

American Southwest Music Distribution, Inc
Form 10QSB
March 19, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549
FORM 10-QSB

(Mark One)

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

For the quarterly period ended January 31, 2008

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

For the transition period from _____ to _____

Commission File No.: **000-31032**

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

52-2190362
*(I.R.S. Employer
Identification No.)*

13191 Crossroads Parkway

Industry, California 91746

(Address of principal executive offices)

Issuer's telephone number: **(562) 805-4530**

(Former name, former address and former fiscal year, if changed since last report)

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of March 12, 2008, 31,047,522 shares of our common stock were outstanding.

Transitional Small Business Disclosure Format: Yes No

TABLE OF CONTENTS

	<u>PAGE</u>
Part I Financial Information	
Item 1. Financial Statements	3
Item 2. Management's Discussion and Analysis or Plan of Operation	31
Item 3. Controls and Procedures	38
Part II Other Information	
Item 1. Legal Proceedings	38
Item 2. Unregistered Sales of Equity Securities	39
Item 3. Defaults Upon Senior Securities	40
Item 4. Submission of Matters to a Vote of Security Holders	40
Item 5. Other Information	40
Item 6. Exhibits	40

PART 1: FINANCIAL INFORMATION

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS

	January 31, 2008	April 30, 2007
ASSETS		
Current assets:		
Cash	\$ -	\$ 5
Fixed assets:		
Equipment	43,266	43,266
Furniture and fixtures	42,488	42,488
Leasehold improvements	7,000	7,000
	92,754	92,754
Accumulated depreciation	(63,753)	(49,140)
Total fixed assets	29,001	43,614
Other assets:		
Music catalog, net of accumulated amortization of \$0	299,983	299,983
Security deposits	-	3,370
Total other assets	299,983	303,353
TOTAL ASSETS	\$ 328,984	\$ 346,972
LIABILITIES AND STOCKHOLDERS DEFICIT		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses payable	\$ 549,460	\$ 374,930
Liability for legal settlement by Company on behalf of entity formerly owned		
by significant Company stockholder	1,327,708	1,292,083
Notes and loans payable, stockholders and entities owned by them	86,000	86,000
Notes and loans payable, others unrelated third parties	1,484,767	1,447,500

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TOTAL LIABILITIES	3,447,935	3,200,513
Stockholders deficit:		
Preferred stock - \$0.001 par value; 5,000,000 shares authorized, 0 shares issued and outstanding	-	-
Common stock - \$0.001 par value; 100,000,000 shares authorized, 31,047,522* and 11,547,522* issued and outstanding respectively	31,047	11,547
Additional paid-in capital	8,260,463	7,344,963
Deficit accumulated during the development stage	(11,410,461)	(10,210,051)
Total stockholders deficit	(3,118,951)	(2,853,541)
TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT	\$ 328,984	\$ 346,972

* Adjusted for 74:1 reverse split effective August 24, 2006

See the summary of significant accounting policies and the accompanying notes to the financial statements.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended January 31, 2008	Three months ended January 31, 2007	Nine months ended January 31, 2008	Nine months ended January 31, 2007	Inception (July 1, 2004) Through April 30, 2007	Inception (July 1, 2004) Through January 31, 2008
EXPENSES						
Consulting fees and services:						
Related parties, including incurred through issuances of common stock of \$600,000 and \$0 for nine months ended and \$1,393,847 and \$1,993,847 for periods from inception	\$ -	\$ 1,362,271	\$ 652,653	\$ 1,517,218	\$ 1,887,513	\$ 2,540,166
Others, including incurred through issuances of common stock of \$275,000 and \$0 for nine months ended and \$141,000 and \$416,000 for periods from inception	-	-	275,000	131,120	211,334	486,334
	-	1,362,271	927,653	1,648,338	2,098,847	3,026,500
General and administrative, including through issuance	10,000	157,576	70,740	361,256	764,760	835,500

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of common stock for legal fees of \$60,400 and \$60,400 for period from inception						
Depreciation and amortization	4,287	33,317	14,613	87,441	138,960	153,573
Total expenses	14,287	1,553,164	1,013,006	2,097,035	3,002,567	4,015,573
Loss from operations	(14,287)	(1,553,164)	(1,013,006)	(2,097,035)	(3,002,567)	(4,015,573)
Other costs and expenses						
Loss on impairment of certain titles in Music Catalog	-	-	-	-	(4,216,000)	(4,216,000)
Loss incurred on legal settlement by Company on behalf of entity formerly owned by significant Company stockholder	(11,874)	(11,875)	(35,622)	(35,625)	(1,292,083)	(1,327,705)
Debt conversion costs	-	(46,232)	-	(46,232)	(46,232)	(46,232)
Interest expense	(50,970)	(41,811)	(151,782)	(127,076)	(258,768)	(410,550)
Total other costs and expenses	(62,844)	(99,918)	(187,404)	(208,933)	(1,597,083)	(6,000,487)
NET LOSS	\$ (77,131)	\$ (1,653,082)	\$ (1,200,410)	\$ (2,305,968)	\$ (8,815,650)	\$ (10,016,060)
Net loss per share - basic and diluted (adjusted for 74:1 reverse split)	\$ (0.00)	\$ (1.52)	\$ (0.04)	\$ (2.54)	\$ (3.31)	\$ (3.35)
Weighted average shares outstanding:	25,726,850	1,087,905	29,273,951	908,941	2,664,619	-

Basic and diluted
(adjusted for
74:1 reverse
split)

See the summary of significant accounting policies and the accompanying notes to the financial statements.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Period from July 1, 2004 (Inception) through January 31, 2008

	Preferred Stock		Common Stock		Additional	Deficit		
	Shares	Amount	Shares	Amount	Paid in	Accumulated		
					Capital	During the	Development	Total
						Stage		
Issuance of common stock to Company's founders in exchange for music catalog, furniture and fixtures, and equipment	-	\$ -	4,292	\$ 4	\$ 4,292,733	\$ -	\$ -	\$ 4,292,737
Capital contribution			2		2,000			2,000
Net loss for period from inception (July 1, 2004) to April 30, 2005						(117,246)		(117,246)
Balance, April 30, 2005	-	\$ -	4,294	\$ 4	\$ 4,294,733	\$ (117,246)		\$ 4,177,491
Recapitalization of common and preferred shares of GL Energy and Exploration, Inc. as acquiree in merger with Company as acquirer	23,980	24	59,972,748	59,973	1,091,044	(1,394,401)		(243,360)
Net loss						(1,954,094)		(1,954,094)
	23,980	\$ 24	59,977,042	\$ 59,977	\$ 5,385,777	\$ (3,465,741)		\$ 1,980,037

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Balance, April 30, 2006								
Common stock issued for consulting fees and services			8,244,138	8,244	1,604,456			1,612,700
74:1 reverse stock split	-		(65,085,460)	(65,085)	65,085			-
Shares issued in settlement of notes and loans payable, stockholder's and entities owned by them			310,451	310	297,722			298,032
Preferred shares converted into common	(23,980)	(24)	8,101,351	8,101	(8,077)			-
Net loss						(6,744,310)		(6,744,310)
Balance, April 30, 2007	-	\$ -	11,547,522	\$ 11,547	\$ 7,344,963	\$ (10,210,051)		\$ (2,853,541)
Common stock issued for cash			2,000,000	2,000	58,000			60,000
Common stock issued for consulting fees and services			17,500,000	17,500	857,500			875,000
Net loss						(1,200,410)		(1,200,410)
Balance, January 31, 2008	-	\$ -	31,047,522	\$ 31,047	\$ 8,260,463	\$ (11,410,461)		\$ (3,118,951)

See the summary of significant accounting policies and the accompanying notes to the financial statements.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months	Nine Months	Inception	Inception
	Ended	Ended	(July 1, 2004)	(July 1, 2004)
	January 31,	January 31,	Through	Through
	2008	2007	April 30,	January 31,
			2007	2008
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	\$ (1,200,410)	\$ (2,305,968)	\$ (8,815,650)	\$ (10,016,060)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	14,613	87,441	139,140	153,753
Loss on impairment of certain titles in Music Catalog	-	-	4,216,000	4,216,000
Loss incurred on legal settlement by Company on behalf of entity formerly owned by significant Company stockholder	35,625	35,625	1,292,083	1,327,708
Common stock issued for consulting fees and services	875,000	1,514,247	1,595,247	2,470,247
Common stock issued for payment of general and administrative expenses paid on behalf of the Company	-	-	17,453	17,453
Debt conversion costs	-	46,232	46,232	46,232
Accounting and legal fees added to notes and loans payable, stockholders and entities owned by them	-	25,000	25,000	25,000
Net changes in:				
Increase in prepaid interest	-	-	-	
Decrease (increase) in security deposits	3,370	-	(3,370)	-
Increase in accounts and accrued expenses payable	174,530	227,892	378,769	553,299
NET CASH USED IN OPERATING ACTIVITIES	(97,272)	(369,531)	(1,109,096)	(1,206,368)

CASH FLOWS FROM INVESTING
ACTIVITIES:

Acquisition of music catalogs	-	(298,983)	(299,983)	(299,983)
Acquisition of leasehold improvements, furniture and equipment	-	(2,765)	(16,017)	(16,017)
NET CASH USED IN INVESTING ACTIVITIES	-	(301,748)	(316,000)	(316,000)

CASH FLOWS FROM FINANCING
ACTIVITIES:

Payment of offering costs	-	-	-	-
Proceeds of notes and loans payable, stockholders and entities owned by them	-	36,279	110,101	110,101
Repayment of notes and loans payable, stockholders and entities owned by them	-	-	-	-
Proceeds of notes and loans payable, others - unrelated third parties	37,267	635,000	1,323,000	1,360,267
Repayment of notes and loans payable, others - unrelated third parties	-	-	(10,000)	(10,000)
Common shares issued for cash	60,000	-	2,000	62,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	97,267	671,279	1,425,101	1,522,368
NET CHANGE IN CASH	(5)	-	5	-
CASH AT BEGINNING OF PERIOD	5	-	-	-
CASH AT END OF PERIOD	\$ -	\$ -	\$ 5	\$ -

See the summary of significant accounting policies and the accompanying notes to the financial statements.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

	Nine Months	Nine Months	Inception	Inception
	Ended	Ended	(July 1, 2004)	(July 1, 2004)
	January 31,	January 31,	Through	Through
	2008	2007	April 30,	January 31,
			2007	2008
Supplementary disclosures of cash flow information				
Cash paid during the year for:				
Income taxes	\$ -	\$ -	\$ -	\$ -
Interest expense	-	-	-	-
Non-cash operating, investing and financing activities:				
Net assets (liabilities) acquired by Company as part of merger				
Assets acquired:				
Accounts receivable	\$ -	\$ -	\$ -	\$ -
Total assets acquired	\$ -	\$ -	\$ -	\$ -
Liabilities acquired:				
Accounts and accrued expenses payable	\$ -	\$ -	\$ 3,306	\$ 3,306
Loans payable, shareholders	-	-	240,053	240,053
Total liabilities acquired	-	-	243,359	243,359
Net liabilities assumed	\$ -	\$ -	\$ (243,359)	\$ (243,359)
Change in Company's stockholders' equity				
Preferred stock issued at par value	\$ -	\$ -	\$ 24	\$ 24
Common stock issued at par value	-	0	59,973	59,973
Increase in additional paid-in capital resulting from difference in value of shares exchanged	-	0	1,091,044	1,091,044

between GL Energy and American Southwest Music Distribution, Inc.

Increase in accumulated deficit resulting from difference in value of shares exchanged between GL Energy and American Southwest Music Distribution, Inc.

	-	0	(1,394,400)	(1,394,400)
	\$ -	\$ -	\$ (243,359)	\$ (243,359)
Common shares issued for music catalog	\$ -	\$ -	\$ 4,216,000	\$ 4,216,000
Common shares issued for furniture, fixtures, and equipment	\$ -	\$ -	\$ 76,737	\$ 76,737
Common shares issued for services	\$ 875,000	\$ 180,000	\$ 1,595,247	\$ 2,470,247
Common stock issued at par	\$ -	\$ -	\$ 310	\$ 310
Additional paid-in capital	\$ -	\$ -	\$ 297,722	\$ 297,722
	-	-	298,032	298,032

See the summary of significant accounting policies and the accompanying notes to the financial statements.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

	Nine Months Ended January 31, 2008	Nine Months Ended January 31, 2007	Inception (July 1, 2004) Through April 30, 2007	Inception (July 1, 2004) Through January 31, 2008
Notes and loans payable, stockholders and entities owned by them converted into common stock				
Debt converted	-	-	222,441	222,441
Accrued interest payable on debt	-	-	29,359	29,359
	-		251,800	251,800
Excess of fair value of stock issued over debt converted - debt conversion costs	\$ -	\$ -	\$ (46,232)	\$ (46,232)

See the summary of significant accounting policies and the accompanying notes to the financial statements.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - ADJUSTMENTS

In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair statement of (a) results of operations for the three months and nine months periods ended January 31, 2008 and 2007 and for the period from inception (July 1, 2004) to January 31, 2008, (b) the financial position at January 31, 2008, (c) the statements of cash flows for the nine month periods ended January 31, 2008 and 2007 and for the period from inception (July 1, 2004) to January 31, 2008, and (d) the changes in stockholders' deficit for the nine month period ended January 31, 2008 and for the period from inception (July 1, 2004) to January 31, 2008 have been made. The results of operations for the three months and nine months ended January 31, 2008, are not necessarily indicative of the results to be expected for the full year.

NOTE B UNAUDITED INTERIM FINANCIAL INFORMATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for financial statements. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended April 30, 2007 included in the Company's Form 10-KSB filed with the Securities and Exchange Commission on August 14, 2007.

The Company's consolidated financial statements have been presented on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The liquidity of the Company has been adversely affected in recent years by significant losses from operations. As further discussed in Note 3, the Company incurred losses of \$1,200,410 for the nine months ended January 31, 2008 and losses for the period from the inception of their development stage (July 1, 2004) to January 31, 2008 of \$10,016,060.

At January 31, 2008, the current consolidated Company has no cash reserves, with its current liabilities exceeding its cash by \$3,447,935.

The aforementioned financial condition indicates that the Company will have substantial difficulty meeting its financial obligations for the balance of this fiscal year. These factors raise substantial doubt as to the Company's ability to continue as a going concern. Recently, operations have been funded by loans issued to officers and other related and unrelated parties and occasional issuances of common stock.

As further discussed below in Note 1, the Company was created to generate revenue through music licensing, recording, and distribution. American Southwest acquired the rights to several music master catalogs for the purpose of generating revenues from the sale of records derived from these catalogs. The Company is hopeful it will continue to be able to find sufficient financing until that time that it can begin its operations and continue as a going concern in its present form. Accordingly, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern in its present form.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS / ORGANIZATION

Nature of Business

GL Energy and Exploration, Inc. (herein referred to as "GL Energy" or the "Company") was a development stage company with no business operations through March 2006. GL Energy was incorporated in Delaware on October 7, 1998 under the name LRS Group Incorporated. On October 15, 1998, the name was changed to LRS Capital, Inc. On October 10, 2001, the company changed its name to GL Energy and Exploration, Inc. GL Energy was traded on the OTC Bulletin board under the symbol "GEEX.OB".

Merger with American Southwest Music Distribution, Inc.

American Southwest Music Distribution, Inc. (herein referred to as "American Southwest" or the "Company") was incorporated in the State of Texas in May of 2004. American Southwest remained inactive until it commenced development stage activity in July of 2004.

American Southwest was created to generate revenue through music licensing, recording, and distribution. American Southwest acquired the rights to several music master catalogs for the purpose of generating revenues from the sale of records derived from these catalogs. The expansion and exploitation of its music catalog is an integral part of American Southwest's business and growth strategy. American Southwest owns a music catalog with 25 album masters, and intends to add to the music catalog through strategic and complementary acquisitions, licensing agreements, and by executing recording agreements with artists, production companies, and other record labels with new recordings.

On March 13, 2006, American Southwest and GL Energy entered into a Securities Purchase Agreement and Plan of Reorganization. As part of the agreement GL Energy issued 22,500,000 shares of their \$.001 par value common stock and 23,980 shares of their \$.001 par value Series A convertible preferred stock to David Michery and Kent Puckett,

the sole shareholders of American Southwest, in exchange for all of the issued and outstanding \$.001 par value common shares of American Southwest, totaling 4,294 shares.

Since GL Energy had no assets of substance prior to the transaction, for accounting purposes the acquisition has been treated as a merger of both companies and recapitalization of the shares of American Southwest, with GL Energy as the acquirer and American Southwest as the surviving entity (reverse acquisition). The accounting rules for reverse acquisitions require that, beginning with the date of the acquisition (March 13, 2006), the balance sheet include the assets and liabilities of American Southwest and the equity accounts be recapitalized to reflect the net equity of American Southwest. Accordingly, the historical operating results are now the operating results of American Southwest. The historical development stage entity financial statements prior to March 13, 2006 are those of American Southwest.

On August 18, 2006 the State of Delaware approved the Company changing its name from GL Energy and Exploration, Inc. to American Southwest Music Distribution, Inc. Effective August 24, 2006 the Company is now traded on the OTC Bulletin board under the symbol ASWD. In addition, the Company effectuated a 1 for 74 reverse split of its common stock during the quarter ended October 31, 2006.

During the quarter ended October 31, 2006, David Michery and Kent Puckett, both officers and shareholders of the Company converted a total of 23,980 shares of preferred convertible stock that they received in the merger into 8,101,351 shares of the Company's common stock on a post reverse split basis.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements presented herein reflect the consolidated financial statements of GL Energy and American Southwest after giving effect to the reverse merger of the two companies on a historical basis.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Use of Estimates

In preparing financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet and revenue and expenses in the statement of expenses. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the two merged entities. All significant inter-company transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

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

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured.

Music Catalog

Cost basis

The cost basis in the music catalog is recorded at cost. Amortization will be computed using the straight-line method over periods ranging from 1 to 5 years. Amortization will be recorded once revenues commence.

Rate of obsolescence

A number of the Music Catalogues acquired in the merger dated from contracts entered into from 1997 - 1998 that provide for a limited number of album or single release recordings and options for extension thereon. Accordingly, there was a risk that the Music Catalogues owned by the Company were subject to competition from later releases by the artists through other entities besides the Company, as well as the risk of the passage of time on the salability on the masters owned by the Company. As discussed under *Impairment of Long-Lived and Other Intangible Assets*, during the prior year ended April 30, 2007 a provision for impairment in the value of certain of these older catalog items had been made.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Fixed assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

<i>Description</i>	<i>Estimated useful life</i>
Furniture and fixtures	5 years
Equipment	5 years
Leasehold improvements	2 years

Impairment of Long-Lived and Other Intangible Assets

The Company reviews the carrying value of both its long-lived and other intangible assets annually, or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. At April 30, 2007 the Company's evaluation determined a \$4,216,000 provision for impairment on its other intangible assets (certain older items in its Music Library) and no impairment on its fixed assets for the year then ended.

Income Taxes

The Company recognizes deferred tax assets and liabilities based on differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered. The Company provides a valuation allowance for deferred tax assets for which it does not consider realization of such assets to be more likely than not.

Basic and Diluted Loss per Share

The Company complies with the requirements of the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earning per Share (SFAS No. 128). SFAS No. 128 specifies the compilation, presentation and disclosure requirements for earnings per share for entities with publicly held common stock or potentially common stock. Net loss per common share, basic and diluted, is determined by dividing the net loss by the weighted average number of common shares outstanding.

Net loss per common share-diluted does not include potential convertible preferred shares (See Note 1).

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Consideration of Other Comprehensive Income Items

SFAS 130 Reporting Comprehensive Income requires companies to present comprehensive income (consisting primarily of net income plus other direct equity changes and credits) and its components as part of the basic financial statements. The Company's financial statements do not contain any changes in equity that are required to be reported separately in comprehensive income.

Recent Accounting Pronouncements

In May 2005, the FASB issued SFAS 154, Accounting Changes and Error Corrections, that applies to all voluntary changes in accounting principle. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, this Statement requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period rather than being reported in an income statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, this Statement requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable. SFAS 154 will be effective for the Company for fiscal year ended December 31, 2007. The Company does not anticipate that the adoption of SFAS No. 154 will have an impact on the Company's overall results of operations or financial position.

In February 2006, the FASB issued SFAS 155, Accounting for Certain Hybrid Financial Instruments--an amendment of FASB Statements No. 133 and 140, that allows a preparer to elect fair value measurement at acquisition, at issuance, or when a previously recognized financial instrument is subject to a re-measurement (new basis) event, on an instrument-by-instrument basis, in cases in which a derivative would otherwise have to be bifurcated. It also

eliminates the exemption from applying Statement 133 to interests in securitized financial assets so that similar instruments are accounted for similarly regardless of the form of the instruments. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company does not anticipate that the adoption of SFAS No. 155 will have an impact on the Company's overall results of operations or financial position.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
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(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In March 2006, the FASB issued SFAS 156, Accounting for Servicing of Financial Assets--an amendment of FASB Statement No. 140, that applies to the accounting for separately recognized servicing assets and servicing liabilities. This Statement requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. An entity should adopt this Statement as of the beginning of its first fiscal year that begins after September 15, 2006. The Company does not anticipate that the adoption of SFAS No. 156 will have an impact on the Company's overall results of operations or financial position.

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes. The Interpretation clarifies the way companies are to account for uncertainty in income tax reporting and filing and prescribes a consistent recognition threshold and measurement attribute for recognizing, derecognizing, and measuring the tax benefits of a tax position taken, or expected to be taken, on a tax return. The Interpretation is effective for fiscal years beginning after December 15, 2006, although early adoption is possible. The Company does not plan to adopt early and the Company is currently in the process of evaluating the impact, if any, the adoption of the Interpretation will have on the 2007 financial statements.

In September 2006, the FASB issued SFAS 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. The adoption of SFAS No. 157 will not have an impact on the Company's overall results of operations or financial position.

In September 2006, the Financial Accounting Standards Board (FASB) the issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of FASB Statements No. 87, 88, 106, and 132(R) (SFAS No. 158). SFAS No. 158 requires companies to report the funded status of their defined benefit pension and other postretirement benefit plans on their balance sheets as a net liability or asset as of December 31, 2006. The new standard does not address the accounting treatment for pension and postretirement benefits in the income statement. This will have no impact on the Company s results of operations or financial position.

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No.159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No.115 . SFAS No.159 permits entities to choose to measure eligible financial instruments and other items at fair value at specified election dates. A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option may be applied instrument by instrument but only upon the entire instrument not portions of the instrument. SFAS No.159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. The Company does not anticipate that the adoption of SFAS No. 159 will have an impact on the Company's overall results of operations or financial position.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

In December 2007, the Financial Accounting Standards Board (FASB) simultaneously issued SFAS No. 141R, Business Combinations (2007 Amendment), and SFAS 160, Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51. Both standards update United States guidance on accounting for noncontrolling interests, sometimes referred to as minority interests, which interests represent a portion of a subsidiary not attributable, directly or indirectly, to a parent. FASB and the International Accounting Standards Board (IASB) have been working together to promote international convergence of accounting standards. Prior to promulgation of these new standards there were specific areas in accounting for business acquisitions in which convergence was not achieved. The objective of both standards is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in business combinations and consolidated financial statements by establishing accounting and reporting standards. In business combinations it is accomplished by establishing principles and requirements concerning how an acquirer recognizes and measures identifiable assets acquired, liabilities assumed, and noncontrolling interest in the acquiree, as well as goodwill acquired in the combination or gain from a bargain purchase; and determines information to be disclosed to enable users to evaluate the nature and effects of business combinations. In consolidated financial statements the standards require: identification of ownership interests held in subsidiaries by parties other than the parent be clearly identified, labeled and presented in consolidated financial position within equity (rather than mezzanine between liabilities and equity) separately from amounts attributed to the parent, with net income attributable to the parent and to the minority interest clearly identified and presented on the face of consolidated statements of income. The standards also provide guidance in situations where the parent's ownership interest in a subsidiary changes while the parent retains its controlling financial interest. The standard also provides guidance on recording a gain or loss based on fair value in situations involving deconsolidation of a subsidiary. Entities must provide sufficient disclosures that distinguish between interests of the parent and that of the noncontrolling interest. Both standards are effective for fiscal years and interims beginning on or after December 15, 2008 (that is January 1, 2009) for entities with calendar years. Earlier adoption is prohibited. The standards shall be applied prospectively as of the beginning of the fiscal year in which initially applied, except for the presentation and disclosure requirements, which shall be applied retrospectively for all periods presented. The Company does not anticipate that the adoption of SFAS No. 141R and No. 160 will have an impact on the Company's overall results of operations or financial position, unless the Company makes a business acquisition in which there is a noncontrolling interest.

NOTE 3 GOING CONCERN

As shown in the accompanying consolidated financial statements, the Company incurred recurring net losses totaling \$10,016,060 as a development stage entity for the period from inception (July 1, 2004) through January 31, 2008. The Company has an accumulated deficit of \$11,410,461 and a deficiency in working capital of \$3,447,935 as of January 31, 2008. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. Management is trying to raise additional capital through sales of stock or loan financing arrangements. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 INCOME TAXES

The Company incurred no federal income tax expense for the nine month periods ended January 31, 2008 and 2007, and for the period from inception (July 1, 2004) to January 31, 2008. The Company has net operating loss carry forwards available of \$10,016,060 to offset future net income. Due to uncertainty surrounding the realization of the favorable tax attributes in future tax returns, the Company has placed a full valuation allowance against its net deferred tax asset. At such time as it is determined that it is more likely than not that the deferred tax asset is realizable, the valuation allowance will be reduced. Furthermore, the net operating loss carry forward may be subject to further limitation pursuant to Section 382 of the Internal Revenue Code.

The cumulative net operating loss carryforward will expire in accordance with the following schedule:

April 30, 2025	\$ 117,246
2026	1,954,094
2027	6,744,310
2028	1,200,410
	\$ 10,016,060

Deferred income taxes consist of the following:

Deferred tax assets	\$ 3,405,460
Less: valuation allowance	3,405,460
	\$ -

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 NOTES AND LOANS PAYABLE

Details regarding notes and loans payable follow below:

	January 31,	April 30,
	2008	2007
Stockholders and the entities owned by them:		
Donald Byers, former President and Chairman of the Board of pre-merger GL Energy and Exploration, Inc. and a holder of approximately 2,134,000 (after 74:1 reverse stock split) and 16,190,000 (before 74:1 reverse stock split) of the post-merger entity's \$.001 par value common shares at January 31, 2008 and April 30, 2007, respectively:		
Unsecured \$101,180 loans payable to Don Byers. The loans are due on demand and accrue interest at 10% per annum. In December 2006 \$42,680 of the principal balance plus \$3,893 of accrued interest was converted into 58,824 shares of the Company's common stock. A loss on conversion of \$9,898 was recorded on the transaction.	\$ 23,500	\$ 23,500

In addition, in December 2006 \$35,000 of the principal balance plus \$14,914 of accrued

interest was converted into 55,305 shares of the Company's common stock. A loss on

conversion of \$3,179 was recorded during the year ended April 30, 2007 on the transactions (See (Note 12), leaving a balance of \$23,500 due.

Unsecured \$25,000 loans payable to Don Byers. The loans resulted from accounting and legal fees paid on behalf of the Company in October 2006.

The loans are due on demand and currently are non-interest bearing.	25,000	25,000
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AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 NOTES AND LOANS PAYABLE (CONTINUED)

	January 31,	April 30,
	2008	2007
Stockholders and the entities owned by them:		
	\$ 48,500	\$ 48,500
Other Stockholders		
Unsecured \$37,500 loan payable to Chris Lotito, a minority shareholder. The loan is due		
on demand and accrue interest at 10% per annum. It continues to accrue interest.	37,500	37,500
Notes and loans payable, stockholders and the entities owned by them	86,000	86,000
Other unrelated third parties		
\$750,000 unrelated third party note dated August 4, 2006 held by Generation Leasing, LLC. The note was due and payable on December 30, 2006. The note calls for a monthly payment of \$9,375, which represents interest only calculated on an annual interest rate of 15%. Interest continues to accrue on this now defaulted note payable since. All assets of the Company, including intangibles, patents, and purchase contracts, are pledged as security for repayment. This note consolidates five \$150,000 notes payable to Generation Leasing, LLC which were cancelled by the holder pursuant to the Company's agreement to do so.	750,000	750,000
\$150,000 unrelated third party note dated September 20, 2006 held by Generation Leasing, LLC. The note was due and payable on December 31,	150,000	150,000

2006. The note called for a monthly payment of \$1,875, which represented interest only calculated on an annual interest rate of 15%. Interest continues to accrue on this now defaulted note payable. All assets of the Company, including intangibles, patents, and purchase contracts, are pledged as security for repayment.

\$100,000 unrelated third party note dated October 19, 2006 held by Mark Villi. The note was due and payable on November 24, 2006. The note accrues interest at a rate of 10% per annum. Interest continues to accrue on this now defaulted note payable.

100,000

100,000

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 NOTES AND LOANS PAYABLE (CONTINUED)

Other unrelated third parties (continued)

	January 31,	April 30,
	2008	2007
<p>\$150,000 unrelated third party note dated September 23, 2004 held by Pegasus Capital, Inc. The note accrued interest at a rate of 6.5% per annum. The entire outstanding unpaid principal balance plus accrued interest was due and payable on November 21, 2004 in either cash or common stock of the Company equal to the fair market value of the unpaid obligation. In the event of default, the entire unpaid principal balance and all accrued interest was to become immediately due and payable, while interest was to accrue at a rate of 10% starting from the date of the note. The principal balance plus accrued interest that was due on November 21, 2004 was not paid and the note was in default. It continues to accrue interest.</p>	\$ 150,000	\$ 150,000
<p>\$50,000 unrelated third party note dated July 12, 2006 held by Visionet Television Network, Inc. The note was due and payable on January 12, 2007 and accrues interest at a rate of 15%. Interest continues to accrue on this now defaulted note payable. The note is personally guaranteed by David Michery, the Company's Chief Executive Officer.</p>	50,000	50,000
<p>\$38,000 unrelated third party note dated April 25, 2005 held by Pegasus Capital, Inc. The note was due and payable on March 1, 2006, and under the note provision did not accrue interest. In the event of default, interest was to accrue at a rate 10% per annum. The entire outstanding unpaid principal balance plus accrued interest was due and payable in either cash or common stock of the Company equal to the fair market value of the unpaid obligation. The principal balance plus accrued interest that was due on March 1, 2006 had not been paid and the note was in default. It continues to accrue interest.</p>	38,000	38,000

On March 5, 2008 Pegasus Capital, Inc. sold and assigned to Quintero International, LLC, with all rights therein, the \$38,000 note, plus accrued interest.

\$37,000 unrelated third party note dated August 6, 2006 held by Alex Jaramishian. The note was due and payable on November 6, 2006 and accrues interest at a rate of 15%. Interest continues to accrue on this now defaulted note payable.

32,000 32,000

\$25,000 unrelated third party note dated September 23, 2004 held by Pegasus Capital, Inc. The note accrues interest at a rate of 6.5% per annum. The entire outstanding unpaid principal balance plus accrued interest was due and payable on November 21, 2004 in either cash or common stock of the Company equal to the fair market value of the unpaid obligation. In the event of default, the entire unpaid principal balance and all accrued interest was to become immediately due and payable, while interest was to accrue at a rate of 10% starting from the date of the note. The principal balance plus accrued interest that was due on November 21, 2004 had not been paid and the note was in default. It continues to accrue interest.

25,000 25,000

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 NOTES AND LOANS PAYABLE (CONTINUED)

Other unrelated third parties (continued)

	January 31,	April 30,
	2008	2007
\$25,000 unrelated third party note dated June 15, 2006 held by David Magallanes. The note was due and payable on September 15, 2006 and accrues interest at a rate of 15%. Interest continues to accrue on this now defaulted note payable.	\$ 20,000	\$ 20,000
\$10,000 unrelated third party note dated August 31, 2004 held by Pegasus Capital, Inc. The note accrued interest at a rate of 6.5% per annum. The entire outstanding unpaid principal balance plus accrued interest was due and payable on August 31, 2005. There was to be no pre-payment of any kind without the written consent of both parties. In the event of default the entire unpaid principal balance and all accrued interest was to become immediately due and payable, while interest was to accrue at a rate of 25% starting from the date of the note. The principal balance plus accrued interest that was due on August 31, 2005 had not been paid and the note was in default. It continues to accrue interest.	10,000	10,000
\$18,000 unrelated third party note dated November 20, 2006 held by Generation Leasing, LLC. The note was due and payable on December 20, 2006 and accrues interest at a rate of 15%. Interest continues to accrue on this now defaulted note payable.	18,000	18,000
\$44,500 unrelated third party note dated January 1, 2007 held by Alex Jaramishian. The note was due and payable on February 1, 2007 and accrues interest at a rate of 15%. Interest continues to accrue on this now defaulted note payable.	44,500	44,500

<p>\$5,250 unrelated third party note dated January 31, 2008 held by Alex Jaramishian. The loan is due and payable on April 30, 2008 and will accrue interest at a rate of 10%.</p>	<p>5,250</p>	<p>--</p>
<p>\$60,000 unrelated third party note dated March 27, 2007 held by Generation Leasing, LLC. The note was due and payable on June 30, 2007 and accrues interest at a rate of 15%. The Company defaulted on the note on the June 30, 2007 due date. Interest continues to accrue on this now defaulted note payable.</p>	<p>60,000</p>	<p>60,000</p>
<p>\$5,336 unrelated third party note dated September 19, 2007 held by John McConnaughy, Jr. The note was due and payable on December 14, 2007 and accrues interest at rate equal to the prime rate as published by the Wall Street Journal, Eastern Edition, plus one percent (1%), per annum. Holder may, at his option, upon notice to Maker given at any time or from time to time on or after December 15, 2007, convert the unpaid Principal Amount and any Interest thereon into that number of shares of Maker's common stock, par value \$.001 per share such that, immediately following the conversion, Holder beneficially owns not less than one-ninths (1/9) of the total issued and outstanding voting capital stock of Maker after giving effect to such conversion, provided that, in the event that the number of shares of Common Stock issued to Holder upon such conversion exceeds an amount equal to the Unpaid Amount divided by \$.001 (the amount of such excess, the <u>Additional Common Stock</u>), as a condition to the issuance of the Additional Common Stock, Holder shall pay to Maker cash in an amount equal to the product of the number of shares of Additional Common Stock multiplied by \$.001 (a) Interest continues to accrue on this now defaulted note payable.</p>	<p>5,336</p>	<p>-</p>

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 NOTES AND LOANS PAYABLE (CONTINUED)

Other unrelated third parties (continued)

	January 31,	April 30,
	2008	2007
\$26,681 unrelated third party note dated September 19, 2007 held by Alan Brown. The note was due and payable on December 14, 2007 and accrues interest at rate equal to the prime rate as published by the Wall Street Journal, Eastern Edition, plus one percent (1%), per annum. Holder may, at his option, upon notice to Maker given at any time or from time to time on or after December 15, 2007, convert the unpaid Principal Amount and any Interest thereon into that number of shares of Maker's common stock, par value \$.001 per share such that, immediately following the conversion, Holder beneficially owns not less than five-ninths (5/9) of the total issued and outstanding voting capital stock of Maker after giving effect to such conversion, provided that, in the event that the number of shares of Common Stock issued to Holder upon such conversion exceeds an amount equal to the Unpaid Amount divided by \$.001 (the amount of such excess, the Additional Common Stock), as a condition to the issuance of the Additional Common Stock, Holder shall pay to Maker cash in an amount equal to the product of the number of shares of Additional Common Stock multiplied by \$.001. (a). Interest continues to accrue on this now defaulted note payable.	26,681	-
Notes and loans payable, others unrelated third parties	1,484,767	1,447,500
	\$ 1,570,767	\$ 1,533,500

(a) The notes were to be two of a series of notes that are part of the Company's Letter of Intent dated September 24, 2007 between the Company and AJ Creative Media (AJ Creative). The Letter of Intent called for a forward triangular merger between AJ Creative and the Company with the Company being the surviving entity, and for AJ to pay an

aggregate of \$700,000 for not less than 90% of the Company's issued and outstanding shares of Common Stock.

In October 2007 AJ Creative unilaterally withdrew from the transaction in writing. The sole purpose of the loans represented by the two promissory notes was to facilitate the close of the Definitive Agreements described in the Letter of Intent, by paying on behalf of the Company professional fees necessary for the transaction. The Company is treating the terms of the promissory notes as being void because the Optional Conversion Clause was eliminated when AJ Creative unilaterally withdrew from negotiations with the Company.

Most importantly, the Optional Conversion Clause states two conditions precedent that have not occurred, and in the Company's opinion are very unlikely to occur, because the two holders are no longer interested in receiving control shares in the Company. The first condition is that the Convertible Promissory Note holders must first elect to convert the "Unpaid Principal Amount and any Interest thereon (the "Unpaid Amount"), into that number of shares of Maker's common stock," and provide notice in writing of that election, to the Company. That has not occurred to date. Until such conversion, Holders shall not be deemed to be holders of record of the Common Stock issuable upon such conversion and the Promissory Note remains an ordinary past due debt.

Second, as a condition to the issuance of the Common Stock, if the value of the shares issuable upon conversion exceeds the value of the unpaid Principal Amount, the Holders must pay to the Company cash in an amount equal to the product of the number of shares of Additional Common Stock multiplied by \$.001. That has not occurred to date. Until such payment, Holders shall not be deemed to be holders of record of the Common Stock issuable upon such conversion and the Promissory Note remains an ordinary past due debt.

Accounts payable and accrued expenses payable at January 31, 2008 and April 30, 2007 includes \$18,577 and \$13,965, respectively of accrued interest payable to Company stockholders and entities owned by them. Accounts payable and accrued expenses payable at January 31, 2008 and April 30, 2007 includes \$291,485 and \$144,319 of accrued interest payable to unrelated parties, respectively.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 NOTES AND LOANS PAYABLE (CONTINUED)

Interest expense incurred by the Company to Company stockholders and entities owned by them was \$4,613 and \$17,369 for the nine months ended January 31, 2008 and 2007, respectively, and \$38,390 for the period from inception of the development stage (July 1, 2004) to January 31, 2008. Interest expense incurred by the Company to unrelated third parties was \$147,165 and \$145,341 for the nine months January 31, 2008 and 2007, respectively and \$372,156 for the period from inception of the development stage (July 1, 2004) to January 31, 2008.

NOTE 6 OPERATING FACILITIES

The Company maintained offices in Santa Fe Springs, California under a sublease agreement dated August 1, 2004, whereby it was required to make monthly payments of \$3,900 to a third party landlord under a lease which was to expire in August 31, 2006, on behalf of American Music Corporation, Inc. (AMC), an entity formerly owned by David Michery. The landlord agreed to terminate the lease in April 2005 and the lease was settled by the Company for a final payment of \$12,592, which amount was charged to rent expense by the Company.

The Company entered into a new lease for office space located in West Hollywood, California, which commenced November 2005 and which was to expire on October 31, 2007. The landlord agreed to terminate the lease in June 2007 and the lease was settled by the Company for a final payment of \$3,370, the amount originally paid to the landlord as a security deposit under the lease. The \$3,370 was charged to rent expense by the Company during the nine months ended January 31, 2008.

Rent expense incurred by the Company was \$3,370 and \$15,981 for the nine months ended January 31, 2008 and 2007, respectively, and \$67,409 for the period from inception of the development stage (July 1, 2004) to January 31, 2008.

The Company now operates on a rent free basis from the personal residence of Kent Puckett, CFO of the Company.

NOTE 7 RELATED PARTY TRANSACTIONS

(A)

CONTRIBUTED INTANGIBLE ASSETS AND EQUITY CAPITALIZATION OF AMERICAN SOUTHWEST PRIOR TO THE MARCH 13, 2006 MERGER TRANSACTION

During 2004, American Southwest issued 470 shares and 3,746 shares of its \$.001 par value common stock to Out of Control Records, Inc. and Celestial Breakaway Records (Celestial) in exchange for Music Catalogs valued at the actual cost paid by those entities to obtain the underlying contracts and Masters in the Catalogs of \$470,000 and \$3,746,000, respectively. Out of Control Records, Inc. and Celestial are owned and controlled by David Michery. In addition, the American Southwest issued 76 shares of its \$.001 par value common stock to David Michery in exchange for furniture and fixtures, and equipment valued at \$76,737. David Michery also paid \$2,000 for 2 shares of \$.001 par value common stock.

A settlement by the Company with Vestcom, Ltd involving assets transferred to Celestial that included the Music Catalogues received by the Company in exchange for its shares in the preceding paragraph is described in detail in (B) below.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

B)

WRITE-OFF OF DEFERRED TRANSACTION COSTS IN CONNECTION WITH TERMINATION OF UNSUCCESSFUL PRE-EXISTING MERGER AGREEMENT BETWEEN GL ENERGY AND AMERICAN SOUTHWEST

On March 10, 2006, GL Energy's board of directors approved the termination of an Agreement and Plan of Reorganization dated as of October 13, 2004 (the "Merger Agreement"). Pursuant to the Merger Agreement, all of American Southwest's outstanding shares were to be converted into shares of GL Energy's capital stock, with American Southwest being the surviving corporation. Although the Merger Agreement was executed, certain closing conditions were never satisfied, including the successful filing of a certificate of merger with the Delaware Secretary of State and as such the merger was never consummated. The Board of Directors of the Company deemed it in the best interest of GL Energy and its stockholders to terminate the Merger Agreement and to enter into the transaction described below.

During the year ended April 30, 2005 American Southwest incurred \$183,900 of deferred transaction costs in connection with the transaction. Below is a summary of the \$183,900 of deferred transaction costs:

Facilitation fee incurred to Donald Byers	\$ 150,000
Legal and other professional fees	26,780
Transfer agent fees	5,878
Other	1,242
	\$ 183,900

As a result of the March 10, 2006 GL Energy Board resolution, these costs were written off to expense during the year ended April 30, 2006, of which \$150,000 represents and is classified as related party consulting fees and services in the consolidated financial statements. The other items are included in general and administrative expenses in those statements.

(C)

RELATED PARTY CONSULTING FEES AND SERVICES

The Company incurred related party consulting fees and services of \$532,653 and \$71,872 for the nine months ended January 31, 2008 and 2007, respectively, and 690,140 for the period from inception (July 1, 2004) to January 31, 2007 to David Michery, CEO of American Southwest. He was issued 9,600,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$480,000 for the nine months ended January 31, 2008 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred related party consulting fees and services of \$120,000 and \$0 for the nine months ended January 31, 2008 and 2007, respectively, and 180,000 for the period from inception (July 1, 2004) to January 31, 2008 to Kent Puckett, CFO of American Southwest. He was issued 2,400,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$120,000 for the nine months ended January 31, 2008 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred related party consulting fees and services of \$0 for both of the nine months periods ended January 31, 2008 and 2007, respectively, and \$42,500 for the period from inception, (July 1, 2004) to January 31, 2008 to Marcus Sanders, former COO of American Southwest.

The Company incurred related party consulting fees and services of \$0 and \$26,500 for the nine months ended January 31, 2008 and 2007, respectively and \$58,500 for the period from inception, (July 1, 2004) to January 31, 2008 to Robert Guillerman, former President of American Southwest.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

(C)

RELATED PARTY CONSULTING FEES AND SERVICES (CONTINUED)

The Company incurred related party consulting fees and services of \$0 and \$60,000 for the nine months periods ended January 31, 2008 and 2007, respectively, and \$60,000 for the period from inception, (July 1, 2004) to January 31, 2008 to Chris Lotito, a minority shareholder (See Note 5 for a note payable also owed to him). Chris Lotito was issued 2,000,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$60,000 during the six months ended October 31, 2006 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company also incurred related party consulting fees and services of \$0 and \$505,000 for the nine months periods ended January 31, 2008 and 2007, respectively, and \$590,000 for the period from inception, (July 1, 2004) to January 31, 2008 to Brian Gonzales. He was issued 2,500,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$565,000 during the year ended April 30, 2007 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred related party consulting fees and services of \$0 and \$113,250 the nine months periods ended January 31, 2008 and 2007, respectively, and \$113,250 for the period from inception, (July 1, 2004) to January 31, 2008 respectively to Bob Munro. He was issued 75,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$113,250 during the year ended April 30, 2007 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred related party consulting fees and services of \$0 for both of the nine months periods ended January 31, 2008 and 2007, respectively and \$655,596 for the period from inception, (July 1, 2004) to January 31, 2008. He was issued 447,352 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$655,596 during the year ended April 30, 2007 related to this issuance, based on the

trading price of Company shares on the issuance date.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

(C)

RELATED PARTY CONSULTING FEES AND SERVICES (CONTINUED)

Accordingly, related party consulting fees and services totaled \$600,000 and \$1,517,218 for the nine months ended January 31, 2008 and 2007, respectively. In addition, related party consulting fees and services totaled \$2,540,166 for the period from inception of the development stage (July 1, 2004) to January 31, 2008. Related party consulting fees and services since inception of \$2,540,166 includes the \$150,000 incurred to Donald Byers described in (B) above.

(D)

LOSS INCURRED ON LEGAL SETTLEMENT ON BEHALF OF ENTITY FORMERLY OWNED BY SIGNIFICANT COMPANY STOCKHOLDER

In May 2005, Vestcom, Ltd. filed suit against American Southwest and its officers. The lawsuit arose from a loan made by Vestcom on or about July 3, 2003 in the amount of \$500,000 to American Music Corporation, Inc. (AMC). Vestcom alleged that AMC fraudulently transferred its assets which principally included the Music Catalogue (Subject Assets) to Celestial, which was owned and controlled by the Company's Chief Executive Officer, David Michery. American Southwest contended that none of its assets previously belonged to AMC.

Vestcom, Ltd. was seeking not less than \$1.2 million from all the defendants, including American Southwest, to be awarded ownership of all subject assets, punitive damages, and other remuneration.

On July 12, 2006 American Southwest reached a settlement with Vestcom whereby American Southwest agreed to pay Vestcom as follow: \$500,000, which represents the principal amount of the above loan made by Vestcom on or about July 3, 2003, plus interest thereon at the rate of 9.5% from July 3, 2003 through to the closing date of the settlement. The closing date of the settlement was expected to be no later than September 15, 2006. In addition, American Southwest agreed to pay to Vestcom \$360,000 as a supplemental damages payment and \$250,000 for legal fees and expenses incurred by Vestcom. At January 31, 2008, the total amount reflected as liability for the legal settlement in the Balance Sheet is \$1,327,708, which includes accrued interest to that date. A commensurate loss has been reflected in the Company s consolidated statement of operations for the period from inception of the development stage (July 1, 2004) to January 31, 2008, since the Company is absorbing the loss on behalf of the entity formerly owned by David Michery.

Assuming the settlement closing had taken place as planned, American Southwest was to issue a promissory note to Vestcom which would bear interest at 9.5%. The note was to be payable as follows: \$150,000 payable at the closing date, which was to be applied to the final payments of interest on the note, \$250,000 payable on or before January 1, 2007, and the balance of \$1,102,772 payable in 8 equal installments paid quarterly in the amount of \$137,847.

The note was also to be convertible in whole or in part at any time into American Southwest s common stock at 90% of the average bid price for the 5 days immediately prior to conversion. American Southwest was also to secure its obligation with a lien on all of its assets, which apparently would be junior in position to the obligation to Pegasus described in Note 5 above. David Michery had agreed to personally guarantee this settlement should American Southwest breach any of its obligations.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

(D)
LOSS INCURRED ON LEGAL SETTLEMENT ON BEHALF OF ENTITY FORMERLY OWNED BY SIGNIFICANT COMPANY STOCKHOLDER (CONTINUED)

To date, the initial cash payment of \$150,000 due to Vestcom at closing and the \$250,000 payable on January 1, 2007, as contemplated under the current terms of the settlement, have not been made. While the Company has continued to seek to arrange financing with which to satisfy the terms of the settlement, the Company has been unable to identify sources for funds to pay Vestcom.

Pursuant to the executed Stipulation for Settlement, the federal judge in the United States District Court dismissed the case, subject to Vestcom's right, pursuant to a motion initiated by Vestcom, to enforce the settlement terms, if the Company failed to comply.

The Company has not complied with any of the terms of the Stipulation for Settlement. Vestcom's legal representative has agreed subject to discussions with Company Counsel, not to file a motion to enforce the terms of the settlement, subject to further negotiations of the terms of the Stipulation for Settlement. The Company is waiting for approval of a draft of revised terms by Vestcom's representatives.

The company's ability to exploit the Music Catalogue received from Celestial was dependent on a rescheduled Settlement closing taking place and the Company's meeting a new schedule of payments as due, in particular the \$150,000 or a re-determined amount due at closing and the \$250,000 originally due in January 1, 2007 (or a re-determined amount) at a similar interval after the closing date, unless the entire obligation is successfully refinanced. As discussed in the Summary of Accounting Policies under Impairment of Long-Lived and Other Intangible Assets the Company determined to take a significant provision for a loss on an impairment of certain of its

Music Catalog during the year ended April 30, 2007, since a substantial portion of the Catalog was from the Celestial Library .

NOTE 8 STOCK INCENTIVE PLAN

In 2004, the Board of Directors of GL Energy adopted a 2004 Stock Incentive Plan (the plan) under which 35,000,000 shares of GL Energy s common stock have been reserved for issuance to employees, officers, directors and consultants whose past, present and/or potential contributions to GL Energy have been, or will be important to the success of GL Energy.

Options granted under the Plan may be either incentive stock options or nonqualified stock options. Incentive stock options (ISO) may be granted only to GL Energy employees (including officers and directors who are also employees). Nonqualified stock options (NSO) may be granted to GL Energy employees and consultants. Options under the Plan may be granted for periods of up to ten years and at an exercise price equal to the estimated fair value of the shares on the date of grant as determined by the Board of Directors, provided, however, that the exercise price of an ISO and NSO granted to a 10% shareholder shall not be less than 110% of the estimated fair value of the shares on the date of grant. To date, options granted generally are exercisable immediately as of the effective date of the option agreement.

During 2004, 3,000,000 one year options were granted to two consultants. The exercise price was \$.01 and all 3,000,000 vested immediately. The options were exercised prior to the effective date of the merger and reflected in the pre-merged entities financial statements. No options were granted during the nine month periods ended January 31, 2008 or 2007 or for either of the years ended April 30, 2007 and 2006 and, accordingly, there are no options outstanding at January 31, 2008.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 EQUITY PERFORMANCE PLANS

In November 2006, the Board of Directors of American Southwest adopted a 2006 Equity Compensation Plan under which 10,000,000 shares of the American Southwest's common stock have been reserved for issuance to employees, officers, directors and consultants whose past, present and/or potential contributions to the American Southwest have been, or will be important to the success of the Company. As of January 31, 2008, 5,500,000 common shares have been issued under this plan. (See Note 12 for the details for the individual issuance).

In February 2004, the Board of Directors of GL Energy adopted a 2004 Equity Performance Plan under which 10,000,000 shares of GL Energy's common stock have been reserved for issuance to employees, officers, directors and consultants whose past, present and/or potential contributions to GL Energy have been, or will be important to the success of GL Energy. As of January 31, 2008, 6,000,000 common shares have been issued under this plan (See Note 7 (C) and Note 12 for the details for the individual issuance).

NOTE 10 AGREEMENTS WITH UNIVERSAL RECORDS

On January 25, 2006, American Southwest entered into an exclusive manufacturing and distribution agreement (Domestic Distribution Agreement) with Universal Records, a division of UMG Recordings, Inc. (Universal). Pursuant to this agreement, Universal will sell American Southwest's music products, including compact discs, cassettes, and digital versatile discs to consumers mainly through retailers and wholesalers in the United States and Canada. During the term of the Domestic Distribution Agreement, Universal will be American Southwest's exclusive manufacturer and distributor, through every distribution channel of recorded music in the United States and Canada. Universal will also exclusively handle all of American Southwest's on-line sales during the term of the Domestic Distribution Agreement.

In exchange for its distribution services, through normal retail channels, Universal is entitled to a distribution fee equal to twenty five percent (25%) of American Southwest's net billings. After the end of the calendar month, where American Southwest's cumulative net billings exceed \$8,000,000, Universal's distribution fee will be twenty two and one half percent (22.5%) of American Southwest's net billings. After the end of the calendar month, in which

American Southwest's cumulative net billings exceeds \$15,000,000, Universal's distribution fee will be twenty percent (20%) of American Southwest's net billings. According to the Domestic Distribution Agreement, net billings means the cumulative wholesale price for sale of American Southwest's products, less actual returns and credits to customers for such returns for the applicable accounting period.

In consideration for Universal's services related to sales of American Southwest's products in the United States and Canada, through channels other than normal retail channels, Universal shall be entitled to a licensing fee equal to fifteen percent (15%) of American Southwest's net licensing billings. According to the Domestic Distribution Agreement, net licensing billings mean royalties or flat payments received by Universal, on American Southwest's behalf, attributed to sales, other than sales through normal retail channels.

The Domestic Distribution Agreement became effective January 25, 2006, and will continue until January 25, 2008. Universal has the right to extend the term of the Domestic Distribution Agreement for an additional two years, until January 25, 2010.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 AGREEMENTS WITH UNIVERSAL RECORDS (CONTINUED)

On January 25, 2006, American Southwest entered into another agreement with Universal (Upstream Agreement) pursuant to which American Southwest granted Universal the right to enter into exclusive recording services contracts with recording artists that have recording contracts with American Southwest, and whose performances are featured on albums distributed by Universal, on American Southwest's behalf, that achieve sales in the United States equal to or in excess of 25,000 units.

On January 25, 2006, American Southwest entered into the Exclusive Foreign License Agreement (Foreign License Agreement) with Universal. The term of the Foreign License Agreement runs simultaneously with the term of the Domestic Distribution Agreement. During the term of the Foreign License Agreement, Universal has the exclusive right to sell, license or otherwise exploit records and videos that it distributes under the Domestic Distribution Agreement through the rest of the universe, excluding the United States.

NOTE 11 CHANGE IN NAME FROM GL ENERGY & EXPLORATION, INC. TO AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

The Board of Directors approved an amendment to the certificate of incorporation (the Charter Amendment) to: (i) change the name of the Company from GL Energy & Exploration, Inc. to American Southwest Music Distribution, Inc. and (ii) effectuate a reverse stock split of the Company's common stock by changing and reclassifying each seventy four (74) shares of issued and outstanding common stock, par value \$.001 per share (Common Stock) into one (1) fully paid and non-assessable share of Common Stock (the Reverse Split). The Charter Amendment was filed with the Delaware Secretary of State on August 17, 2006. NADAQ effectuated the name change and reverse split on Thursday August 24, 2006. No information has been adjusted to give effect to the Reverse Split.

Effective August 24, 2006 the Company is now traded on the OTC Bulletin board under the symbol ASWD.

NOTE 12 - EQUITY TRANSACTIONS

Stock Issued for Services

On September 15, 2006, Bryan T. Gonzales was issued 2,000,000 shares of the Company's \$.001 common stock under the Company's S-8 registration statement. The Company recorded a non-cash expense of \$60,000 for the quarter ended October 31, 2006 related to this issuance, based on the trading price of Company shares on the issuance date.

On September 15, 2006, Evergreen Marketing, Inc. was issued 2,000,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$60,000 for the quarter ended October 31, 2006 related to this issuance, based on the trading price of Company shares on the issuance date.

On September 15, 2006, Chris Lotito, a minority shareholder, was issued 2,000,000 shares of the Company's \$.001 common stock, 1,500,000 of which were issued under the Company's S-8 registration statement and 500,000 of which are subject to Rule 144. The Company recorded a non-cash expense of \$60,000 for the quarter ended October 31, 2006 related to this issuance, based on the trading price of Company shares on the issuance date.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - EQUITY TRANSACTIONS (CONTINUED)

Stock Issued for Services (Continued)

The Company also incurred related party consulting fees and services of \$530,000 during the third quarter of the year ended April 30, 2007 to Brian Gonzales. He was issued 500,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$505,000 during the quarter ended January 31, 2007 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred related party consulting fees and services of \$113,250 during the third quarter of year ended April 30, 2007 to Bob Munro. He was issued 75,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$113,250 during the quarter ended January 31, 2007 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred related party consulting fees and services of \$655,596 during the year ended April 30, 2007 to Don Byers. He was issued 447,352 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$655,596 for the year ended April 30, 2007 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred legal fees of \$60,400 during the year ended April 30, 2007 to Spectrum Law Group. They were issued 40,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$60,400 for the year ended April 30, 2007 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred consulting fees and services of \$13,500 during the year ended April 30, 2007 to David Magallanes. He was issued 100,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$13,500 for the year ended April 30, 2007 related to this issuance, based on the

trading price of Company shares on the issuance date.

The Company incurred consulting fees and services of \$67,500 during the year ended April 30, 2007 to Peter Van Brunt. He was issued 500,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$67,500 for the year ended April 30, 2007 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred consulting fees and services of \$480,000 during the nine months ended January 31, 2008 to David Michery. He was issued 9,600,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$480,000 for the nine months ended January 31, 2008 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred consulting fees and services of \$120,000 during the nine months ended January 31, 2008 to David Michery. He was issued 2,400,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$120,000 for the nine months ended January 31, 2008 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred consulting fees and services of \$100,000 during the nine months ended January 31, 2008 to Edward Azar. He was issued 2,000,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$100,000 for the nine months ended January 31, 2008 related to this issuance, based on the trading price of Company shares on the issuance date.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.
(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - EQUITY TRANSACTIONS (CONTINUED)

Stock Issued for Services (Continued)

The Company incurred consulting fees and services of \$100,000 during the nine months ended January 31, 2008 to Peter Kolacz. He was issued 2,000,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$100,000 for the nine months ended January 31, 2008 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred consulting fees and services of \$50,000 during the nine months ended January 31, 2008 to Brian Conrad. He was issued 1,000,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$50,000 for the nine months ended January 31, 2008 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred consulting fees and services of \$25,000 during the nine months ended January 31, 2008 to Canaccord Capital Corporation. He was issued 500,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$25,000 for the nine months ended January 31, 2008 related to this issuance, based on the trading price of Company shares on the issuance date.

Debt Plus Accrued Interest Converted Into Stock

During the year ended April 30, 2007 the Company converted an aggregate of \$143,281 of loans, certain of which loans are discussed in Note 5, plus related aggregate accrued interest of \$10,492 due to Donald Byers into 199,739 shares of the Company's \$.001 common stock valued at a total of \$191,749 based on the trading price of Company shares on the issuance date. A loss of debt conversion of \$37,976 was recorded in the statement of operations for the

year ended April 30, 2007 as part of the transaction.

During the year ended April 30, 2007 the Company converted \$10,800 of loans plus accrued interest of \$3,798 due to Northern Business Consultants, Ltd. into 16,811 shares of the Company's \$.001 common stock valued at a total of \$16,139 based on the trading price of Company shares on the issuance date. A loss of debt conversion of \$1,541 was recorded in the statement of operations for the year ended April 30, 2007 as part of the transaction.

During the year ended April 30, 2007 the Company converted \$43,952 of loans plus accrued interest of \$12,843 due to Three Sisters Investment Corporation into 65,184 shares of the Company's \$.001 common stock valued at a total of \$62,577 based on the trading price of Company shares on the issuance date. A loss of debt conversion of \$5,782 was recorded in the statement of operations for the year ended April 30, 2007 as part of the transaction.

During the year ended April 30, 2007 the Company converted \$24,409 of loans plus accrued interest of \$2,227 due to Wellstar International into 28,717 shares of the Company's \$.001 common stock valued at a total of \$27,569 based on the trading price of Company shares on the issuance date. A loss of debt conversion of \$933 was recorded in the statement of operations for the year ended April 30, 2007 as part of the transaction.

Accordingly, during the year ended April 30, 2007, the Company converted an aggregate of \$222,442 of loans plus related aggregate of \$43,499 of accrued interest for aggregate of 310,451 of the Company's \$.001 common stock valued at \$298,032, resulting in a loss on debt conversion of \$46,232, of which Don Byers and entities owned by him accounted for \$40,450.

Reverse Stock Split

During the second quarter ended October 31, 2006, the Company effectuated a 1 for 74 reverse split of its common stock.

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

(FORMERLY KNOWN AS GL ENERGY AND EXPLORATION, INC.)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - EQUITY TRANSACTIONS (CONTINUED)

Conversion of Preferred Shares of Stock Issued in Merger

During the second quarter ended October 31, 2006, David Michery and Kent Puckett, both officers and shareholders of the Company converted a total of 23,980 shares of preferred convertible stock that they received in the merger into 8,101,351 shares of the Company's common stock on a post reverse split basis.

NOTE 13 SUBSEQUENT EVENTS

Acquisition Agreement and Plan of Merger

On March 7, 2008 the Company executed an Acquisition Agreement and Plan of Merger (the Agreement) with Ultimate Sports Entertainment, Inc., (Ultimate). Under the Agreement the shareholders of Ultimate would exchange all of their shares in Ultimate for 73,521,600 post-split unissued shares of the common stock of Ultimate Sports Resorts, Inc. (USRI). In addition, the shareholders of the Company would exchange all of their shares in the Company for common stock of USRI. USRI would survive as the holding company. The merger would qualify as a tax-free reorganization under Sections 368 (a) (1) (A) and 368 (a) (2) (F) of the Internal Revenue Code of 1986. At closing the authorized capital stock of USRI will consist of 100,000,000 shares of \$.0001 par value Common Stock of which no more than 78,500,000 shares will be issued and outstanding.

Prior to closing the Company shall, with written consent of its shareholders complete a reverse stock split equal to one share for every 50 shares now held, file forms 14-F and 8-K with the Securities and Exchange Commission outlining the Plan of Merger, complete the re-organization of the Company under the Agreement, exchange all shares in the Company for shares of USRI, and obtain a new trading symbol for USRI on the OTCBB. If the merger is completed it will result in a change in control of the Company.

In the event the closing has not been completed by May 2, 2008 either party may terminate the Agreement and in such event the Agreement shall be null and void.

Assignment of Pegasus Capital, Inc. Note to Quintero International, LLC and Subsequent Conversion of Note

The Company owed \$38,000 under the terms of an unrelated third party note dated April 25, 2005 held by Pegasus Capital, Inc. (See Note 5). The note was due and payable on March 1, 2006, and under the note provision did not accrue interest. In the event of default, interest was to accrue at a rate 10% per annum. The entire outstanding unpaid principal balance plus accrued interest was due and payable in either cash or common stock of the Company equal to the fair market value of the unpaid obligation. The principal balance plus accrued interest that was due on March 1, 2006 had not been paid and the note was in default. It continues to accrue interest. On March 5, 2008 Pegasus Capital, Inc. sold and assigned to Quintero International, LLC, with all rights therein, the \$38,000 note, plus accrued interest. Subsequent to the assignment the Company issued 14,450,857 shares of its Common Stock, at the market price of \$.0035 or \$50,578 in consideration for the \$38,000 principal portion of the note, plus accrued interest of \$12,578, resulting in a loss on conversion of \$1,709 on the loans.

Issuance of Shares to Related Party for Consulting Services Rendered

The Company will incur related party consulting fees and services of \$32,000 during the quarter ending April 30, 2008, to Chris Lotito, a minority shareholder (See Note 5 for a note payable also owed to him). Chris Lotito was issued 3,200,000 shares of the Company's \$.001 common stock subject to Rule 144 on March 4, 2008. The Company will record a non-cash expense of \$32,000 related to this issuance, based on the trading price of Company shares on the issuance date.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

The following discussion and analysis should be read in conjunction with our unaudited condensed financial statements and related notes included in this report. This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The statements contained in this report that are not historic in nature, particularly those that utilize terminology such as may, should, expects, anticipates, estimates, believes, or plans or comparable terminology are forward-looking statements based on current expectations and assumptions.

Various risks and uncertainties could cause actual results to differ materially from those expressed in forward-looking statements. All forward-looking statements in this document are based on information currently available to us as of the date of this report, and we assume no obligation to update any forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

Overview

American Southwest Music Distribution, Inc. f/k/a GL Energy & Exploration, Inc. (we or the Company) was incorporated in the state of Delaware in 1998. Previously, the company engaged in the exploration of mining prospects in the western United States.

On March 13, 2006, we entered into an agreement (the Exchange Agreement) pursuant to which we acquired all of the equity of American Southwest Music Distribution, Inc., a Texas corporation (American). Pursuant to the Exchange Agreement, we issued 22,500,000 shares of our common stock and 23,980 shares of our series A convertible preferred stock to David Michery and Kent Puckett, the sole shareholders of American. On August 18, 2006, we filed a certificate of amendment to our certificate of incorporation with the Delaware secretary of state changing our name to American Southwest Music Distribution, Inc.

As a result, our business is the business of American. American's current business is the production, acquisition, marketing and sale of pre-recorded music. American's pre-recorded music products will include releases of the new musical performances of recording artists, as well as compilations featuring various artists or repackaged releases of previously recorded music from our master music catalog and derived from licenses of music masters from third-parties. The exchange was accounted for as a reverse acquisition. The accounting rules for reverse acquisitions require that, beginning with the date of the acquisition (March 13, 2006), our balance sheet include the assets and liabilities of American and our equity accounts be recapitalized to reflect the net equity of American. Accordingly, our historical operating results are now the operating results of American.

Company History

We produce, acquire, market and sell pre-recorded music through our wholly owned subsidiary, American. American was incorporated in the State of Texas in May 2004. In July 2004, American acquired the assets of Celestial Breakaway Records and Out of Control Records music catalog, which consisted of rights to various master recordings previously released commercially. Pursuant to that acquisition, American procured the exclusive right to commercially market and sell those master recordings worldwide.

On October 13, 2004, American entered into that certain Agreement and Plan of Reorganization with the Company (the Merger Agreement), pursuant to which all of American's outstanding shares were to be converted into shares of the Company's capital stock, with the Company being the surviving corporation. Although the Merger Agreement was executed, certain closing conditions were never satisfied, including the filing of a certificate of merger with the Delaware Secretary of State and as such the merger was never consummated. The Board of Directors of both American and the Company deemed it in the best interest of their respective companies and shareholders to terminate the Merger Agreement and to enter into the Exchange Agreement.

On March 13, 2006, American, their shareholders and the Company entered into the Exchange Agreement pursuant to which the Company issued an aggregate of 22,500,000 shares of its common stock and 23,980 shares of its series A convertible preferred stock to the American stockholders in exchange of their transfer of American shares to the Company.

In the last fiscal year, our Board of Directors approved an amendment to our certificate of incorporation (the Charter Amendment) to: (i) change our name to American Southwest Music Distribution and (ii) effectuate a reverse stock split of our common stock by changing and reclassifying each seventy four (74) shares of our issued and outstanding common stock, par value \$.001 per share (Common Stock) into one (1) fully paid and non-assessable share of Common Stock (the Reverse Split). A majority of our stockholders approved the Charter Amendment by written consent on July 7, 2006. A notice of shareholder action by written consent was mailed to all stockholders of record as of July 7, 2006 informing them of this action on July 27, 2006. The Charter Amendment was filed with the Delaware Secretary of State on August 17, 2006. Nasdaq effectuated the name change and reverse split on Thursday August 24, 2006.

On October 10, 2006, we entered into a Profit Participation Agreement with Screw U Records, LLC. The agreement calls for the exclusive assignment to the Company of recording rights of certain named artists. The initial term of the agreement is for nine full months from the time of the commercial release of the first album produced by any of the named artists. The Company also has the option to request 6 additional recordings subject to certain restrictions. The agreement calls for the Company to pay certain advances for the production of the albums. For the first album produced, the Company will pay a royalty to Screw U Records of 50% of net receipts to the Company. Net receipts are defined as gross receipts less all recoupable costs and advances. The royalty payment percentages for additional albums produced under the option terms varies from 25% for the first option album to 10% for the remaining options.

Our Business

Our business is the production, acquisition, marketing and sale of pre-recorded music. Our pre-recorded music products will include releases of the new musical performances of recording artists, as well as compilations featuring various artists or repackaged releases of previously recorded music from our master music catalog and derived from licenses of music masters from third-parties.

Our expansion and exploitation of its music catalog is an integral part of its business and growth strategy. American owns a music catalog with 25 album masters, and intends to add to the music catalog through strategic and complementary acquisitions, licensing agreements, and by executing recording agreements with artists, production companies and other record labels with new recordings.

We will enter into rights acquisition, licensing, distribution and recording agreements ("Recording Agreements") with artists, third party record labels and production companies ("Labels") to provide us with master recordings that have not been previously released for sale to consumers ("New Masters"). Through each Recording Agreement, we will acquire the worldwide copyright and exclusive right to distribute and license music products derived from the New

Masters that will be recorded and produced by the Labels, during the term of the Recording Agreement or any extension thereof. We will also acquire the exclusive right to record and market all New Masters of the recording artist(s) featured on any and all New Masters recorded by the Labels during the term of the Recording Agreements. We will also have the right to extend the term of the Recording Agreement through the exercise of multiple options pursuant to the terms of the Recording Agreements.

Most of our Recording Agreements will have an initial term and will usually have up separate, consecutive, irrevocable options, to renew the term for additional periods, at our sole discretion. As a condition of the initial term, and prior to exercising each option, we will be required to pay recoupable advances to the Label.

Pursuant each Recording Agreement, each Label will agree to deliver one or more New Masters to us during the term of the Recording Agreement. Each New Master will be required to contain at least twelve (12) newly recorded compositions of the featured recording artist(s), having an aggregate playing time of no less than forty (40) minutes ("Album"), and must be complete and satisfactory to us, in our managements' sole discretion.

If an Album is satisfactory us, we will market and advertise the consumer release of the Album, and after the Label's delivery of an Album to us, we will commercially release the Album in the United States and Canada. Whether or when an Album is commercially released to consumers is within our sole discretion. The actual amount of money spent marketing an Album will be determined by us.

Depending upon the initial success of any single, we will advance to the Label the costs to film and produce a music video featuring the single song selected by us. Pursuant to the terms of the Recording Agreement, we have the right to supervise and approve all elements of the music video. Once an acceptable music video is completed, we will use our efforts and pay third-party promoters to secure airplay of the music video on regional and national music video shows, as part of our marketing of the particular Album.

The marketing expenses we spend on any Album are variable, because the actual amount of expenditures for each Album will depend upon our management's business judgment and discretion, about the commercial success (or lack thereof) of any Album, or the effectiveness of any Album's marketing. At any point, we can elect to continue to or discontinue spending money to market any individual Album. If the Album realizes commercial success in the United States and Canada, the Album will be released in foreign territories.

Depending upon the terms of each Recording Agreement, we will pay each Label royalties from the net profits we actually receive from the sale of music products delivered during the term of the Recording Agreement. According to the terms of each Recording Agreement, we will only be required to pay royalties to a Label after we recoup all advances (we make to or on behalf of the Label) from Label's percentage of net sales of all music products derived from the New Master(s) delivered by the subject Label.

Contracts with Universal

Distribution Agreement

On January 25, 2006, we entered into an Exclusive Manufacturing and Distribution Agreement (Domestic Distribution Agreement) with Universal Records, a division of UMG Recordings, Inc. (Universal). Pursuant to this Agreement, Universal will sell our music products, including compact discs, cassettes, and digital versatile discs (DVD) to consumers mainly through retailers and wholesalers in the United States and Canada. During the term of the Domestic Distribution Agreement, Universal will be our exclusive manufacturer and distributor, through every distribution channel of recorded music in the United States and Canada. Universal will also exclusively handle all of our on-line sales during the term of the Domestic Distribution Agreement.

In exchange for its distribution services, through normal retail channels, Universal is entitled to a distribution fee equal to twenty five percent (25%) of our Net Billings. After the end of the calendar month, where our cumulative Net Billings exceed \$8,000,000, Universal's distribution fee will be twenty two and one half percent (22.5%) of our Net Billings. After the end of the calendar month, in which our cumulative Net Billings exceeds \$15,000,000, Universal's distribution fee will be twenty percent (20%) of our Net Billings. According to the Domestic Distribution Agreement,

Net Billings means the cumulative wholesale price for sale of our products, less actual returns and credits to customers for such returns for the applicable accounting period.

In consideration for Universal's services related to sales of our products in the United States and Canada, through channels other than normal retail channels, Universal shall be entitled to a licensing fee equal to fifteen percent (15%) of our Net Licensing Billings. According to the Domestic Distribution Agreement, Net Licensing Billings mean royalties or flat payments received by Universal, on our behalf, attributed to sales, other than sales through normal retail channels.

At the end of the month, immediately following our first commercial release of a product pursuant to the Domestic Distribution Agreement, Universal will compute our Total Net Billings from the sale of American's products, and Universal will compute such Total Net Billings, thereafter, on a calendar monthly basis. Sixty (60) days, after the close of each such monthly period, Universal will send us an accounting statement covering the Total Net Billings and the Net Proceeds payable to us. Along with each accounting statement, Universal will pay us the Net Proceeds realized by sales during the particular accounting period, if any, after deducting any taxes that Universal is required to withhold.

Under the terms of the Domestic Distribution Agreement, Total Net Billings means all Net Billings and Net Licensing Billings that Universal receives from the sale and licensing of our products. Net Proceeds mean Total Net Billings less the following:

§

Universal's applicable distribution fees and license fees;

§

Reserves held, by Universal, against anticipated returns of our products;

§

Universal's charges for manufacturing and handling of our products;

§

All Advances, if any, made by Universal on behalf of us;

§

All applicable taxes imposed on Universal directly related to the manufacture and sale of our products;

§

All co-op advertising costs advanced by Universal on our behalf;

§

Universal's charges for handling returns and refurbishing our products;

§

Credits to Universal's customers for actual returns of our products;

§

Costs of any special program discounts or price reduction programs; and

§

Any other amounts that Universal is entitled to receive.

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To secure our payment of any fees, advances or monies that become due and payable to Universal, pursuant to the Domestic Distribution Agreement, we executed a security agreement, granting Universal a first position security interest in the following collateral:

§

All master recordings contained solely on records actually distributed under the Domestic Distribution Agreement, and all contract rights and licenses relating to the master recordings;

§

All sound recordings contained in the all master recordings contained solely on records actually distributed under the Domestic Distribution Agreement, and all copyrights to such sound recordings;

§

Any derivatives or duplicates of all master recordings contained solely on records actually distributed under the Domestic Distribution Agreement;

§

All proceeds derived from all master recordings contained solely on records actually distributed under the Domestic Distribution Agreement;

§

Any and all monies which become payable to us under the Distribution Agreement;

§

All inventory now owned or hereafter acquired by us and all proceeds of the sale or other disposition of the inventory; and

§

Our names and logos used on records, including trademarks.

In addition to our obligations under the security agreement, David Michery, executed an inducement letter wherein he agreed that his active participation in the performance his duties as an employee is a vital part of the Domestic Distribution Agreement. In the event of his death or incapacity or in the event that David Michery ceases to be actively engaged in our management, in a controlling capacity, Universal will have the right to terminate the Domestic Distribution Agreement.

In addition to distributing and selling our products, Universal will supervise and advance the costs of all of American s manufacturing, and will warehouse all of American s inventory. The Domestic Distribution Agreement became effective January 25, 2006 and will continue until January 25, 2008. Universal has the right to extend the term of the Domestic Distribution Agreement for an additional two years, until January 25, 2010.

For each separate title of music products released, our management, along with Universal shall determine the applicable wholesale price per unit.

Under the Distribution Agreement, we are responsible for all recording costs and rights acquisition costs in securing all intellectual property rights and licenses necessary to allow us to sell records. We will be responsible for paying all marketing and promotion costs for each Album title that it releases commercially, and will be responsible to pay artist royalties and royalties related to all licenses related to the exploitation of the Album and its content.

Upstream Agreement

On January 25, 2006, we entered into another agreement with Universal, pursuant to which we granted Universal the right to enter into exclusive recording services contracts with recording artists that have recording contracts with us, and whose performances are featured on Albums, distributed by Universal, on our behalf, that achieve sales in the United States equal to or in excess of 25,000 units (as reported by Soundscan) (Upstream Agreement).

Under the Upstream Agreement, Universal may exercise its rights to any recording artist, under contract with us, by providing us with written notice, at any time after we deliver an Album featuring the performances of the subject Artist, and ending on the date that Universal releases the Album to retail; or at any time during the period commencing on the date after the Album has been commercially released in the United States and has achieved sales in the United States equal to or in excess of twenty five thousand (25,000) units (as reported by Soundscan), and ending on the date such Album has achieved sales in the United States equal to fifty thousand (50,000) units. If, however, Universal does not exercise its rights under the Upstream Agreement for a particular Artist with sales exceeding 50,000, we have an obligation to provide Universal with written notice that an Artist reached such sales levels, and Universal will have an additional thirty (30) days to exercise its right to the particular recording artist.

If Universal exercises its rights under the Upstream Agreement, we will enter into to a contract to provide the exclusive recording services of the selected Artist to Universal. Pursuant to the recording agreement and the Upstream Agreement, we will grant to Universal a fifty percent (50%) ownership interest in and to all Albums and related materials, relating to the selected artist, that exist prior to Universal's exercise of its rights. Although we will retain an ownership interest in the such Masters, we lose our right to sell, transfer, grant, convey, assign, mortgage, pledge, hypothecate, or otherwise dispose of, or create any liens, encumbrances or security interests on any nature in respect to our rights to the existing master that become subject to Upstream Agreement.

On the first full calendar month following the date that Universal exercises its rights under the Upstream Agreement, if the sum of the advances, recording costs, marketing costs and promotion costs actually expended by us, on any existing Album that becomes subject to the Upstream Agreement, exceeds the total Net Proceeds credited to us in connection with the sale of such Album, Universal will pay us, as an advance against our future Net Profits under the recording agreement and the Upstream Agreement, fifty percent (50%) of our actual expenditures.

From the date that Universal receives its rights to any existing Album, Universal becomes, solely responsible for paying all artist royalties, third-party licensing fees and royalties, marketing, promotion and advertising costs related to the existing Album.

Under the Upstream Agreement, Universal grants us a fifty percent (50%) ownership interest in the copyright of each master subsequently recorded by the selected Artist, under the recording contract with Universal. Universal, however, has the exclusive and unlimited right to sell or license such masters, and we will not have the right to sell, transfer, grant, convey, assign, mortgage, pledge, hypothecate, or otherwise dispose of, or create any liens, encumbrances or security interests on any nature in respect to our rights to such masters.

For all subsequently recorded masters, Universal will be responsible for paying all recording costs and rights acquisition costs in securing all intellectual property rights and licenses necessary to allow Universal to sell Albums. Universal will, also, be responsible for paying all marketing and promotion costs for each Album title that it releases commercially, and will be responsible to pay artist royalties and royalties related to all licenses related to the exploitation of the Album and its content. According to the Upstream Agreement, Universal shall pay all advances, royalties and other monies payable directly to the particular Artist.

In consideration for the rights granted to Universal, under the Upstream Agreement, Universal agrees to pay us fifty percent (50%) of Universal's Net Profits earned from the sale or other exploitation of any and all of the masters and Albums that are subject to the Upstream Agreement. According to the Upstream Agreement, Net Profits mean the amount equal to Gross Revenues less the Deductions.

Under the Upstream Agreement, Gross Revenue include:

§

All monies actually received or credited to Universal from the sale of records in the United States minus reasonable reserves anticipated returns, actual returns and credits for returns, price discounts, and a distribution fee equal to twenty-five (25%) of United States Net Sales;

§

One hundred percent (100%) of Universal's Net Receipts in respect to licenses;

§

Royalties of calculated at a basic rate of nineteen percent (19%) of the applicable Royalty Base Price for records sold through normal retail channels outside the United States by Universal's direct and immediate principal foreign licensees; and

§

Fifty percent (50%) net receipts received by Universal, with respect to licenses of masters outside the United States on flat-fee or other royalty basis.

Deductions are:

§

A reserve for all reasonably anticipated future costs in connection with the particular Artist and/or masters recorded under the contract for anticipated marketing and promotions costs, recording costs, and music video costs; and

§

All direct costs and expenses incurred by Universal.

Under the Upstream Agreement, Universal will prepare accounting statements for us on a semi-annual basis. On or before each September 30, or March 31, Universal will send such accounting statements to us for the semi-annual accounting period ending the immediately preceding June 30th or December 31st, and will send American the amount of our share of any Net Profits, if any are then due and payable.

Foreign License Agreement

On January 25, 2006, we entered into the Exclusive Foreign License Agreement (Foreign License Agreement) with Universal. The term of the Foreign License Agreement runs simultaneously with the term of the Domestic Distribution Agreement. During the term of the Foreign License Agreement, Universal has the exclusive right to sell, license or otherwise exploit records and videos that its distributes under the Domestic Distribution Agreement through the rest of the Universe, excluding the United States.

In consideration of the rights granted, Universal agrees to pay us royalties on Net Sales. Under the Foreign License Agreement, Universal will prepare accounting statements for us on a semi-annual basis. On or before each September 30, or March 31, Universal will send such accounting statements to American for the semi-annual accounting period ending the immediately preceding June 30th or December 31st, and will send us the amount of our Royalties, if any, that are then due and payable.

Proposed Merger

On March 7, 2008 the Company executed an Acquisition Agreement and Plan of Merger (the Agreement) with Ultimate Sports Entertainment, Inc., (Ultimate). Under the Agreement the shareholders of Ultimate would exchange all of their shares in Ultimate for 73,521,600 post-split unissued shares of the common stock of Ultimate Sports Resorts, Inc. (USRI). In addition, the shareholders of the Company would exchange all of their shares in the Company for common stock of USRI. USRI would survive as the holding company. The merger would qualify as a tax-free reorganization under Sections 368 (a) (1) (A) and 368 (a) (2) (F) of the Internal Revenue Code of 1986. At closing the authorized capital stock of USRI will consist of 100,000,000 shares of \$.0001 par value Common Stock of which no more than 78,500,000 shares will be issued and outstanding.

Prior to closing the Company shall, with written consent of its shareholders complete a reverse stock split equal to one share for every 50 shares now held, file forms 14-F and 8-K with the Securities and Exchange Commission outlining the Plan of Merger, complete the re-organization of the Company under the Agreement, exchange all shares in the Company for shares of USRI, and obtain a new trading symbol for USRI on the OTCBB. If the merger is completed it will result in a change in control of the Company.

In the event the closing has not been completed by May 2, 2008, either party may terminate the Agreement and in such event the Agreement shall be null and void.

Planned Business of Ultimate Sports Entertainment, Inc

Ultimate Sports Entertainment, Inc. is a privately held Nevada corporation in the business of developing and building an all encompassing total sports experience. Components of the 116 acre planned facility will include sports venues, sports activities, Hall of Fame quality sports memorabilia, 5,152 hotel rooms, 1 million sq ft. of convention space, 500 luxury condos and more. Ultimate Sports Entertainment, Inc. does not currently have the required financing in order to complete this planned facility.

We can give no assurance that the proposed merger will be consummated.

Financial Condition and Changes in Financial Condition

We had no revenues for the nine ended January 31, 2008 or since inception.

We incurred \$1,013,006 in operating expenses and \$187,404 in other costs and expenses for the nine month period ended January 31, 2008 as compared to \$2,097,035 in operating expenses and \$208,933 in other costs and expenses for the comparable period in 2007. We incurred consulting fees to related parties of \$652,653 and incurred \$275,000 in other consulting services to unrelated parties for various services rendered in conjunction with the implementation of the Company's business for the current year quarter. Almost all of these fees were non-cash in nature and were settled through the issuance of common stock. The current nine months general and administrative expenses totaled \$85,353 and were incurred primarily for rent and general business expenditures. During the January 31, 2007 nine month period, we incurred \$1,648,338 in consulting fees and \$448,697 in general and administrative expenses. Interest expense for the current nine month period was \$151,782 versus \$127,076 for the prior year period. In addition, the Company incurred \$35,622 and \$35,625 for the current and prior year nine month periods for loss

incurred on legal settlement by Company on behalf of entity formerly owned by significant Company stockholder.

Liquidity and Capital Resources:

We remain a development stage company. Since our inception, we have had minimum working capital to fund our operations. In order to pay the expenses of its operations, we have relied on third-party loans and loans from shareholders and the issuance of common stock for services provided. As a result, we have incurred debt in the total amount of \$1,570,767 to pay our expenses. In addition, we owe \$1,327,708 to Vestcom, Ltd. as result of a legal settlement and \$549,460 for other account payables and accrued expenses. Our working capital deficit at January 31, 2008 was \$3,447,935. We had cash of \$0 at January 31, 2008.

We have a working capital deficit and no operating cash with which to fund our future operations. We must obtain adequate funding in order to fulfill our obligations under any recording agreement that we intend to execute, and adequate funding to market and advertise any of music products that we intend to release. If we do not receive adequate funding, management must either discontinue or substantially scale back our planned operations.

We intend to seek either debt or equity capital or both. As of the date of this report, we do not have commitments for funding or any other agreements that will provide us with adequate working capital to conduct its full operating plan for the next twelve months. We cannot give any assurance that we will locate any funding or enter into any agreements that will provide the required operating capital to fund our planned business operations. In addition, we may consider receiving advances against future sales from Universal (as customary in the music industry) or to agree to sell rights to Master recordings, copyrights, or rights to any artist under a Recording Agreement or in our catalog. In addition, we may consider strategic alliances, mergers or acquisition as a means of pursuing our business plan or otherwise funding our business plan.

Regardless of whether our cash assets are adequate to meet its operational needs, we will seek to compensate its management, consultants, employees and other service providers by issuing its shares of stock, or options to buy shares of its common stock in lieu of cash.

As previously mentioned, we have entered into a proposed merger agreement with Ultimate Sports Entertainment, Inc. However, there is no assurance that the proposed merger will be consummated.

ITEM 3 CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in company reports filed or submitted under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer (the Certifying Officers), as appropriate to allow timely decisions regarding required disclosure.

Evaluation of disclosure controls and procedures. As of January 31, 2008, the Company's chief executive officer and chief financial officer conducted an evaluation regarding the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act). Based upon the evaluation of these controls and procedures, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were ineffective as of January 31, 2008. The president/chief financial officer determined that the Company did not maintain effective controls over the financial reporting process due to an insufficient complement of personnel with an appropriate complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of generally accepted accounting principles commensurate with its financial reporting requirements.

PART II: OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

In May 2005, Vestcom, Ltd. filed suit against American Southwest and its officers. The lawsuit arose from a loan made by Vestcom on or about July 3, 2003 in the amount of \$500,000 to American Music Corporation, Inc. (AMC). Vestcom alleged that AMC fraudulently transferred its assets which principally included the Music Catalogue (Subject Assets) to Celestial, which was owned and controlled by the Company's Chief Executive Officer, David Michery. American Southwest contended that none of its assets previously belonged to AMC.

Vestcom, Ltd. was seeking not less than \$1.2 million from all the defendants, including American Southwest, to be awarded ownership of all subject assets, punitive damages, and other remuneration.

On July 12, 2006 American Southwest reached a settlement with Vestcom whereby American Southwest agreed to pay Vestcom as follow: \$500,000, which represents the principal amount of the above loan made by Vestcom on or about July 3, 2003, plus interest thereon at the rate of 9.5% from July 3, 2003 through to the closing date of the settlement. The closing date of the settlement was expected to be no later than September 15, 2006. In addition, American Southwest agreed to pay to Vestcom \$360,000 as a supplemental damages payment and \$250,000 for legal fees and expenses incurred by Vestcom. At January 31, 2008, the total amount reflected as liability for the legal settlement in the Balance Sheet is \$1,327,708, which includes accrued interest to that date. A commensurate loss has been reflected in the Company's consolidated statement of operations for the period from inception of the development stage (July 1, 2004) to January 31, 2008, since the Company is absorbing the loss on behalf of the entity formerly owned by David Michery.

Assuming the settlement closing had taken place as planned, American Southwest was to issue a promissory note to Vestcom which would bear interest at 9.5%. The note was to be payable as follows: \$150,000 payable at the closing date, which was to be applied to the final payments of interest on the note, \$250,000 payable on or before January 1, 2007, and the balance of \$1,102,772 payable in 8 equal installments paid quarterly in the amount of \$137,847.

The note was also to be convertible in whole or in part at any time into American Southwest's common stock at 90% of the average bid price for the 5 days immediately prior to conversion. American Southwest was also to secure its obligation with a lien on all of its assets, which apparently would be junior in position to the obligation to Pegasus described in Note 5 above. David Michery had agreed to personally guarantee this settlement should American Southwest breach any of its obligations.

To date, the initial cash payment of \$150,000 due to Vestcom at closing and the \$250,000 payable on January 1, 2007, as contemplated under the current terms of the settlement, have not been made. While the Company has continued to seek to arrange financing with which to satisfy the terms of the settlement, the Company has been unable to identify sources for funds to pay Vestcom.

Pursuant to the executed Stipulation for Settlement, the federal judge in the United States District Court dismissed the case, subject to Vestcom's right, pursuant to a motion initiated by Vestcom, to enforce the settlement terms, if the Company failed to comply.

The Company has not complied with any of the terms of the Stipulation for Settlement. Vestcom's legal representative has agreed subject to discussions with Company Counsel, not to file a motion to enforce the terms of the settlement, subject to further negotiations of the terms of the Stipulation for Settlement. The Company is waiting for approval of a draft of revised terms by Vestcom's representatives.

The company's ability to exploit the Music Catalogue received from Celestial was dependent on a rescheduled Settlement closing taking place and the Company's meeting a new schedule of payments as due, in particular the \$150,000 or a re-determined amount due at closing and the \$250,000 originally due in January 1, 2007 (or a re-determined amount) at a similar interval after the closing date, unless the entire obligation is successfully refinanced. As discussed in the Summary of Accounting Policies under Impairment of Long-Lived and Other Intangible Assets the Company determined to take a significant provision for a loss on an impairment of certain of its Music Catalogue during the year ended April 30, 2007, since a substantial portion of the Catalogue was from the Celestial Library.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES

During the quarter ended July 31, 2007, the Company issued 9,600,000 shares of the Company's \$.001 common stock subject to Rule 144 to David Michery, CEO of American Southwest for accrued but unpaid salary compensation. The Company recorded a non-cash expense of \$480,000 for the three months ended July 31, 2007 related to this issuance, based on the trading price of Company shares on the issuance date.

During the quarter ended July 31, 2007, the Company issued 2,400,000 shares of the Company's \$.001 common stock subject to Rule 144 to Kent Puckett, CFO of American Southwest for consulting services. The Company recorded a non-cash expense of \$120,000 for the three months ended July 31, 2007 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred consulting fees and services of \$100,000 during the three months ended July 31, 2007 to Edward Azar. He was issued 2,000,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$100,000 for the three months ended July 31, 2007 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred consulting fees and services of \$100,000 during the three months ended July 31, 2007 to Peter Kolacz. He was issued 2,000,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$100,000 for the three months ended July 31, 2007 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred consulting fees and services of \$50,000 during the three months ended July 31, 2007 to Brian Conrad. He was issued 1,000,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$50,000 for the three months ended July 31, 2007 related to this issuance, based on the trading price of Company shares on the issuance date.

The Company incurred consulting fees and services of \$25,000 during the three months ended July 31, 2007 to Canaccord Capital Corporation. The company issued 500,000 shares of the Company's \$.001 common stock subject to Rule 144. The Company recorded a non-cash expense of \$25,000 for the three months ended July 31, 2007 related to this issuance, based on the trading price of Company shares on the issuance date.

ITEM 3 DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5 OTHER INFORMATION

None.

ITEM 6 EXHIBITS

Item

No.	Description	Method of Filing
31.1	Certification of David Michery pursuant to Rule 13a-14(a)	Filed electronically herewith.
31.2	Certification of Kent Puckett pursuant to Rule 13a-14(a)	Filed electronically herewith.
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. § 1350 adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002	Filed electronically herewith.

32.2

Chief Financial Officer Certification pursuant to 18 U.S.C. § 1350 Filed electronically herewith.
adopted pursuant to Section 906 of the Sarbanes Oxley Act of
2002

SIGNATURES

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

**AMERICAN SOUTHWEST MUSIC
DISTRIBUTION, INC.**

March 19, 2008

/s/ David Michery
David Michery.
President and Chief Executive Officer
(Principal Executive Officer)

March 19, 2008

/s/ Kent Puckett
Kent Puckett

Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)