

RADIO STARMAKER FUND



Thank you for your interest in the Radio Starmaker Fund.

This report reviews the Fund's activities for the year ended August 31st, 2003, and it was a sophomore year of which all those involved can be justifiably proud. In the following pages we outline how the Radio Starmaker Fund's money was allocated, and the results it generated.

In brief:

- The performance of the artists supported by the RSF this year demonstrates that the Fund achieved its goal of making a **significant, measurable difference in the careers of Canadian artists** on their way to becoming stars.
- The Radio Starmaker Fund is **fully subscribed**. We have been able to fund the initiatives that the board has deemed priorities, and at the same time we do not operate with significant surpluses. This indicates that although we continue to closely monitor both the number of applications and the allocations of the Fund, we have managed a consistent and appropriate balance between the two.
- The report outlines the ways in which this Fund strives to **reflect the changing realities of the constituents it serves**. By developing ongoing dialogue with our users, we adapt both our policies and our operating procedures to ensure that we are relevant, responsive, credible and easy to use.

RADIO STARMAKER FUND

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RADIO STARMAKER FUND



MESSAGE FROM EXECUTIVE CHAIR

RADIO STARMAKER FUND



As the Radio Starmaker Fund wraps its second full year of operation, this innovative funding initiative for Canadian recording artists continues to fill

an important role in the creation of Canadian musical stars.

This has been a challenging year for the recording industry. As music sales slide as a result of new technology, industry leaders are struggling to find ways to regain the industry's equilibrium, but the solutions will be neither fast, or easy. In this context, it is even more important that the Fund's policies and procedures are continually evaluated to

ensure they reflect our core values: we strive to be reflective of the needs of the industry we serve, we are responsive to change and we are user friendly. Of course, we also ensure that the Fund can sustain the highest level of scrutiny in its procedures and grant allocations.

This year, we are proud of the work we have accomplished, and believe that we continue to perform in the spirit of our core values. Our mandate...to provide first and foremost marketing, promotion and tour enhancement support driven by the needs of artists, and secondarily, to support the Canadian independent recording infrastructure...has been manifested in grants to 35 artists, from coast to coast, in all genres of music. These grants represent an infusion into the Canadian music industry of \$2,471,178.

Furthermore, we have awarded additional funds, primarily for music associations, equal to \$178,122.

We realize that in difficult times, a programme such as the Radio Starmaker Fund can truly make the difference in establishing a successful career. Both the Board of Directors and the staff of the RSF take this responsibility very seriously, and are committed to doing our part to build the Canadian music industry.

Chuck McCoy
Executive Chair, Radio Starmaker Fund

BOARD OF DIRECTORS

For the period from September 1st, 2002 to August 31st, 2003, the Radio Starmaker Fund board of directors was comprised of:

CHAIR

Chuck McCoy

Vice President and General Manager
Rogers Broadcasting Limited

VICE-CHAIR

Alexander Mair

President
MHL Communications

TREASURER

Lisa Zbitnew

President
BMG Music Canada

SECRETARY

Lyle (Chip) Sutherland

Barrister and Solicitor
Patterson, Palmer, Hunt and Murphy

DIRECTOR

Eric Samuels

Sr. VP Programming
Standard Radio Inc.

DIRECTOR

Lloyd Nishimura

President
Outside Music Distribution

DIRECTOR

Dean Sinclair

General Manager
CORUS Entertainment Inc.

DIRECTOR

Rob Farina

Programme Director
CHUM Limited

DIRECTOR

Sander Shalinsky

Barrister and Solicitor
Sheppard Shalinsky Brown

DIRECTOR

Jian Ghomeshi

President
Wonderboy Entertainment

STAFF:

EXECUTIVE DIRECTOR

Catharine Saxberg

PROGRAMME ADMINISTRATOR

Rachel Oldfield

MANDATE

The mandate of the Radio Starmaker Fund is twofold: first, to make a substantial and discernable difference to the careers of the Canadian artists who benefit from it and second, to support the Canadian independent recording infrastructure. Created as a part of the Canadian Radio – television and Telecommunications Commission's Radio Policy Review of 1998, the Radio Starmaker Fund has completed its second full year of operation.

NB: French language artists are supported by the Fonds RadioStar.

2002 - 2003 HIGHLIGHTS

- Committed \$2,649,300 to 35 Canadian artists
- RSF is currently capitalized for \$28 million, and could operate until 2010
- Formalised our benchmarks for success and monitoring of same through new subscriptions to SoundScan and BDS
- Created a new policy for travel bursaries to support industry associations (tracked as "miscellaneous funding")
- Expanded communication efforts of the Fund to key stakeholders, including a broader range of potential applicants
- Ongoing operation of the Fund continues to run smoothly, and procedures have become increasingly streamlined
- Ongoing improvements to our on-line application process
- Ongoing review of application criteria to ensure that they reflect the current climate of the recording industry

FUNDING ACTIVITIES

RADIO STARMAKER FUND



APPLICATION EVALUATION AND SUCCESS CRITERIA

RADIO STARMAKER FUND

Applications to the Radio Starmaker Fund are evaluated based on four major criteria:

- The track record of the artist
- The amount of money invested by the applicant and his/her agents
- The quality of the marketing plan, both the proposed RSF portion, and the portion to which the applicant has committed through their significant investment
- The amount of money the Radio Starmaker Fund has available for the round

For Fiscal 2003, the Radio Starmaker Fund supported established artists, such as the Canadian Brass, 5440, Sloan and Treble Charger, and newcomers, such as Kathleen Edwards, Shawn Desman and Denzal Sinclair. We funded artists who have become core artists on private radio station playlists, such as Remy Shand, Sam Roberts and Sum 41, and artists who have built loyal audiences in niche formats, such as Bet.e and Stef, Jeszcze Raz, Glamour Puss and the Corb Lund Band. RSF artists for this year made contributions in the worlds of rock, pop, classical, folk, jazz, urban, blues and world music, and represent every region of the country. 71% of our artists last year were signed to independent Canadian record labels.

In order to qualify for the Radio Starmaker Fund, artists need to reach prescribed sales levels by genre, and demonstrate a financial commitment to the marketing of their recorded project, known as the "Significant Investment". (Please see appendix for details of application criteria.)

We monitor the progress of our funded artists and have an ongoing assessment of their success (and, by extension, the success of the Radio Starmaker Fund), by evaluating the artists' impact in six key areas:

- Sales
- Radio and Video Airplay
- Touring Endeavours
- International Success
- Domestic Profile
- Ongoing Artist Development

APPLICATIONS SUBMITTED VS. APPLICATIONS APPROVED 2002–2003

	# OF QUALIFYING APPLICATIONS SUBMITTED	# OF APPLICATIONS APPROVED	%
TOTAL FISCAL YEAR 2002-2003	48	41	85.42%

GRANT ALLOCATION BY TYPE OF RECORD LABEL 2002–2003

RADIO STARMAKER FUND

	MAJOR LABELS	INDIE LABELS	QUASI-INDIE LABELS	MISC. FUNDING	TOTAL
TOTAL APPROVED FUNDING FOR FISCAL YEAR	\$761,351.20	\$1,637,327.03	\$72,500.00	\$178,121.56	\$2,649,299.79
% OF TOTAL APPROVED FUNDING	28.74%	61.80%	2.74%	6.72%	100%

ARTIST PROFILE: KATHLEEN EDWARDS

This has been an incredible year for Kathleen, following the international acclaim (and sales success) for her cd, *Failer*. *Failer* took off first outside of Canada, and Kathleen was named as one of Rolling Stone's "Ten to Watch". This gave us some great momentum for building a Canadian fan base. Our key performance dates for launching Kathleen in Canada were booked for clubs in Halifax, Montreal, Ottawa and Vancouver, and the Radio Starmaker Fund supported those dates with tactical print and radio advertising. Furthermore, the RSF grant allowed us to enhance the shows with additional musicians, a lighting designer and a guitar technician, all of whom contributed significantly to the quality of the experience for the fans.

All four shows sold close to capacity, and created immediate spikes in cd sales in each of those markets... spikes beyond our initial estimates. The resulting media response was as glowing as our international coverage, and the success of these shows provided a springboard for elevating Kathleen's Canadian profile. These four dates represented a pivotal point in the development of a truly original Canadian star, and the Radio Starmaker Fund's support made a real difference.

"A COUNTRY ROCKER YOU NEED TO HEAR....FAILER IS A WINNER."
ROLLING STONE, JANUARY 23RD, 2003

PATRICK SAMBROOK, EGGPLANT ENTERTAINMENT

Kathleen Edwards' album has been nominated for the prestigious American based Shortlist Music Prize, and she was nominated for 2 awards at the Americana Music Association Awards. In addition, she has been nominated for a JUNO and a CCMA award. *Failer* (MapleMusic) has sold 100,000 units in the United States. Kathleen opened for Bob Dylan in July 2003 and will be touring the western United States in fall 2003, opening for acclaimed acts Nickel Creek and Guster. She has appeared on David Letterman, and was thrilled to be on the lineup for SARStock, the largest concert in Canadian history.



GRANT ALLOCATION BY PROVINCE 2002–2003

PROVINCE	TOTALS	PERCENTAGE	NUMBER OF APPLICATIONS	NUMBER OF ARTISTS
ONTARIO	\$1,087,368.88	41.04%	24	13
NEWFOUNDLAND	\$0.00	0.00%	0	0
NOVA SCOTIA	\$200,819.01	7.58%	4	2
P.E.I.	\$35,000.00	1.32%	1	0
NEW BRUNSWICK	\$48,850.00	1.85%	1	1
QUEBEC	\$239,735.00	9.05%	6	5
MANITOBA	\$46,000.00	1.74%	2	1
SASKATCHEWAN	\$15,000.00	0.57%	1	0
ALBERTA	\$100,015.00	3.77%	2	2
BRITISH COLUMBIA	\$876,511.90	33.08%	14	11
NUNAVUT	\$0.00	0.00%	0	0
N.W.T.	\$0.00	0.00%	0	0
YUKON	\$0.00	0.00%	0	0
TOTAL	\$2,649,299.79	100.00%	55*	35

*NUMBER OF APPLICATIONS FOR FISCAL YEAR INCLUDES 14 MISCELLANEOUS APPLICATIONS

Shawn Desman won two Urban X-Posure awards and an MMVA this year, along with two Juno nominations, and his debut album will achieve platinum status in Canada in the coming months. Currently, Shawn's debut album is charting well in a number of countries, including Australia and Germany. His international profile was heightened further this year by his duet performance with Latin superstar Alexandre Pires, and an aggressive international marketing strategy will go hand in hand with the release of his next album, to be released in early 2004.

ARTIST PROFILE: SHAWN DESMAN

Over the past year, multi-talented Shawn Desman has established himself as one of Canada's most successful, current pop music artists. Our priority this year was to get Shawn in front of the fans, through a successful tour in the early part of the year, a major presence at the Junos and promotional touring. The live appearances were supported by extensive radio and television advertising, and contests closely targeted to Shawn's key demographics. The Radio Starmaker Fund supported these marketing efforts in two rounds of funding this year, which in turn translated into sales of Shawn's debut cd as of the end of the RSF's fiscal of 72,391. In addition, the advertising supported the live dates, and we were very pleased with the ticket sales for his tour, selling 85% of the available seats.

Shawn's live show is unique in part because of the richness and energy of the visual presentation. The Radio Starmaker Fund allowed us to enhance Shawn's live show by providing the

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funds for additional dancers and lights, creating an audience experience in keeping with a major urban artist. Also, as part of our Round #6 application, we received funding for an innovative SMS marketing campaign that allowed us an important one on one connection with our core fans.

CAMARA ALFORD,
UOMO LL



GRANT ALLOCATION BY GENRE 2002–2003

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GENRE	TOTALS	%	NUMBER OF APPLICATIONS	NUMBER OF ARTISTS
POP	\$476,000.00	17.97%	10	5
ROCK	\$1,269,940.00	47.93%	18	12
URBAN	\$116,057.90	4.38%	2	1
AC	\$0.00	0.00%	0	0
COUNTRY	\$41,500.00	1.57%	2	1
FOLK	\$196,992.00	7.43%	7	6
WORLD	\$69,630.00	2.63%	2	2
BLUES	\$48,850.00	1.84%	1	1
CLASSICAL	\$132,516.20	5.00%	4	4
JAZZ	\$133,692.13	5.05%	3	3
MISC.	\$164,121.56	6.20%	6	0
TOTAL	\$2,649,299.79	100%	55*	35

ARTIST PROFILE: BET.E AND STEF



As of the end of August, we have scanned 68,106 units for Day by Day. We anticipate ending around 90,000, since even after more than 40 weeks on the chart we are still scanning between 700 and 900 units per week. As far as the band's breakthrough out-

side of Quebec, we scanned just over 10,000 units, or approximately 15% of our sales. The main goal was to build on our Quebec audience by 50%, which we did.

Our advertising campaigns in Quebec that we ran with Radio Starmaker money definitely expanded the audience age demographic. Our print, tv and radio campaigns in English Canada were designed to introduce the audience to a brand new group. The advertising, coupled with regional contests in new tour markets for the band helped them build a large profile.

Bet.e and Stef would not have been able to present the full band show in English Canada had it not been for the tour enhancement funding from the RSF. Without RSF tour enhancement, Bet.e and Stef would have performed as a duo only, which would have resulted in a completely different tour that would have only played to club audiences instead of full theatres.

SCOTT MORIN,
VERVE ENTERTAINMENT GROUP

AWARDS WON BY RADIO STARMAKER FUND ARTISTS

RADIO STARMAKER FUND

BELOW ARE SOME OF THE AWARDS WON THIS FISCAL BY ARTISTS SUPPORTED BY THE RSF. MANY OF THOSE BELOW, AND OTHER RSF ARTISTS, WERE RECOGNIZED WITH AWARDS NOMINATIONS:

2003 JUNO AWARDS

GROUP OF THE YEAR

SUM 41

INSTRUMENTAL ALBUM OF THE YEAR

ALLEGRO, ROBERT MICHAELS

NEW GROUP OF THE YEAR

THEORY OF A DEADMAN

RAP RECORDING OF THE YEAR

MONSTERS IN THE CLOSET, SWOLLEN MEMBERS

R&B / SOUL RECORDING OF THE YEAR

THE WAY I FEEL, REMY SHAND

WORLD MUSIC ALBUM

BALAGANE, JESZCZE RAZ

2002 CANADIAN COUNTRY MUSIC AWARDS

ROOTS ARTIST OR GROUP OF THE YEAR

JIMMY RANKIN

2003 EAST COAST MUSIC AWARDS

SOCAN SONGWRITER OF THE YEAR

JIMMY RANKIN

ROOTS / TRADITIONAL SOLO ARTIST

TERRY KELLY

SINGLE OF THE YEAR

HERE, CRUSH

CANADIAN INDEPENDENT MUSIC AWARDS

MAJOR INDIE ALBUM OF THE YEAR

COBBLESTONE RUNWAY, RON SEXSMITH

CANADIAN RADIO MUSIC AWARDS

BEST NEW GROUP (ROCK)

THEORY OF A DEADMAN

BEST NEW GROUP /ARTIST (CHR)

CRUSH

BEST NEW GROUP OR SOLO ARTIST (DANCE, URBAN, RHYTHMIC)

REMY SHAND

FACTOR BREAKTHROUGH AWARD

SAM ROBERTS

URBAN MUSIC ASSOCIATION OF CANADA AWARDS

BEST JAZZ RECORDING

ANOTHER DAY, MOLLY JOHNSON

BEST HIP HOP/ RAP ALBUM

RELOADED, RASCALZ

BEST R&B / SOUL ALBUM

GET READY, SHAWN DESMAN

BEST NEW ARTIST ALBUM

SHAWN DESMAN

ARTIST PROFILE: DENZAL SINCLAIRE



As of this writing Denzal's new album has sold over 8,000 copies. His last album has sold 4,500, so we are already well over his last release. Much of the success of this new release is due to the opening slot on Holly Cole's Canadian tour this summer. Playing to full houses every night and getting his music out to Holly's audience was instrumental in launching the new album. The Radio Starmaker Fund opening act tour subsidy helped Denzal hire better sidemen to accompany him on tour, and as a result, greatly improved the overall presentation. Denzal's fee for opening for Holly Cole was modest, so this subsidy helped him break even.

In regards to the rest of the RSF grant, we will be running marketing activities that will include posterage, TV advertising, advertisements and contests on news radio stations, and print ads to support his fall performances. All of the activities supported by the Radio Starmaker Fund, will be supplemented by our own marketing funds and co-op dollars.

SCOTT MORIN,
VERVE ENTERTAINMENT GROUP

RADIO STARMAKER FUND ARTIST SALES CERTIFICATIONS (AS CERTIFIED BY CRIA)

RADIO STARMAKER FUND

SEPTEMBER 2002

REMY SHAND THE WAY I FEEL
SWOLLEN MEMBERS BAD DREAMS

OCTOBER 2002

SWOLLEN MEMBERS MONSTERS IN THE CLOSET

NOVEMBER 2002

THEORY OF A DEADMAN THEORY OF A DEADMAN

DECEMBER 2002

SUM 41 DOES THIS LOOK INFECTED?
BET.E AND STEF DAY BY DAY
WIDE MOUTH MASON WHERE I STARTED

FEBRUARY 2003

SHAWN DESMAN SHAWN DESMAN

APRIL 2003

SAM ROBERTS INHUMAN CONDITION
SUM 41 HALF HOUR OF POWER

MAY 2003

BIF NAKED PURGE
SHAWN DESMAN SHOOK (SINGLE)
SAM ROBERTS
WHERE HAVE ALL THE GOOD PEOPLE GONE? (SINGLE)

AUGUST 2003

SAM ROBERTS WE WERE BORN IN A FLAME

GOLD

PLATINUM

ARTIST PROFILE: SUM 41

Starmaker funding has been and remains crucial as a key element in the ongoing success of Sum 41... a band signed to an independent label in Canada (and a multinational in every territory). In every case that we have applied for and received funding from Starmaker and executed marketing initiatives, we have seen positive results.

For example, Sum 41's first full length album, "All Killer No Filler" (almost triple platinum in Canada with over 3 million worldwide), catapulted the band into the "Rockstar" domain, which came complete with a performance on Saturday Night Live, Jay Leno and Conan O'Brien, and a spot on MTV's 20th Anniversary Special. The band's latest release, "Does This Look Infected?", showed no mercy as a follow up, with the band playing David Letterman, Craig Kilborn and MTV's ICON: Metallica show this past spring.



Sum 41 has toured Canada relentlessly, as well as the United States, Australia, Japan, the UK and Europe. They've got the hardware to back up the hype: 2003 Juno for "Best Canadian Group" as well as the 2002 Much Music Award for "Favourite Canadian Group". "Does This Look Infected?" is closing in on being certified double platinum in Canada and shows no signs of slowing down, with the band touring Canada this fall.

Starmaker is effective for us because we keep our marketing initiatives that are

financed by the fund as realistic and as accurate as possible. The Starmaker money on the latest Sum 41 album also helped us leverage our position at retail, radio and Muchmusic. Every song that we have released to radio from the latest album has gotten added to Rock radio station playlists across the board, the last going Top 10 at Rock radio, the newest added into rotation in every market in Canada within the first two weeks of release. Sum 41 is in core rotation in all key media, where we have also taken advantage of promotional opportunities and expanded upon them with the help of Starmaker funding.

"Does This Look Infected?" was released in November 26, 2002, and we are three singles deep in the life of the record. The album is still consistently SoundScanning over 1,000 units a week and is poised to continue to sell into the fall despite the marketplace being soft overall.

LENNY LEVINE,

EXECUTIVE VICE PRESIDENT, AQUARIUS RECORDS

RSF ARTIST RADIO AIRPLAY SEPTEMBER 1, 2002–AUGUST 31, 2003

RADIO STARMAKER FUND

SONG	ARTIST	AUD(00)	DETECTS
ANIMAL IN PAIN	54-40	70465	1014
TAKE ME OUT	54-40	1004	3
LEAVING	CRUSH	51538	720
AFTER ALL	DELERIUM	213249	2365
GIVE UP THE GRUDGE	GOB	516605	5391
OH! ELLIN	GOB	80089	1237
LOSING MY FACE	HOLLY MCNARLAND	89918	1886
WHEN WILL YOUR MEMORY LET ME GO	JOHN LANDRY	322616	4978
SIX O'CLOCK NEWS	KATHLEEN EDWARDS	48589	581
ONE MORE SONG THE RADIO WON'T LIKE	KATHLEEN EDWARDS	1392	15
STANDING ALL ALONE	NOT BY CHOICE	184512	1682
NOW THAT YOU ARE LEAVING	NOT BY CHOICE	141626	1452
THE WAY I FEEL	REMY SHAND	734425	6809
DON'T WALK AWAY EILEEN	SAM ROBERTS	886736	9974
WHERE HAVE ALL THE GOOD PEOPLE GONE	SAM ROBERTS	1120307	11163
SHOOK	SHAWN DESMAN	959628	9168
SPREAD MY WINGS	SHAWN DESMAN	1085601	10968
RIGHT ON	SHOCORE	53779	688
THE REST OF MY LIFE	SLOAN	429684	5263
STILL WAITING	SUM 41	783239	7744
STEPPIN THRU	SWOLLEN MEMBERS	128239	2657
BREATH	SWOLLEN MEMBERS	567405	6871
NOTHING COULD COME BETWEEN US	THEORY OF A DEADMAN	851774	9861
MAKE UP YOUR MIND	THEORY OF A DEADMAN	1941924	21814
POINT TO PROVE	THEORY OF A DEADMAN	147897	2342
DON'T BELIEVE IT ALL	TREBLE CHARGER	1058610	11958
THAT'S HOW IT FEELS	WAVE	882361	11422
DON'T SAY SARAH	WAVE	1324056	11758

SOURCE: BROADCAST DATA SERVICES TOTAL SPINS – ALL FORMATS



RADIO STARMAKER FUND

CHANGES IN POLICY 2002–2003

To ensure that the Radio Starmaker Fund is always relevant and effective, its policies and procedures are evaluated continually. Both the recording industry, and the music industry as a whole, are in the midst of a period of change that is broadreaching and dramatic. As a result, there were a number of noteworthy changes in RSF policy for 2002–2003 that reflect the changing realities of the music industry.

- Sales criteria were lowered for pop/rock/AC/hip hop and world music to reflect the impact on sales caused by downloading
- Artists who create music in the electronica/drum and bass genre are now eligible for funding, under the same sales and investment criteria as country and folk music
- \$178,122 was granted to music industry associations, to be distributed to independent artists to cover the costs of travel to music conventions and awards shows
- Many independent labels are developing innovative structures in response to changing market conditions, which have required ongoing development of the RSF's definitions of what constitutes major and independent record labels. To this end, we track applications from "quasi-indies", that is, applications on behalf of artists who own their own masters but license to major labels. Furthermore, the RSF is receiving applications from independent labels with major label investment and is reviewing these on a case by case basis, in the context of the RSF's guidelines approved by the CRTG.

ALLOCATION OF FUNDING BY CATEGORY 2002–2003

CATEGORY	TOTAL APPROVED FUNDING	% OF TOTAL APPROVED FUNDING BY CATEGORY
PRINT ADVERTISING	261,346.03	9.87%
RADIO ADVERTISING	487,241.20	18.39%
T.V. ADVERTISING	662,307.00	25.00%
SHOWCASING	41,100.00	1.55%
INDEPENDENT PROMOTIONS	73,685.00	2.78%
INDEPENDENT PUBLICITY	97,252.00	3.67%
CONTESTS	115,880.00	4.37%
POSTERING	175,205.00	6.61%
PROMO TOUR	62,000.00	2.34%
TV AWARDS SHOWS	1,000.00	0.04%
TV SHOW APPEARANCES	18,500.00	0.70%
WEB INITIATIVES	80,000.00	3.02%
ADDITIONAL MUSICIANS	45,015.00	1.70%
TOUR PRODUCTION	156,950.00	5.93%
ADDITIONAL TECHNICAL CREW	100,432.00	3.79%
REHEARSAL SPACE RENTAL	16,320.00	.62%
TOUR BUS	69,445.00	2.62%
OPENING ACT TOUR SUBSIDY	7,500.00	0.28%
MISCELLANEOUS FUNDING	178,121.56	6.72%
TOTAL	2,649,299.79	100.00%

LOOKING AHEAD TO 2004

The Radio Starmaker Fund finishes 2002–2003 well positioned to continue its artist centered efforts to create Canadian stars and support the Canadian music industry.

For the next fiscal, we have identified the following priorities:

- Ongoing outreach to current and potential recipients of the Fund, to encourage applications from all genres and regions. As an initiative of Canada's private radio broadcasters and accountable to the CRTC, the RSF should in turn demonstrate that it recognizes the importance of reflecting the diversity of Canadian music. To that end, the board will be reviewing policies such as the development of criteria for urban music, making it more reflective of that genre's current realities, and the development of a category for artists of aboriginal descent.
- Proactively developing policies to reflect the increasingly challenging realities of the music industry, particularly the Canadian music industry. For example, as we recognize the difficulty for recording artists to make a living solely in Canada, the board will consider expanding its initiatives to include international touring. Furthermore, we will look for new, innovative ways to support the Canadian music infrastructure.
- Continue to monitor the effectiveness of our programme with the most sophisticated data available. In order to maintain the confidence of our funders and regulators, and to once again ensure that we are achieving our goals, the RSF will embark on a thorough artist audit process in the new year.

RADIO STARMAKER FUND



FINANCIAL RESULTS

RADIO STARMAKER FUND



CONDENSED FINANCIAL STATEMENTS

RADIO STARMAKER FUND

FUNDING SOURCE

Revenue for the Radio Starmaker Fund (and its French counterpart, Fonds RadioStar) comes from contributions by Canada's private radio broadcasters based on a percentage of the value of radio license sales transactions. As required by the CRTC, 3% of the value of these transactions supports the Radio Starmaker Fund and Fonds RadioStar; 80% of the 3% of English language transactions as well as 20% of the 3% of French language transactions go to the RSF.

The revenue is collected by the Canadian Association of Broadcasters and paid to the RSF twice yearly. In 2002-2003, the CAB contributed \$5,280,258.81 to the Radio Starmaker Fund.

COMMITMENTS AND DISBURSEMENTS

It is not uncommon for RSF grants to span more than one fiscal year; this reflects the way in which our recipients market their products. The Radio Starmaker Fund committed \$2,649,299.79 in 2002-2003, (compared to \$2,455,013.01 for the previous fiscal) and disbursed \$1,571,574.52, compared to the previous year's disbursements of \$1,002,966.68.

In some cases, applicants choose to not use all of their approved funding. There are a number of possible reasons for this, for example, a project may not be meeting expectations, funding conflicts with other funding organizations may arise, or an applicant may decide to move on to a new release. In 2002-2003, the unused funding reallocated back into the Fund for future disbursement was \$415,045.93.

ADMINISTRATION

In 2002-2003, the Radio Starmaker Fund had an operating budget of \$475,000, of which \$33,165.82 was surplus and set aside to offset the costs of winding up the Fund upon completion.

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF RADIO STARMAKER FUND

RADIO STARMAKER FUND

The accompanying condensed statement of financial position and statement of operations and changes in fund balances are derived from the complete financial statements of Radio Starmaker Fund as at August 31, 2003 and for the year then ended on which we have expressed an opinion without reservation in our report dated November 11, 2003. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These condensed financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the entity's financial position and results of operations, reference should be made to the related complete financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants
Toronto, Ontario
November 11, 2003

CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2003

RADIO STARMAKER FUND

2003	ADMINISTRATION FUND	CAPITAL ASSET FUND	GRANT FUND	TOTAL
ASSETS	\$	\$	\$	\$
CURRENT ASSETS				
CASH	351,034	-	2,874,011	3,225,045
SHORT-TERM INVESTMENTS	-	-	2,020,078	2,020,078
ACCOUNTS RECEIVABLE	-	-	270	270
PREPAID EXPENSES	7,137	-	-	7,137
	358,171	-	4,894,359	5,252,530
CAPITAL ASSETS NET	-	14,069	-	14,069
	358,171	14,069	4,894,359	5,266,599
LIABILITIES				
CURRENT LIABILITIES				
GRANT LIABILITY	-	-	2,114,726	2,114,726
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	10,143	-	-	10,143
	10,143	-	2,114,726	2,124,869
FUND BALANCES				
INVESTED IN CAPITAL ASSETS	-	14,069	-	14,069
RESTRICTED	-	-	2,779,633	2,779,633
UNRESTRICTED	348,028	-	-	348,028
	348,028	14,069	2,779,633	3,141,730
	358,171	14,069	4,894,359	5,266,599

COMMITMENTS AND CONTINGENCIES (NOTE 2)

CONDENSED STATEMENT OF FINANCIAL POSITION... CONTINUED

AS AT AUGUST 31, 2003

RADIO STARMAKER FUND

2002	ADMINISTRATION FUND	CAPITAL ASSET FUND	GRANT FUND	TOTAL
ASSETS	\$	\$	\$	\$
CURRENT ASSETS				
CASH	134,802	-	1,811,710	1,946,512
PREPAID EXPENSES	6,060	-	-	6,060
	140,862	-	1,811,710	1,952,572
CAPITAL ASSETS NET	-	14,881	-	14,881
	140,862	14,881	1,811,710	1,967,453
LIABILITIES				
CURRENT LIABILITIES				
GRANT LIABILITY	-	-	1,452,046	1,452,046
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	33,933	-	-	33,933
	33,933	-	1,452,046	1,485,979
FUND BALANCES				
INVESTED IN CAPITAL ASSETS	-	14,881	-	14,881
RESTRICTED	-	-	359,664	359,664
UNRESTRICTED	106,929	-	-	106,929
	106,929	14,881	359,664	481,474
	140,862	14,881	1,811,710	1,967,453

CONDENSED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED AUGUST 31, 2003

ADMINISTRATION FUND

RADIO STARMAKER FUND

	2003	2002
REVENUES	\$	\$
CONTRIBUTIONS	-	3,528
INTEREST	4,502	2,995
	<hr/>	<hr/>
	4,502	6,523
	<hr/>	<hr/>
EXPENSES		
SALARIES AND BENEFITS	134,968	152,313
PROFESSIONAL FEES	97,970	93,697
OTHER OPERATING EXPENSES	202,102	230,526
	<hr/>	<hr/>
	435,040	476,536
	<hr/>	<hr/>
DEFICIENCY OF REVENUES OVER EXPENSES	(430,538)	(470,013)
FUND BALANCE - BEGINNING OF YEAR	106,929	105,987
INTERFUND TRANSFERS	671,637	470,955
	<hr/>	<hr/>
FUND BALANCE - END OF YEAR	348,028	106,929
	<hr/>	<hr/>

CONDENSED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES... CONTINUED

FOR THE YEAR ENDED AUGUST 31, 2003

RADIO STARMAKER FUND

RESTRICTED FUNDS 2003

	CAPITAL ASSET FUND	GRANT FUND	TOTAL
REVENUES	\$	\$	\$
CONTRIBUTIONS	–	5,281,759	5,281,759
INTEREST	–	51,340	51,340
	–	5,333,099	5,333,099
EXPENSES AND LOSSES			
GRANTS, NET OF EXPIRING AMOUNTS	–	2,234,255	2,234,255
AMORTIZATION AND OTHER	7,606	444	8,050
	7,606	2,234,699	2,242,305
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(7,606)	3,098,400	3,090,794
FUND BALANCES – BEGINNING OF YEAR	14,881	359,664	374,545
INTERFUND TRANSFERS	6,794	(678,431)	(671,637)
FUND BALANCES – END OF YEAR	14,069	2,779,633	2,793,702

CONDENSED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES... CONTINUED

FOR THE YEAR ENDED AUGUST 31, 2003

RESTRICTED FUNDS 2002

	CAPITAL ASSET FUND	GRANT FUND	TOTAL
REVENUES	\$	\$	\$
CONTRIBUTIONS	–	3,285,254	3,285,254
INTEREST	–	19,587	19,587
	–	3,304,841	3,304,841
EXPENSES			
GRANTS	–	2,455,013	2,455,013
AMORTIZATION	5,152	–	5,152
	5,152	2,455,013	2,460,165
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(5,152)	849,828	844,676
FUND BALANCES – BEGINNING OF YEAR	800	24	824
INTERFUND TRANSFERS	19,233	(490,188)	(470,955)
FUND BALANCES – END OF YEAR	14,881	359,664	374,545

RADIO STARMAKER FUND

NOTES TO CONDENSED FINANCIAL STATEMENTS

AUGUST 31, 2003

RADIO STARMAKER FUND

1 Financial statement presentation

Complete financial statements are available on request from Radio Starmaker Fund.

2 Commitments and contingencies

The Fund is committed under operating leases for the rental of office space and office equipment extending to 2007. Future minimum payments are as follows:

For the years ending August 31	\$
2004	47,228
2005	4,016
2006	4,016
Thereafter	2,677
	<u>57,937</u>

There is an outstanding issue as to whether the Fund should be registered with the Canada Customs and Revenue Agency (CCRA) for purposes of collecting and remitting GST. The initial position of the CCRA was that the Fund was exempt from registration; however, the board of directors has decided to obtain a formal ruling to finally determine the ruling on this question. Tax counsel has been retained and is currently seeking the ruling. It is anticipated that an answer will be forthcoming prior to August 31, 2004. These financial statements do not reflect any GST related assets or liabilities, which could arise if there is a change in the Fund's GST status.

APPENDIX CRITERIA FOR QUALIFYING

- Artist is a Canadian citizen or landed immigrant
- Recorded masters have to be owned by a Canadian company
- Our sales and investment requirements by genre must be met (see below)
- Royalty revenue has to flow through a Canadian company

RADIO STARMAKER FUND

SALES CRITERIA	INVESTMENT CRITERIA
POP/ROCK/AC/HIP HOP 15,000 UNITS MAJOR LABELS 10,000 UNITS INDIE LABELS	POP/ROCK/AC/HIP HOP \$75,000 MAJOR LABELS \$25,000 INDIE LABELS
COUNTRY 7,500 UNITS MAJOR LABELS 5,000 UNITS INDIE LABELS	COUNTRY \$20,000 MAJOR LABELS \$10,000 INDIE LABELS
ELECTRONICA/DRUM AND BASS 7,500 UNITS MAJOR LABELS 5,000 UNITS INDIE LABELS	ELECTRONICA/DRUM AND BASS \$20,000 MAJOR LABELS \$10,000 INDIE LABELS
FOLK 7,500 UNITS MAJOR LABELS 5,000 UNITS INDIE LABELS	FOLK \$20,000 MAJOR LABELS \$10,000 INDIE LABELS
WORLD MUSIC/JAZZ/CLASSICAL/BLUES 3,500 UNITS MAJOR AND INDIE LABELS	WORLD MUSIC/JAZZ/CLASSICAL/BLUES \$20,000 MAJOR LABELS \$10,000 INDIE LABELS

