American Southwest Music Distribution, Inc
Form 10KSB
August 14, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-KSB

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

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

FOR THE YEAR ENDED APRIL 30, 2007

COMMISSION FILE NUMBER 000-31032

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

(Exact name of registrant as specified in charter)

Delaware	**52-2190362**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

13191 Crossroads Parkway, Industry, California	**91746**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code: (562) 805-4530

Securities registered pursuant to section 12(b) of the Act:

NONE

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, $0.001 par value per share

(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

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

The issuer's revenues for the year ended April 30, 2007 were $0.00.

The aggregate market value of the 1,008,117 registrant's common stock held by non-affiliates as of August 31, 2007 was approximately $30,244.

State the number of shares outstanding of each of the issuer's classes of equity securities, as of the latest practicable date: 11,547,522, shares of Common Stock, $0.001 par value per share, outstanding as of April 30, 2007.

DOCUMENTS INCORPORATED BY REFERENCE: None.

Transitional Small Business Disclosure Format (check one): Yes o No x

American Southwest Music Distribution, Inc.

Report on Form 10-KSB

For the Fiscal Year Ended April 30, 2007

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Forward-Looking Statements

This Report contains, in addition to historical information, forward-looking statements regarding AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.(the Company or ASWD), which represent the Company s expectations or beliefs including, but not limited to, statements concerning the Company s operations, performance, financial condition, business strategies, and other information and that involve substantial risks and uncertainties. The Company s actual results of operations, some of which are beyond the Company s control, could differ materially. For this purpose, any statements contained in this Report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as may, will, expect, believe, anticipate, intend, could, estimate, or continue or the negative or other variations thereof or co terminology are intended to identify forward-looking statements. Factors that could cause or contribute to such difference include, but are not limited to; limited history of operations; need for additional financing; competition; dependence on management; and other factors discussed herein and in the Company s other filings with the Securities and Exchange Commission.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

As used in this annual report, "we", "us", "our", "ASWD", "Company" or "our company" refers to AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC. and all of its subsidiaries and affiliated companies.

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.

Our current executive offices are located at 13191 Crossroads Parkway, Industry, California 91746. Our telephone number is (562) 805-4530.

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.

Recent Developments

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. Information in this Annual Report (other than our audited financial statements) has been adjusted to give effect to the Reverse Split.

In the second fiscal quarter of 2006, we began marketing the release of new Albums we intend to commercially release in the fourth fiscal quarter of 2007. During the remainder of fiscal 2007, we plan to release nine (9) separate Albums.

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 and 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:

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Universal s applicable distribution fees and license fees;

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

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Universal s charges for manufacturing and handling of our products;

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

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

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

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Universal s charges for handling returns and refurbishing our products;

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

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

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Any other amounts that Universal is entitled to receive.

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:

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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;

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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;

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

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

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

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

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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:

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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;

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

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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

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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:

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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

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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 30^{th} or December 31^{st}, and will send us the amount of our Royalties, if any, that are then due and payable.

Competition

The entertainment and recorded music industry is highly competitive. We face competition, from many other record companies, and from entertainment companies from other sectors of the entertainment industry (film and video games) for consumer household discretionary purchases of entertainment products. Record companies also compete for talented artists, producers and songwriters. Although there are many independent record labels, similar to American, three major record companies (BMG/Sony, Warner Music and Universal) currently control the distribution and market for pre-recorded music in the United States and around the world. Many of these record companies have significantly longer operating histories, greater financial resources, assets and larger music catalogs, and larger staffs than us. Our ability to compete in this industry depends on many factors, including but not limited to:

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Our management s and employees creativity, skills and relationships with artists, promoters, radio stations, distributors and retailers;

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Our ability to sign Recording Agreements to secure new artists and Masters, and to expansion its music catalog;

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Our ability to effectively market and sell its music products; and

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Our ability to establish, and maintain a reputation for commercially releasing high quality music products.

Employees

As of August 13, 2007, we currently have 2 full-time employees. None of our employees are represented by a labor union and we have not entered into a collective bargaining agreement with any union. We have not experienced any work stoppages and consider our relations with our employees to be good.

ITEM 2. Description of Properties:

Our executive office is located at 13191 Crossroads Parkway, Industry, California 91746, telephone (562) 805-4530. Other than the office in Industry, California, we do not currently maintain any other office facilities. We plan to open an office in Houston, Texas in the next 12 months. We believe there is an adequate supply of suitable office space for lease on terms acceptable to us.

ITEM 3. 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, 2007, the total amount reflected as liability for the legal settlement in the Balance Sheet is $1,280,208, 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, 2007, 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.

To date, the initial cash payment of $150,000 due to Vestcom at a closing and the $250,000 payable on January 1, 2007, as contemplated under the current terms of the settlement, has not been made. However, Company management is still in the process of arranging payment through alternate means, and to date Vestcom has apparently not seen good cause to act unfavorably under an Order of Dismissal granted on December 1, 2006 in the United States District Court Central District of California.

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. David Michery had agreed to personally guarantee this settlement should American Southwest breach any of its obligations.

The company s ability to exploit the Music Catalogue received from Celestial is 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, since a substantial portion of the Catalog is from the Celestial Library .

ITEM 4. Submission of Matters to a Vote of Security Holders:

No matters were submitted to shareholders for the period ended April 30, 2007.

PART II

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities:

Beginning August 24, 2006, in connection with our name change, our common stock trades on the OTC Bulletin Board under the symbol ASWD.OB. Previously, our common stock traded on the OTC Bulletin Board under the symbol GEEX.OB. The following table shows the high and low bid or close prices for our common stock for each quarter since May 1, 2004 as reported by the OTC Bulletin Board. We consider our stock to be thinly traded and any reported sale prices may not be a true market-based valuation of the stock. All share prices have been adjusted to provide for a 1-for-74 reverse stock spit effected on August 24, 2006. Some of the bid quotations from the OTC Bulletin Board set forth below may reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

May 1, 2006 to April 30, 2007	**High Close**	**Low Close**
First quarter	$0.11	$0.11
Second quarter	1.02	0.73
Third quarter	.25	.13
Fourth quarter	.002	.002
May 1, 2005 to April 30, 2006		
First quarter	$7.40	$2.22
Second quarter	4.81	1.56
Third quarter	3.70	1.48
Fourth quarter	2.22	0.74
May 1, 2004 to April 30, 2005		
First quarter	$1.48	$0.30
Second quarter	1.33	0.52
Third quarter	4.07	0.67
Fourth quarter	2.96	0.89

As of August 13, 2007, there were approximately 28 record holders of our common stock.

We have not paid any cash dividends since our inception and do not contemplate paying dividends in the foreseeable future. It is anticipated that earnings, if any, will be retained to retire debt and for the operation of the business.

Shares eligible for future sale could depress the price of our common stock, thus lowering the value of a buyer s investment. Sales of substantial amounts of common stock, or the perception that such sales could occur, could adversely affect prevailing market prices for shares of our common stock.

Securities Authorized for Issuance Under Equity Compensation Plans.

The following provides information concerning compensation plans under which our equity securities are authorized for issuance as of April 30, 2007 (on a adjusted basis for the Reverse Split):

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(1)	--	$--	1,486(1)
Equity compensation plans not approved by security holders (2)(3)	--	--	135,135(2)
			432,432(3)
Total	--	$--	569,053

(1) On April 23, 2003, a majority of the stockholders of the Company approved a performance equity plan for 10,000,000 shares of Common Stock ("2003 Performance Equity Plan"). The rights of the common stock were not changed. We intend to issue the shares of common stock from time to time as determined by the board of directors to directors, employees, consultants and others. The board of directors of the Company believes the 2003 Plan will provide flexibility in structuring compensation arrangements and provide an equity incentive for employees and others who are awarded shares under the 2003 Plan. The shares under an award may be issued at less than market price at the discretion of the board of directors. None of the awards as provided under the 2003 Plan are allocated to any particular person or class of persons among those eligible to receive awards. As of April 30, 2007 we have issued a total of 9,890,000 shares of common stock to various consultants under the Plan.

(2) On February 27, 2004, the board of directors of the Company (and approved by a majority of the Company s stockholders in March 2004) approved a performance equity plan for 10,000,000 shares of common stock. The rights of the common stock were not changed. The purpose of the GL Energy and Exploration, Inc. 2004 Equity Performance Plan is to enable the Company to offer to its employees, officers, directors and consultants whose past, present and/or potential contributions to the Company and its Subsidiaries have been, or will be important to the success of the Company. The various types of long-term incentive awards that may be provided under the Plan will enable the Company to respond to changes in compensation practices, tax laws, accounting regulations and the size and diversity of its business. As of April 30, 2007, no shares have been issued under this plan.

(3) On October 7, 2004, the board of directors of the Company approved the 2004 Stock Incentive Plan for 35,000,000 shares of Common Stock. The rights of the common stock were not changed. The purpose of the Plan is to encourage and enable officers, directors, and employees of GL Energy and Exploration, Inc. and its Subsidiaries and other persons to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company's welfare will assure a closer identification of their interests with those of the Company and its shareholders, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company. As of April 30, 2007, we have issued a total of 4,500,000 shares of common stock to various consultants and employees.

Dividends:

We have never declared or paid any cash dividends on our capital stock and do not anticipate paying any cash dividends on our capital stock in the foreseeable future. Instead, we intend to retain our earnings, if any, to finance the expansion of our business. The declaration and payment of dividends in the future, if any, will be determined by the Board of Directors in light of conditions then existing, including our earnings, financial condition, capital requirements and other factors.

RECENT SALES OF UNREGISTERED SECURITIES

On June 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 related to this issuance, based on the trading price of Company shares on the issuance date.

On July 17, 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 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 $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 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 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 $768,846 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 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 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 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 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 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 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 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 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.

Transfer agent:

Our transfer agent is Continental Stock Transfer & Trust Company. Its address is 17 Battery Place, New York, NY 10004.

ITEM 6. Management's Discussion and Analysis or Plan of Operations:

The following is management's discussion and analysis of certain significant factors which have affected our financial position and operating results during the periods included in the accompanying consolidated financial statements, as well as information relating to the plans of our current management. This report includes forward-looking statements. Generally, the words "believes," "anticipates," "may," "will," "should," "expect," "intend," "estimate," "continue," and similar expressions or the negative thereof or comparable terminology are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, including the matters set forth in this report or other reports or documents we file with the Securities and Exchange Commission from time to time, which could cause actual results or outcomes to differ materially from those projected. Undue reliance should not be placed on these forward-looking statements which speak only as of the date hereof. We undertake no obligation to update these forward-looking statements.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the related notes thereto and other financial information contained elsewhere in this Form 10-KSB.

General overview:

Critical accounting policies and estimates:

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Management periodically evaluates the estimates and judgments made. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates as a result of different assumptions or conditions.

Financial Condition and Changes in Financial Condition

We had no revenues for the year ended April 30, 2007 or since its inception.

We incurred $2,254,427 and $643,283 in operating expenses for the years ended April 30, 2007 and 2006, respectively. During the current fiscal year, we incurred $1,538,538 in consulting fees to related parties as well as $211,334 in consulting fees to unrelated parties for various services rendered in conjunction with the implementation of the Company s business plan. Most of these expenses were non-cash expenses and were settled through the issuance of common stock. Related party consulting fees for the prior year ended April 30, 2006 totaled $348,975. General and administrative expenses for the current year totaled $411,951 and were incurred primarily for legal, accounting services, rent and general business expenditures. The prior year general and administrative expenses were $258,520 and were incurred for primarily the same purposes. Depreciation and amortization expenses for April 30, 2007 and 2006 were $92,604 and $35,788, respectively.

We also incurred $4,489,883 in other costs and expenses for the year ended April 30, 2007. 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). In addition, the Company incurred in $47,500 for Loss incurred on legal settlement by Company on behalf of entity formerly owned by significant Company stockholder, $46,232 for debt conversion costs and $180,151 in interest expense. For the year ended April 30, 2006, we incrred $1,244,583 for Loss incurred on legal settlement by Company on behalf of entity formerly owned by significant Company stockholder and $66,228 in interest expense.

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 $1,533,500 to pay our expenses. In addition, we owe $1,292,083 to Vestcom, Ltd. as result of a legal settlement and $374,930 for other account payables and accrued expenses. Our working capital deficit at April 30, 2007 was $3,200,508 and at April 30, 2006 it was $2,210,713. We had cash of $5 as of January 31, 2007 and $0 at April 30, 2006.

We used $418,748 of net cash in operating activities for the year ended April 30, 2007. Net cash flows used in investing activities was $302,748 for the year ended April 30, 2007. Net cash flows provided by financing activities were $721,279 for the same period, primarily in the form of notes issued.

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.

ITEM 7. Financial Statements

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Registered Independent Auditors' Report

To the Board of Directors and Stockholders

American Southwest Music Distribution, Inc. (formerly known as GL Energy and Exploration, Inc.)

Hollywood, California

We have audited the accompanying consolidated balance sheets of American Southwest Music Distribution, Inc., (formerly known as GL Energy and Exploration, Inc.) a development stage company, (hereon referred to as the Company) as of April 30, 2007 and 2006, and the related consolidated statements of operations, cash flows, and changes in stockholders (deficit) equity for the years ended April 30, 2007 and 2006, and for the period from inception (July 1, 2004) to April 30, 2005 and period from inception (July 1, 2004) to April 30, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Southwest Music Distribution, Inc., (formerly known as GL Energy and Exploration, Inc.) as of April 30, 2007 and 2006, and the results of its operations and its cash flows for the year ended April 30, 2007, and for the period from inception (July 1, 2004) to April 30, 2005 and period from inception (July 1, 2004) to April 30, 2007, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has suffered recurring losses from operations, and is dependent upon debt and equity financing to provide sufficient working capital to maintain continuity. These circumstances create substantial doubt about the Company s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

KBL, LLP

Certified Public Accountants and Advisors

August 13, 2007

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AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

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

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

		April 30, 2007		April 30, 2006 (adjusted for 74:1 reverse split)
ASSETS				
Current assets:				
Cash	$	5	$	-
Fixed assets:				
Equipment		43,266		40,501
Furniture and fixtures		42,488		42,488
Leasehold improvements		7,000		7,000
		92,754		89,989
Accumulated depreciation		(49,140)		(28,620)
Total fixed assets		43,614		61,369
Other assets:				
Music catalog, net of accumulated amortization of $0		299,983		4,216,000
Security deposits		3,370		3,370
Total other assets		303,353		4,219,370
TOTAL ASSETS	$	346,972	$	4,280,739
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses payable	$	374,930	$	118,539
		1,292,083		1,244,583

Liability for legal settlement by Company on behalf of entity formerly owned by significant Company stockholder				
Notes and loans payable, stockholders and entities owned by them		86,000		247,711
Notes and loans payable, others - unrelated third parties		1,447,500		689,869
TOTAL LIABILITIES		3,200,513		2,300,702
Stockholders' (deficit) equity:				
Preferred stock - $0.001 par value; 5,000,000 shares authorized, 0 shares issued and outstanding in 2007; 23,980 issued and outstanding in 2006		-		24
Common stock - $0.001 par value; 100,000,000 shares authorized, 11,547,522* and 59,977,042 issued and outstanding respectively		11,547		59,977
Additional paid-in capital		7,344,963		5,385,777
Deficit accumulated during the development stage		(10,210,051)		(3,465,741)
Total stockholders' (deficit) equity		(2,853,541)		1,980,037
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	346,972	$	4,280,739

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

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

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

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended April 30, 2007	Year ended April 30, 2006	Inception (July 1, 2004) through April 30, 2005	Inception (July 1, 2004) through April 30, 2007
EXPENSES				
Consulting fees and services:				
Related parties,including incurred through issuances of common stock of $1,393,847 and $0 for years ended	$ 1,538,538	$ 348,975	$ -	$ 1,887,513
Others, including incurred through issuances of common stock of $141,000 and $0 for years ended	211,334	-	-	211,334
	1,749,872	348,975		2,098,847
General and administrative, including through issuance of common stock for legal fees of $60,400 and $0 for nine months ended	411,951	258,520	94,289	764,760
Depreciation and amortization	92,604	35,788	10,568	138,960
Total expenses	2,254,427	643,283	104,857	3,002,567
Loss from operations	(2,254,427)	(643,283)	(104,857)	(3,002,567)
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		(47,500)		(1,244,583)				(1,292,083)
Debt conversion costs		(46,232)		-				(46,232)
Interest expense		(180,151)		(66,228)		(12,389)		(258,768)
Total other costs and expenses		(4,489,883)		(1,310,811)		(12,389)		(1,597,083)
NET LOSS	$	(6,744,310)	$	(1,954,094)	$	(117,246)	$	(8,815,650)
Net loss per share - basic and diluted (adjusted for 74:1 reverse split)	$	(0.74)	$	(0.25)	$	(2.32)	$	(3.31)
Weighted average shares outstanding:								
Basic and diluted (adjusted for 74:1 reverse split)		9,093,194		106,637		50,537		2,664,619

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AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

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

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY

Period from July 1, 2004 (Inception) through April 30, 2007

	Preferred Stock		Common Stock		Additional Paid in	Deficit Accumulated During the Development	
	Shares	Amount	Shares	Amount	Capital	Stage	Total
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
	23,980	24	59,972,748	59,973	1,091,044	(1,394,401)	(243,360)

Recapitalization of common and preferred shares of GL Energy and Exploration, Inc. as acquiree in merger with Company as acquirer							
Net loss						(1,954,094)	(1,954,094)
Balance, April 30, 2006	23,980	24	59,977,042	59,977	5,385,777	(3,465,741)	1,980,037
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)

AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

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

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended April 30, 2007	Year ended April 30, 2006	Inception (July 1, 2004) through April 30, 2005	Inception (July 1, 2004) through April 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$ (6,744,310)	$ (1,954,094)	$ (117,246)	$ (8,815,650)
Adjustments to reconcile net loss to net cash				
used in operating activities:				
Depreciation and amortization	92,604	35,968	10,568	139,140
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	47,500	1,244,583	-	1,292,083
Common stock issued for consulting fees and services	1,595,247	-	-	1,595,247
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
Accounting and legal fees added to notes and loans payable,	25,000	-	-	25,000

stockholders and entities owned by them				
Net changes in:				-
Decrease (increase) in prepaid expenses	-	10,746	(10,746)	-
Increase in security deposits	-	(3,370)	-	(3,370)
Increase in accounts and accrued expenses payable	285,748	48,393	44,628	378,769
NET CASH USED IN OPERATING ACTIVITIES	(418,526)	(617,774)	(72,796)	(1,109,096)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Decrease in officer loan receivable		15,142	(15,142)	-
Acquisition of music catalogs	(299,983)	-	-	(299,983)
Acquisition of leasehold improvements, furniture and equipment	(2,765)	(11,081)	(2,171)	(16,017)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(302,748)	4,061	(17,313)	(316,000)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Decrease (increase) in deferred transaction costs		183,900	(183,900)	-
Proceeds of notes and loans payable, stockholders and entities owned by them	36,279	24,813	49,009	110,101
Proceeds of notes and loans payable, others - unrelated third parties	695,000	405,000	223,000	1,323,000
Repayment of notes and loans payable, others - unrelated third parties	(10,000)			(10,000)
Common shares issued for cash	-	-	2,000	2,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	721,279	613,713	90,109	1,425,101
NET CHANGE IN CASH	5	-	-	5
CASH AT BEGINNING OF PERIOD	-	-	-	-

CASH AT END OF PERIOD	$ 5	$ -	$ -	$ 5

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AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

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

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

continued

	Year ended April 30, 2007	Year ended April 30, 2006	Inception (July 1, 2004) through April 30, 2005	Inception (July 1, 2004) through April 30, 2007
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	0	240,053
Total liabilities acquired	-	243,359	-	243,359
Net liabilities assumed	$ -	$ (243,359)	$ -	$ (243,359)
Change in Company's stockholders' equity	$ -	$ 24	$ -	$ 24

Preferred stock issued at par value				
Common stock issued at par value	-	59,973	-	59,973
Increase in additional paid-in capital resulting from difference in value of shares exchanged between GL Energy and American Southwest Music Distribution, Inc.	-	1,091,044	-	1,091,044
Increase in accumulated deficit resulting from difference in value of shares exchanged between GL Energy and American Southwest Music Distribution, Inc.	-	(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	$ 6,737
Common shares issued for services	$ 1,595,247	$ -	$ -	$ 1,595,247
Common stock issued at par	$ 310			$ 310
Additional paid-in capital	297,722			297,722
	298,032			298,032
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

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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 1 - NATURE OF BUSINESS / ORGANIZATION

Nature of Business

GL Energy and Exploration, Inc. (herein referred to as GL Energy 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 and 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.

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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 current year a provision for impairment in the value of certain of these older catalog items has been made.

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AMERICAN SOUTHWEST MUSIC DISTRIBUTION, INC.

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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:

Description	***Estimated useful life***
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.

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).

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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 remeasurement (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.

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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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 GOING CONCERN

As shown in the accompanying consolidated financial statements, the Company incurred recurring net losses totaling $8,815,650 as a development stage entity for the period from inception (July 1, 2004) through April 30, 2007. The Company has an accumulated deficit of $10,221,051 and a deficiency in working capital of $3,200,508 as of April 30, 2007. 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.

NOTE 4 INCOME TAXES

The Company incurred no federal income tax expense for the year ended April 30, 2007 , and for the period from inception (July 1, 2004) to April 30, 2007. The Company has net operating loss carryforwards available of $8,815,650 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
	$ 8,815,650

Deferred income taxes consist of the following:

Deferred tax assets	$ 2,997,321
Less: valuation allowance	2,997,321
	$ --

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 NOTES AND LOANS PAYABLE

Details regarding notes and loans payable follow below:

Stockholders and the entities owned by them:	**April 30, 2007**	**April 30, 2006**
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 April 30, 2007		
and 2006, respectively:		
Unsecured $49,009 note dated April 25, 2005 held by Byers and Associates, an entity	$ --	$ 49,009
owned by Donald Byers. The note was due and payable on February 28, 2006.		
The note accrued interest at a rate of 10% per annum, in the event of default, on the		

entire unpaid principal balance. The note included an amount equal to $10,916, which represents prior interest expense incurred added to the note balance. The principal balance plus accrued interest that was due on February 28, 2006 had not been paid and the note was in default. In December 2006 the principal balance of $49,009 plus $3,290 of accrued interest was converted into 61,013 shares of the Company s common stock. A loss on conversion of $6,274 was recorded on the transaction (See Note 12).		
Unsecured $16,592 note dated May 26, 2005 held by Byers and Associates, an entity owned by Donald Byers. The note was due and payable on February 28, 2006. The note accrued interest at a rate of 10% per annum. The principal balance plus accrued interest that was due on February 28, 2006 had not been paid and the note was in default. In December 2006 the principal balance of $16,592 plus $2,537 of accrued interest was converted into 24,597 shares of the Company s common stock. A loss on conversion of $4,484 was recorded on the transaction (See Note 12).	--	16,592
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	101,180

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 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	--
Unsecured $24,409 loan payable to Wellstar International, an entity owned by Don Byers. The loan was due on demand and accrues interest at 10% per annum. In December 2006 $24,409 of the principal balance plus $2,227 of accrued interest was converted into 28,717 shares of the Company s common stock. A loss on conversion of $932 was recorded on the transaction (See Note 12).	--	24,409

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NOTE 5 NOTES AND LOANS PAYABLE (CONTINUED)

Stockholders and the entities owned by them:	**April 30, 2007**	**April 30, 2006**
Unsecured $10,800 loan payable to Northern Business, an entity owned by Don Byers.		
The loan was due on demand and accrues interest at 10% per annum. In December 2006		
the principal balance of $10,800 plus $3,798 of accrued interest was converted into		
16,811 shares of the Company s common stock. A loss on conversion of $1,541 was		
recorded on the transaction (See Note 12).	$ --	$ 10,800
	48,500	**201,990**
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
Unsecured $8,221 loan payable to David Michery, the Company s Chief Executive Officer. The loan was non-interest bearing and due on demand.	--	8,221

Notes and loans payable, stockholders and the entities owned by them	**86,000**	**247,711**
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	422,917
$150,000 unrelated third party note dated September 20, 2006 held by Generation Leasing, LLC. The note was due and payable on December 31, 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.	150,000	--
$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	--

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 NOTES AND LOANS PAYABLE (CONTINUED)

Other unrelated third parties (continued)

	April 30, 2007	April 30, 2006
$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.	$ 150,000	$ 150,000
$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.	50,000	--
$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	38,000	38,000

continues to accrue 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	--
$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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 NOTES AND LOANS PAYABLE (CONTINUED)

Other unrelated third parties (continued)

		April 30, 2007		April 30, 2006
$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	$	--
$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		--
$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		44,500		--

defaulted note payable.				
$60,000 unrelated third party note dated March 27, 2007 held by Generation Leasing, LLC. The note is 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.		60,000		--
Unsecured $43,952 loan payable to Three Sisters Investment Corp. The loan was due on demand and accrued interest at 10% per annum. In December 2006 the principal balance of $43,952 plus $12,842 of accrued interest was converted into 65,184 shares of the Company s common stock. A loss on conversion of $5,782 was recorded on the transaction (See Note 12).		--		43,952
Notes and loans payable, others unrelated third parties		**1,447,500**		**689,869**
	$	**1,533,500**	**$**	**937,580**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 NOTES AND LOANS PAYABLE (CONTINUED)

Accounts payable and accrued expenses payable at April 30, 2007 and 2006 includes $13,965 and $9,390, respectively of accrued interest payable to Company stockholders and entities owned by them. Accounts payable and accrued expenses payable at April 30, 2007 and 2006 includes $144,319 and $51,212 of accrued interest payable to unrelated parties, respectively.

Interest expense incurred by the Company to Company stockholders and entities owned by them was $18,857 and $14,920 for the years ended April 30, 2007 and 2006, respectively, and $33,777 for the period from inception of the development stage (July 1, 2004) to April 30, 2007. Interest expense incurred by the Company to unrelated third parties was $161,294 and $63,697 for the years ended April 30, 2007 and 2006 respectively, and $224,991 for the period from inception of the development stage (July 1, 2004) to April 30, 2007.

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 will expire on October 31, 2007. The lease agreement requires minimum monthly payments of $1,685. Future minimum lease payments are as follows:

April 30, 2008 $10,110

Rent expense incurred by the Company was $23,581 and $10,106 for the years ended April 30, 2007 and 2006 respectively, and $64,039 for the period from inception of the development stage (July 1, 2004) to April 30, 2007.

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.

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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.

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NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

(C)

RELATED PARTY CONSULTING FEES AND SERVICES

The Company incurred related party consulting fees and services of $58,192 and $99,295 during the years ended April 30, 2007 and 2006, respectively, to David Michery, CEO of American Southwest.

The Company incurred related party consulting fees and services of $35,000 and $25,000 during the years ended April 30, 2007 and 2006, respectively, to Kent Puckett, CFO of American Southwest.

The Company incurred related party consulting fees and services of $0 and $42,500, respectively, to Marcus Sanders, former COO of American Southwest.

The Company incurred related party consulting fees and services of $26,500 and $32,000 during the years ended April 30, 2007 and 2006 to Robert Guillerman, former President of American Southwest.

The Company incurred related party consulting fees and services of $60,000 and $0 during the years ended April 30, 2007 and 2006 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 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 $590,000 during the third quarter of the year ended April 30, 2007 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 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 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 $768,846 related to this issuance, based on the trading price of Company shares on the issuance date.

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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 7 RELATED PARTY TRANSACTIONS (CONTINUED)

(C)

RELATED PARTY CONSULTING FEES AND SERVICES

Accordingly, related party consulting fees and services totaled $1,538,538 and $348,975, for the years ended April 30, 2007 and 2006, respectively. In addition, related party consulting fees and services totaled $1,887,513 for the period from inception of the development stage (July 1, 2004) to April 30, 2007. Related party consulting fees and services since inception of $1,887,513 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 April 30, 2007, the total amount reflected as liability for the legal settlement in the Balance Sheet is $1,292,083, 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 April 30, 2007, 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.

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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, sinc