



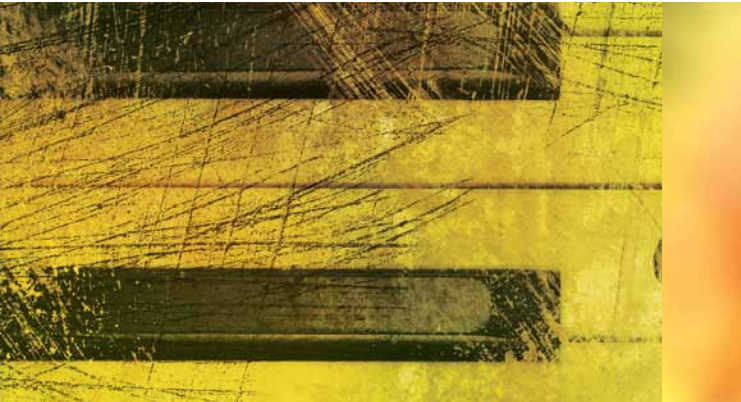
fonds|radio|star

Ten years supporting homegrown talent



2010-2011 annual report

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Thanks to private broadcasters,
in 2010-2011 FONDS RADIOSTAR has:

Accompanied **56** projects
from different **49** artists;

Financially contributed to development of said
artists careers to the amount of **\$1,813,942**;

Supported **38** Canadian businesses
in their marketing efforts.



Board of directors, fund management and radio partners

The Board of Directors is made up of 10 voting members and two observers. They consist of four broadcaster representatives appointed by The Canadian Association of Broadcasters (CAB), four industry representatives appointed by ADISQ and two individuals with knowledge of the Canadian recording industry. We are proud to underline the nomination of a woman, Mrs. Lilianne Randal, as president of the organization.

BOARD OF DIRECTORS

President	Lilianne Randall	Music Director, Réseau Rythme FM Cogeco
Vice-president	Luc Piette	Vice-President, EDC Musique
Treasurer	François Bissoondoyal	Recordings Director, Spectra Musique
Secretary	Geneviève Moreau	Music Director, Réseau NRJ Astral Media Radio
Director	Raymond Du Berger	President, Disques Artic
Director	David Dufresne	President, Bandzoogle
Director	Richard Lachance	Vice-President Radio, Cogeco
Director	Sylvain Langlois	President, PineMedia
Director	Stéphanie Moffatt	President, Mo'fat Management
Observer	Solange Drouin	Vice-Presidente of Public Affairs and General Manager ADISQ
Observer	Pierre-Louis Smith	Consultant Media Regulations

FUND MANAGEMENT

Executive Management	Louise Chenail
Coordinator	Jacinte Roy
Controller	Nicole Rouabah
External Auditor	Monique Beaulieu, CGA

PARTNERS

Andy McNabb
Astral Media Radio
Bell Media
Blackburn Group
Canadian Satellite Radio (XM)
Cogeco Diffusion
Corus Entertainment
Evanov Communications
Golden West Broadcasting
Harvard Broadcasting
Jim Pattison Group
Larche Communications
Muskoka-Perry Sound Broadcasting
My Broadcasting Corporation
MZ Media
Newcap
Northern Lights Entertainment
Northwoods Broadcasting
R.B. Communications
Radio Sept-Îles
RNC Media
Rogers Broadcasting
Sonème
Strive Communications
Vista Broadcast Group
Westman Communications Group



On August 13 of this year, the 2010-2011 Fonds RadioStar Fund highlighted 10 years of support towards the promotion and marketing of francophone vocal music albums in Canada. While remaining faithful to its original mission, the support of developing artists, The Fund surely has, this past decade, showed its capacity for adaptation towards the new realities of the recording market.

Indeed, this first slice of the 21st century has brought many challenges to all of the industry, considerably modified its business practices and imposed a growing worldwide competition as a direct consequence of this digital world. Facing this new economy, sound recording in Canada must adapt and follow the rhythm of this evolving world in order to maintain its relevance, its competitiveness and its creativity that have been the key elements of its success so far.

This new reality especially confirms the essential role that Fonds RadioStar plays towards the development of new artists, but also in support of pioneering strategies, outside of the box, that allowed record labels to better promote talent and encourage the career development of numerous artists. This year more specifically, the Fonds has supported the marketing projects of 56 artists, that is 100% of the submitted projects for a total involvement of \$1,813,942.

Also, for the first time this year and clearly underlining the digital turn taken by Canadian businesses, some 12% of the allocated sums were spent on web promotion. If we add more than 13% of monies spent on the production of web content (visual), it is nearly 25% of the pledged sums that were used towards setting up a digital strategy therefore making the web the ultimate promotional tool to insure local emerging artists the suitable development conditions. Therefore, the portion dedicated to stage activities has slightly diminished but still remains a privileged vehicle in the way of promoting our artists work.

Ending this first year at the Fonds presidency, I can only be proud of all the work accomplished by our creators, producers and, of course, our artists. It goes without saying that numerous challenges still await them and the Fonds RadioStar maintains the course towards the newly adopted orientations, while reaffirming its commitment to accompany artists and provide them with optimal development conditions.

Lillian Randall
President

A handwritten signature in black ink that reads "Randall". The signature is written in a cursive, flowing style.

BACKGROUND

In 1998, the CRTC authorized as part of its Policy on Commercial Radio (Public Notice CRTC 1998-41) the establishment of a new Canadian music marketing and promotion fund, toward which would be allocated 3% of the transaction value of radio broadcasting acquisitions. In November 2000, the CRTC approved a CAB and ADISQ joint proposal outlining the Fonds RadioStar's terms and structure. In December 2006, the aforementioned allocation was renewed under the CRTC's new Policy on Commercial Radio.

The Fonds RadioStar began operating in September 2001, and it has since been supporting by way of financial assistance the marketing of French-language sound recordings in Canada. From the outset, the fund has been managed by the Fondation MUSICACTION, under the direction of the Fonds RadioStar Board of Directors. The fund's program and rules, which are completely separate from those of MUSICACTION, are managed independently.

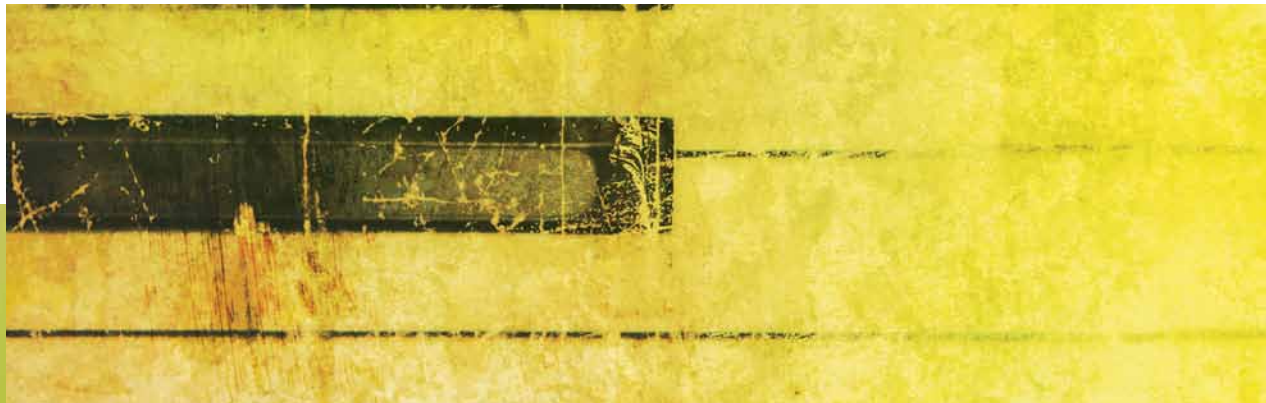
OBJECTIVES

- The purpose of the fund is to promote Canadian French-language music, referring requests for projects in a language other than French as well as instrumental music projects to the Radio Starmaker Fund.
- The fund's goal is to supply private radio broadcasters with quality, diversified French-language music.
- Funding is reserved for national marketing endeavours, i.e. aimed at the Canadian market.
- Designed primarily for emerging artists, the fund is intended "to advance the careers of Canada's rising stars producing popular Canadian content."
- Funding is allocated to Canadian owned and controlled record labels, with the exception of Canadian artists residing outside Québec, who are entitled to receive funding directly.
- Fonds RadioStar funding must constitute additional support, designed to complement existing funding from record labels as well as various public and private sources earmarked for the initial marketing phases.

The main qualifying criterion of the FOND is the achievement of a minimal Soundscan sales threshold. It is established according to the musical category and the number of albums in the artist's career, the required threshold for a first album is less than it is for a second one. This criterion gives the insurance of a previous investment made by the applicant and of the real success potential of the project. The initial help is limited to \$60,000 by project of which \$10,000 is solely reserved for live shows.

An access to an additional maximal amount of \$20,000, of which \$5,000 is for shows, is also given according to the reaching of sales threshold, enhanced for a second phase.

In accordance to the support of emerging artists, those who have sold more than 300,000 copies in their career are not eligible. Also, the Fonds RadioStar being intended in priority for developing artists, the total given aid can not exceed \$30,000 if the artist who is the object of the application has already obtained a platinum record (100,000 copies sold in Canada for an album) in his/her career.



Fonds RadioStar has accompanied numerous award winning projects in 2010-2011:

AWARDS

Alexandre Désilets	Emerging Live Act – Prix André « Dédé » Fortin – SPACQ
Andrea Lindsay	Best Female Vocalist – Gala des prix Trille Or
Bernard Adamus	Best New Artist – ADISQ
Bernard Adamus	Best Artist of the Year – GAMIQ
Bernard Adamus	Best Folk/Country Album of the Year – GAMIQ
Bernard Adamus	Song of the Year – GAMIQ
Bernard Adamus	Best New Artist – GAMIQ
Cœur de pirate	Most Successful Artist Outside Québec – ADISQ
Damien Robitaille	Best Album – Gala des prix Trille Or
Damien Robitaille	Best Songwriter-composer – Gala des prix Trille Or
Damien Robitaille	Top Male Performer – Gala des prix Trille Or
Damien Robitaille	Best Show – Gala des prix Trille Or
Damien Robitaille	Media's Choice Award – Gala des prix Trille Or
Damien Robitaille	Most Successful Ontarian Francophone Solo Artist Outside Ontario – Gala des prix Trille Or
Fred Fortin	Songwriter of the Year – GAMIQ
Fred Fortin	Album of the Year – Pop – GAMIQ
Karkwa	Album of the Year – Alternative – ADISQ
Karkwa	Francophone Album of the Year – JUNO
Karkwa	Top Canadian Album – Prix Polaris
Manu Militari	Album of the Year – Hip Hop – ADISQ
Mara Tremblay	Music Video of the Year – ADISQ
Marie-Mai	Female Performer of the Year – ADISQ
Marie-Mai	Album of the Year – Rock – ADISQ
Marie-Pier Arthur	Emerging Live Act – Prix André « Dédé » Fortin – SPACQ
Martin Léon	Album Arranger of the Year – ADISQ
Maxime Landry	Album of the Year – Bestsellers – ADISQ
Maxime Landry	Album of the Year – Remakes – ADISQ
Maxime Landry	Pop Song of the Year – ADISQ
Maxime Landry	Male Performer of the Year – ADISQ
Orange Orange	Album Cover of the Year – ADISQ
Radio Radio	Songwriter French-language Community Canada – Prix Édith Butler – SPACQ
Radio Radio	Best Music Video – GAMIQ
Radio Radio	Album of the Year – GAMIQ
Yann Perreau	Show of the Year – Songwriter-Composer-Performer – ADISQ
Yves Lambert	Singer of the Year – Traditional – Canadian Folk Music Awards

Congratulation to the artists helped by Fonds RadioStar whom, for the past 5 years, have obtained a certification by the Canadian Recording Industry Association (CRIA) depending on the number of copies sold according to the following ranking:

CERTIFICATIONS

	CD	CD Released after May 1, 2008	DVD	Song Downloads
Gold	50,000	40,000	5,000	20,000
Platinum	100,000	80,000	10,000	40,000
Double Platinum	200,000	160,000	20,000	80,000
Triple Platinum	300,000	240,000	30,000	120,000
Diamond	1,000,000	800,000	100,000	400,000

Certifications CD

Year	Artist	Album	Certification
2011	Marie-Mai	Version 3.0	Platinum
2011	Vincent Vallières	Le monde tourne fort	Gold
2010	Annie Villeneuve	Noël chez moi	Gold
2010	Maxime Landry	Vox Pop	Double Platinum
2010	William Deslauriers	Un pied à terre	Gold
2009	Annie Villeneuve	Annie Villeneuve	Gold
2009	Coeur de pirate	Coeur de pirate	Gold
2009	Ima	A la vida	Gold
2009	Lost Fingers	Rendez-vous rose	Gold
2009	Marc Hervieux	Après nous	Gold
2008	Ariane Moffatt	Tous les sens	Gold
2008	Kaïn	Les saisons s'tassent	Gold
2008	Marie-Mai	Dangeureuse attraction	Gold
2007	Artistes variés	Duos Dubois	Double Platinum
2007	Daniel Bélanger	L'échec du matériel	Gold
2007	Isabelle Boulay	De retour à la source	Platinum
2007	Marie-Élaine Thibert	Comme ça	Platinum
2007	Trois Accords	Grand champion international de course	Gold

Certifications DVD

2011	Arthur L'Aventurier	L'aventure de Noël	Triple Platinum
2008	Marie-Mai	La tournée	Gold
2007	Respectables	Live au Centre Bell	Gold

FINANCIAL RESOURCES

Monies for the Fonds RadioStar and its English-language music marketing counterpart, the Radio Starmaker Fund, come primarily from broadcaster contributions resulting from radio acquisition transactions, as required by the CRTC. A minimum of 3% of the value of such transactions must be disbursed to both of these funds. For transactions affecting the French-speaking market, 80% of the 3% is directed to the Fonds RadioStar. In the case of transactions affecting the English-speaking market, the Fonds RadioStar receives 20% of that 3%.

The CAB collects the 3% of the value of the transactions, and then redistributes these monies to both funds as per CRTC approved payment methods, earmarking the appropriate contributions intended for the advancement of French-language music to the Fonds RadioStar. These contributions amounted to \$2,181,680 in 2010-2011. The combined total since the fund's creation in 2001-2002 is now \$27,567,379. Contributions to the Fonds RadioStar are expected to reach \$38M by 2018.

ADMINISTRATION FEES

The administration fees for this tenth financial year have been set at 8.7%. The fund has averaged administrative fees of 8% since inception, thus complying with CRTC regulations approved in November 2000 requiring administration fees to never exceed more than 10% of broadcaster contributions throughout the lifetime of the fund.

COMMITMENTS

The fund has accepted 545 of the 612 applications it has received since its inception, for an approval rate of 89%. This rate, which was 78% in 2006-2007 due to the record number of applications, reached 100% in 2010-2011. The increase stemmed from the 2007 revamping of the program and its funding application criteria.

The expected scaled back contributions from radio broadcasters prompted the Board to spread the available sums over a greater number of years, thus extending the life of the fund and guaranteeing a steady availability of funding each year. In 2010-2011, the Fonds RadioStar's financial commitments amounted to \$1,813,942 that is roughly the same amount of the previous three fiscal years (\$1,831,140 in 2009-2010, \$1,739,910 in 2008-2009, and \$1,949,849 in 2007-2008).

APPLICATIONS AND APPROVALS

	2010-2011	2009-2010	2008-2009	2007-2008
Applications Submitted	56	55	52	51
Amount Requested	\$1,880,852	\$1,911,982	\$1,898,160	\$2,018,033
Applications Approved	56	54	51	51
Amount Offered	\$1,813,942	\$1,831,140	\$1,739,910	\$1,949,849
Amount Disbursed	\$1,629,255	\$1,354,493	\$1,321,687	\$1,990,583

RESIDUAL BALANCE OF FUNDING COMMITMENTS

Disbursements generally represent initial funding for projects approved during the year and final rounds of funding for projects approved in the past. Few projects are begun and finalized in the same financial year. Disbursements amounted to \$1,629,255 in 2010-2011, compared with \$1,354,493 in 2009-2010, bringing the balance of funding commitments to \$825,146.

DISBURSEMENTS BY EXPENSES

A review of the projects completed in 2010-2011 states as follows:

- Live show spending suffer a drop comparatively to 2010-2011, accounting for 21.9% of disbursements, as opposed to 27.2% in 2009-2010.
- The percentage of expenditures related to web activities has been constantly rising since 2006-2007.
- Adding web expenditures to visual production, we notice that a quarter of disbursements (24.9%) benefits the promotion of artists on the net.

EXPENSES

	2010-2011		2009-2010		2008-2009		2007-2008	
	Amount	%	Amount	%	Amount	%	Amount	%
Image production	*\$227,934	13.1	\$236,618	16.2	\$276,367	19.1	\$381,960	15.2
Promotion	68,547	3.9	60,584	4.2	101,883	7.0	233,489	9.3
Media relations	152,198	8.7	119,037	8.1	113,853	7.9	266,040	10.6
Radio promotions	108,099	6.2	77,191	5.3	69,004	4.8	153,985	6.2
Web	205,784	11.8	133,670	9.1	97,463	6.7	104,733	4.2
Television	182,454	10.5	146,472	10.0	222,367	15.3	362,928	14.5
Radio	54,958	3.2	59,977	4.1	115,710	8.0	188,808	7.5
POS displays	74,249	4.3	53,232	3.6	84,768	5.8	219,608	8.8
Print	146,577	8.4	92,906	6.4	95,274	6.6	206,983	8.3
Billboard	56,395	3.2	25,359	1.7	0	0.0	30,525	1.2
Tour support	84,346	4.8	59,902	4.1	50,258	3.5	87,867	3.5
Live shows	381,445	21.9	397,882	27.2	221,513	15.3	269,162	10.7
Total	\$1,742,986	100	\$1,462,830	100	\$1,448,460	100	\$2,506,088	100

* In 2010-2011, \$130,780 were spent on music videos and \$97,154 for the production of other images.

EVALUATION OF RESULTS

SUPPORTING NEW ARTISTS

The fund continues to remain true to its mission of funding developing artists first and foremost. In 2010-2011, 32% of approved funding went to first albums, 24% to second albums and 23% to third albums, accounting for a combined 79% of total commitments. The number of artists recording upwards of four career albums represents 21% of approved sums compared with 31% in 2009-2010, 10% in 2008-2009 and 12% in 2007-2008.

NEW ARTISTS

	2010-2011			2009-2010		
	Applications Approved	Amount offered	% Amount offered	Applications Approved	Amount offered	% Amount offered
1 st album	18	\$585,377	32	20	\$641,408	35
2 nd album	14	427,353	24	12	374,222	20
3 rd album	12	422,730	23	9	257,691	14
4 albums and above	12	378,482	21	13	557,819	31
Total	56	\$1,813,942	100	54	\$1,831,140	100

NEW ARTISTS

	2008-2009			2007-2008		
	Applications Approved	Amount offered	% Amount offered	Applications Approved	Amount offered	% Amount offered
1 st album	25	\$875,344	50	22	\$900,818	46
2 nd album	13	387,470	22	12	449,613	23
3 rd album	8	307,218	18	11	375,000	19
4 albums and above	5	169,878	10	6	224,418	12
Total	51	\$1,739,910	100	51	\$1,949,849	100

REGIONAL ALLOCATIONS

In 2010-2011, two artists from French-speaking minority communities in Canada obtained funding, compared with four in 2009-2010, and five in 2008-2009. Ontario and New-Brunswick are honoured with the likes of Damien Robitaille and Annie Blanchard.



Artist	Applicant	Region	\$ Amount
Adamus Bernard	Disques Dare to care	Montréal	20,887
Ale Dee	High Life Music	Mauricie	46,566
Alfa Rococo	Productions Alfa Rococo	Montréal	14,286
Alfa Rococo	Tacca Musique	Montréal	65,000
Anodajay	Disques 7e Ciel	Abitibi-Témiscamingue	60,000
Ariel	Disques Audiogramme	Several Regions	10,000
Ariel	Tacca Musique	Several Regions	41,666
Arthur l'Aventurier	Gregg Musique	Québec	70,891
Bélanger Julie	Zone 3 Musique	Côte-Nord	10,444
Blanchard Annie	Disques Musicor	New Brunswick	39,003
Boisjoli Brigitte	Disques Musicor	Central Quebec	72,116
Bon Débarras	Productions de l'Onde	Several Regions	30,919
Casabon	Tandem.mu	Québec	44,274
Charbonniers de l'enfer	Cie Larivée Cabot Champagne	Several Regions	34,525
Chaumont Pascal	Disques Musicor	Laurentides	50,000
Cœur de pirate	Disques Dare to Care	Montréal	7,203
CuréLabel	EDC Musique	Québec	21,968
Désilets Alexandre	Gestion Denis Wolff	Outaouais	48,437
Désilets Alexandre	Opak Productions	Outaouais	10,000
Deslauriers William	Productions J	Montréal	15,000
Drapeau Étienne	MP3 Disques	Québec	26,771
Dupré Marc	Productions J	Laval	38,325
Exterio	Slam Disques	Montréal	10,000
Hélie Laurence	Gordon Musique	Beauce	23,443
Hunt Jimmy	Disques Dare to Care	Québec	28,006
Jalbert David	Productions Alain Dupuis	Montréal	80,000
Jorane	Vega Musique	Québec	35,893
Karkwa	9175-5272 Québec	Several Regions	15,000
Karkwa	Disques Audiogramme	Several Regions	15,000
Lapointe Hugo	Instinct Musique	Lanaudière	57,897
Léon Martin	Cie Larivée Cabot Champagne	Québec	31,691
Letarte Maryse	Disques Artic	Montréal	17,513
Malajube	Disques Dare to Care	Montréal	5,042
Malajube	Disques Dare to care	Montréal	50,000
Manu Militari	Donald Emmanuel	Québec	7,768
Minière Jérôme	Cie Larivée Cabot Champagne	Montréal	24,837
Moran	Tandem.mu	Montréal	37,165
Nevsky Alex	Disques Audiogramme	Cantons-de-l'Est	50,000
Painchaud Jonathan	Sphère Musique	Gaspésie-Îles-de-la-Madeleine	60,000
Painchaud Jonathan	Sphère Musique	Gaspésie-Îles-de-la-Madeleine	20,000
Perreau Yann	Équipe Spectra	Lanaudière	15,000
Peter Peter	Disques Audiogramme	Québec	26,779
Petites tounes	Disques Musicor	Several Regions	28,090
Philémon chante	Disques Audiogramme	Québec	18,809
Poulin Alexandre	Prodat	Estrie	50,000
Robitaille Damien	9e Vague	Ontario	5,000
Robitaille Damien	Disques Audiogramme	Ontario	694
Samian	Disques 7e Ciel	Abitibi-Témiscamingue	15,000
Sens	Productions Simonsays	Montréal, Laurentides and Lanaudière	50,000
Sir Pathetik	High Life Music	Mauricie	50,000
Tanguay Guylaine	C.R. Musique	Saguenay-Lac-St-Jean	41,605
Tocadéo	Productions Serge Paré	Montréal	60,000
Tricot machine	Disques Dare to care	Mauricie	16,566
Veilleux Steve	Disques Passeport	Centre-du-Québec	53,863
Villeneuve Annie	Entourage Musique	Saguenay-Lac-St-Jean	30,000
Xavier Caféine	Opak Media	Outaouais	5,000
Total			\$1,813,942

FUNDING BY MUSIC CATEGORY

In 2010-2011, pop music has reclaimed the pole position in the number of accepted proposals and given monies. Indeed, 19 projects share \$635,048, that is 35% of allocated sums. It is followed by contemporary folk with 15.4% and alternative music in third place with 10.6%. Pop rock and hip hop are nearly equal with 10% and 9% respectively.

The number of alternative and traditional music has been constantly rising since 2007-2008. The money allocated for children's music is at its highest level in four years.

	2010-2011			2009-2010			2008-2009			2007-2008		
	Applications Approved	Amount offered	%	Applications Approved	Amount offered	%	Applications Approved	Amount offered	%	Applications Approved	Amount offered	%
Alternative	9	\$192,296	10.6	8	\$265,793	14.5	4	\$121,447	7.0	3	\$126,990	6.5
Country	2	80,608	4.4	0	0	0.0	2	73,204	4.2	2	72,373	3.7
Contemporary Folk	9	278,666	15.4	13	352,417	19.3	9	354,596	20.4	1	29,087	1.5
Hip Hop	5	179,334	9.9	5	234,901	12.8	9	252,373	14.5	6	287,278	14.7
Jazz	0	0	0.0	1	30,000	1.6	0	0	0.0	0	0	0.0
Children's	2	98,981	5.5	1	60,000	3.3	0	0	0.0	2	80,000	4.1
Worldbeat	0	0	0.0	0	0	0.0	2	80,865	4.6	1	21,247	1.1
Urban	1	24,837	1.4	2	63,875	3.5	2	53,764	3.1	2	28,442	1.5
Pop rock	4	181,760	10.0	7	215,986	11.8	7	231,930	13.3	8	265,000	13.6
Pop	19	635,048	35.0	10	414,170	22.6	13	411,635	23.7	23	924,022	47.4
Rock	2	55,000	3.0	5	102,411	5.6	2	100,096	5.8	2	55,410	2.8
Traditional	3	87,412	4.8	2	91,587	5.0	1	60,000	3.4	1	60,000	3.1
Total	56	\$1,813,942	100	54	\$1,831,140	100	51	\$1,739,910	100	51	\$1,949,849	100

2010-2011 FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Fonds RadioStar

We have audited the accompanying financial statements of Fonds RadioStar, which comprise the balance sheet as at August 31, 2011, and the statements of income, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

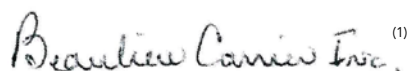
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fonds RadioStar as at August 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter

The financial statements of Fonds RadioStar for the year ended August 31, 2010 were audited by another auditor who expressed an unmodified opinion on those statements on September 20, 2010.

 ⁽¹⁾

Montreal, October 13, 2011

⁽¹⁾ Monique Beaulieu, CGA auditor

STATEMENTS OF INCOME

FOR THE YEARS ENDED AUGUST 31

2011

2010

	2011	2010
REVENUE		
Contributions from radio broadcasters	\$2,181,680	\$4,126,041
Management fees – CAB	–	(9,450)
	2,181,680	4,116,591
Interest	171,654	140,946
	2,353,334	4,257,537
OPERATING EXPENSES		
Salaries and fringe benefits	129,751	134,372
Legal and management fees	24,551	2,000
Professional fees	61	17,814
Rent and other charges	39,506	39,506
Communication	5,289	6,517
Insurance	2,650	2,576
Meeting expenses	1,090	290
	202,898	203,075
EXCESS AVAILABLE FOR ASSISTANCE CONTRIBUTIONS	2,150,436	4,054,462
Assistance contributions	1,629,255	1,354,493
EXCESS OF REVENUE OVER EXPENSES BEFORE AMORTIZATION	521,181	2,699,969
Amortization of other asset	1,505	–
EXCESS OF REVENUE OVER EXPENSES	\$519,676	\$2,699,969

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED AUGUST 31

2011

2010

	2011	2010
UNRESTRICTED NET ASSETS		
BALANCE – BEGINNING OF YEAR	\$8,401,826	\$6,713,033
EXCESS OF REVENUE OVER EXPENSES	519,676	2,699,969
Internally restricted	186,030	(1,011,176)
BALANCE – END OF YEAR	\$9,107,532	\$8,401,826
RESTRICTED NET ASSETS (note 7)		
BALANCE – BEGINNING OF YEAR	\$1,011,176	\$ –
Internally restricted	(186,030)	1,011,176
BALANCE – END OF YEAR	\$825,146	\$1,011,176

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS

AS AT AUGUST 31

2011

2010

ASSETS

CURRENT

Cash	\$746,622	\$777,350
Accounts receivable (note 5)	79,120	60,654
Term deposits, interest rate ranging from 1.45% to 1.70%, maturing on September 12, 2011 and December 15, 2011	3,600,000	4,000,000
Demand deposits, interest rate ranging from 1.51% to 1.54%, maturing on December 10, 2011 and December 22, 2011	1,500,000	1,000,000
Prepaid expenses	12,686	13,069

5,938,428 5,851,073

LONG-TERM INVESTMENTS

Term deposits, interest rate of 2.24%, maturing on June 26, 2014	4,000,000	3,600,000
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OTHER ASSET (note 6)

7,525 –

\$9,945,953 \$9,451,073

LIABILITIES

CURRENT

Accrued liabilities	\$13,275	\$38,071
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NET ASSETS

Unrestricted net assets	9,107,532	8,401,826
Internally restricted net assets (note 7)	825,146	1,011,176

9,932,678 9,413,002

\$9,945,953 \$9,451,073

The accompanying notes are an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD



Lilianne Randall
President



François Bissoondoyal
Treasurer

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31	2011	2010
OPERATION ACTIVITIES		
Contributions received from radio broadcasters	\$2,181,680	\$4,116,591
Interest received	151,652	156,195
	2,333,332	4,272,786
Assistance contributions paid	1,627,719	1,355,029
Purchase of goods and services paid	98,631	89,436
Employee compensations paid	128,680	134,097
	1,855,030	1,578,562
	478,302	2,694,224
INVESTMENT ACTIVITIES		
Other asset	(9,030)	–
Term deposits	–	(2,600,000)
	(9,030)	(2,600,000)
INCREASE IN CASH	469,272	94,224
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	1,777,350	1,683,126
CASH AND CASH EQUIVALENTS – END OF YEAR (note 8)	\$2,246,622	\$1,777,350

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

1 – STATUTES AND PURPOSE OF THE ORGANIZATION

Fonds RadioStar was incorporated on February 16, 2001 pursuant to Part II of the *Canada Business Corporations Act*.

The primary objective of Fonds RadioStar, which is a non-profit organization, is to assist promising and emerging talent by providing significant financial support for projects involving the promotion of recording companies that are likely to have a considerable impact on the career of French-Canadian artists. The support provided by the Organization is complementary to existing assistance programs, and adds momentum to marketing efforts. Fonds RadioStar pays non-refundable contributions to eligible recording companies.

2 – FUNDING OF THE ORGANIZATION

Fonds RadioStar revenues are generated by financial contributions from broadcast companies through the Canadian Association of Broadcasters (CAB).

3 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements are presented in accordance with Canadian generally accepted accounting principles and the following significant policies:

Financial instruments

Fonds RadioStar applies the recommendations of CICA Handbook Section 3861, Financial instruments – disclosure and presentation under which these accounting principles are adopted:

Held-for-trading financial assets and liabilities

Financial instruments classified as held-for-trading financial assets or liabilities are recorded at fair value at each balance sheet date, and any change in fair value is recognized in income in the period during which the change occurs.

Held-to-maturity investments

Financial instruments including held-to-maturity investments are accounted for at amortized cost using the effective interest rate method. Interest income is included in revenue throughout the anticipated duration of the investment.

Revenue recognition

Fonds RadioStar uses the deferral method of accounting to recognize its contributions. Contributions to Fonds RadioStar and its Anglophone counterpart, Radio Starmaker Fund, originate from financial contributions that are required from broadcast companies by the Canadian Radio-television and Telecommunications Commission (CRTC) in connection with transactions involving the acquisition of broadcast companies. A minimum of 3% of these transactions must be paid to the two new Canadian music marketing funds.

Generally speaking, for transactions involving Francophone stations, 80% of the 3% is paid to Fonds RadioStar; for transactions involving Anglophone stations, 20% of the 3% is paid to Fonds RadioStar. The Canadian Association of Broadcasters (CAB) collects 3% of the value of the transactions, which it redistributes to the two funds in accordance with the payment terms that are approved by the CRTC. These financial contributions are reported using a cash-based accounting system.

Other asset

The other asset is recognized at cost. Amortization is calculated according to the straight-line method over a four-year period.

Income taxes

Pursuant to the *Income Tax Act* (Canada) and the *Taxation Act* (Quebec), Fonds RadioStar is classified as a non-profit organization, and therefore, is not subject to income taxes, which is defined as excess of revenue over expenses.

Contributed services

Members of the Organization's Board of Directors attend Board meetings without compensation. The value of the time donated by these individuals is not recorded in the financial statements, because it would be difficult to measure its fair market value.

Cash and cash equivalents

For cash flow purposes, cash and cash equivalents include cash and cash equivalents that are not restricted as to their use. Cash includes cash. Cash equivalents include term or demand deposits held for short-term cash requirements, but not those that are held for investment purposes. More precisely, they include term or demand deposits for which the value will not change significantly and for which the maturity date does not exceed three months from the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

4 – CAPITAL DISCLOSURES

The Organization defines its capital as restricted and unrestricted net assets. With respect to its capital management, the Organization's objective is to preserve its going concern to continue to fulfil its purpose as described in Note 1 in keeping with its financial resources, and to use its residual balance for commitments and make assistance contributions for newly submitted projects.

The Organization is not subject to externally imposed capital requirements.

5 – ACCOUNTS RECEIVABLE

	2011	2010
Applicant – assistance contributions	\$ –	\$1,536
Accrued interest	79,120	59,118
	\$79,120	\$60,654

6 – OTHER ASSET

	Cost	Accumulated amortization	Net book value	Net book value
Website	\$9,030	\$1,505	\$7,525	–

7 – INTERNALLY RESTRICTED NET ASSETS

The Board of Directors allocated net assets in the amount of \$825,146 (2010: \$1,011,176) in order to cover the payment of commitments regarding assistance contributions for which the Organization is committed to as at August 31, 2011.

This decision was applied retroactively and these restrictions, established in respect to the same information, total \$1,011,176 and decreased the amount of unrestricted net assets as at August 31, 2010, which was then \$9,413,002.

8 – CASH AND CASH EQUIVALENTS, END OF YEAR

	2011	2010
Cash	\$746,622	\$777,350
Demand deposits	1,500,000	1,000,000
	\$2,246,622	\$1,777,350

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

9 – RELATED PARTY TRANSACTIONS

The Organization concluded the following related party transactions: contributions received from radio broadcasters of \$960,224 (2010: \$2,501,897) and assistance contributions paid of \$56,302 (2010: \$25,000).

The parties are related due to the fact that their representatives are directors of the Organization. These related entities meet all the criteria established by Fonds RadioStar, and as such, they do not benefit from any particular statute or privilege over another through their membership on the Board of Directors.

These transactions were made in the normal course of business and are measured at the exchange amount for which Management declares that they were carried out under the same terms and conditions as transactions with parties dealing at arm's length.

10 – COMMITMENTS

Assistance contributions

Fonds RadioStar is contractually committed to make contributions totalling \$825,146 (2010: \$1,011,176). Of this amount, \$19,740 (2010: \$25,000) represents commitments to related entities.

11 – FINANCIAL INSTRUMENTS

Fair value

The carrying amount of financial instruments is equivalent to their fair value because of their short-term nature.

Risk

Based on the financial instruments it holds, the Organization does not anticipate incurring any risks related to market, credit, illiquidity, or cash flow.

12 – CONTRIBUTIONS FROM RADIO BROADCASTERS

As at August 31, 2011, radio broadcasters are committed to pay the Organization contributions totalling \$292,180 (2010: \$78,905) in compliance with the Canadian Radio-Television and Telecommunications Commission (CRTC) requirements.

13 – OPERATING EXPENSES

Under the terms of the proposal to establish a marketing and promotional fund for French language Canadian music, called "Fonds RadioStar", which was presented by the Canadian Association of Broadcasters (CAB) to the Canadian Radio-television and Telecommunications Commission (CRTC) in September 2000, and approved by the latter on November 9, 2000, the operating expenses cannot exceed 10% of broadcaster contributions made during the Fund's existence. Between August 2001 and August 31, 2011, expenses represent 8% of contributions.

14 – PENSION PLANS

Fonds RadioStar has a defined contribution pension plan providing pension to its employees with at least three months of service. Contributions to the pension plan represent 7% of the basic salary and are subject to the employee's voluntary contribution of 3.5%. The pension plan costs of \$7,423 (2010: \$7,643) are included with salary expenses in the statements of income.



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