the sale of slot machines, and the continued slow growth of the cigar operations.

The Company anticipates that its cash position and interest earned on cash equivalents will be sufficient to meet its cash needs for the next twelve months. The Company does not have any commitments for material capital

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expenditures.

Item 6. Exhibits and Reports on Form 8-K

(b) Form 8-K, Item 5, Dated January 5, 2001

### Forward Looking Statements

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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, which are difficult to predict.
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 subject to all the risks and uncertainties associated with the development 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 has a recently terminated it's merger negotiations with Digital Convergence Corporation. The Company is exploring potential business opportunities, which if consummated, could dramatically change the operations of the Company.

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Pursuant to the requirements of the Securities and Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NuWay Energy, Inc.

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Date: March 25, 2002  
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/s/ TODD SANDERS  
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Todd Sanders  
President

Date: March 25, 2002  
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/s/ JOE TAWIL  
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Joe Tawil  
Acting Chief Financial and Accounting  
Officer

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