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Return of Organization Exempt From Income Tax
 Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

OMB No 1545-0047
2008
Open to Public Inspection

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2008 calendar year, or tax year beginning January 1, 2008, and ending December 31, 20 08

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input checked="" type="checkbox"/> Initial return <input type="checkbox"/> Termination <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	Please use IRS label or print or type. See Specific Instructions.	C Name of organization <u>Tarion Warranty Corporation</u> Doing Business As Number and street (or P O box if mail is not delivered to street address) Room/suite <u>5160 Yonge Street</u> <u>12th Floor</u> City or town, state or country, and ZIP + 4 <u>North York, Canada, M1P5J4</u>	D Employer identification number <u>98 0197825</u>	
	F Name and address of principal officer <u>Howard Bogach</u>		E Telephone number (<u>416</u>) <u>229-3800</u>	
	I Tax-exempt status <input checked="" type="checkbox"/> 501(c) (<u>4</u>) ◀ (insert no) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list (see instructions)	
	J Website: ▶ <u>www.tarion.com</u>		H(c) Group exemption number ▶	
K Type of organization <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶			L Year of formation <u>1976</u>	
M State of legal domicile				

Part I Summary

	1 Briefly describe the organization's mission or most significant activities: <u>Tarion is responsible for administering the Ontario New Home Warranties Plan Act, which outlines the warranty protection that new home and condominium builders. The primary purpose of Tarion is to ensure that builders abide by this legislation and to step in to protect consumers when builders fail to fulfill their warranty obligations.</u>		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its assets.		
Activities & Governance	3 Number of voting members of the governing body (Part VI, line 1a)	3	14
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	13
	5 Total number of employees (Part V, line 2a)	5	247 (See Schd O)
	6 Total number of volunteers (estimate if necessary)	6	0
	7a Total gross unrelated business revenue from Part VIII, line 12, column (C)	7a	16,071,895
	b Net unrelated business taxable income from Form 990-T, line 34	7b	n/a See Schd O
Revenue	8 Contributions and grants (Part VII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VII, line 2g)		30,014,104
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)		15,762,509
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		309,386
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)		46,085,999
	Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)	
14 Benefits paid to or for members (Part IX, column (A), line 4)			
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)			22,205,849
16a Professional fundraising fees (Part IX, column (A), line 11e)			
b Total fundraising expenses (Part IX, column (D), line 25) ▶		0	
17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24f)			43,316,404
18 Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25)		65,522,253	
19 Revenue less expenses. Subtract line 18 from line 12		-19,436,254	
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Year	End of Year
	21 Total liabilities (Part X, line 26)	324,665,136	242,151,285
	22 Net assets or fund balances. Subtract line 21 from line 20	188,409,646	169,091,812
		136,255,490	73,059,473

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here ▶ John Becevello Signature of officer Date August 13, 2009

▶ John Becevello, VP + CFO Type or print name and title

Paid Preparer's Use Only	Preparer's signature ▶	Date	Check if self-employed <input type="checkbox"/>	Preparer's identifying number (see instructions)
	Firm's name (or yours if self-employed), address, and ZIP + 4 ▶	EIN ▶	Phone no ▶ ()	

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

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Part III Statement of Program Service Accomplishments (see instructions)

1 Briefly describe the organization's mission:
Regulators of the new home building industry in Ontario. Tarion licenses all new homes and condominium builders in the province and administer the New home warranty program to ensures that all new homeowners receives the New Home Warranty coverage entitled to by law.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No
If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No
If "Yes," describe these changes on Schedule O

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code: **524298**) (Expenses \$ **43,680,975** including grants of \$ _____) (Revenue \$ **28,096,994**)
Home Enrolment fees
Tarion ensures that all new homeowners receive the New Home Warranty Coverage that they are entitled to by law. New home enrolment fees from new home buyers in Ontario are invested and when required are used to settle claims from homeowners as a result of warranty breach by the builders.

4b (Code: **524298**) (Expenses \$ **2,394,399** including grants of \$ _____) (Revenue \$ **1,917,110**)
Builder Registration & Renewal Fees
All builders and vendors must be registered with Tarion in order to build or sell homes and condominiums legally in Ontario.

4c (Code: _____) (Expenses \$ _____ including grants of \$ _____) (Revenue \$ _____)

4d Other program services (Describe in Schedule O.)
(Expenses \$ _____ including grants of \$ _____) (Revenue \$ _____)

4e **Total program service expenses** ▶ \$ **46,075,374** (Must equal Part IX, Line 25, column (B).)

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A	1	✓
2 Is the organization required to complete Schedule B, Schedule of Contributors?	2	✓
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	✓
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities? If "Yes," complete Schedule C, Part II	4	✓
5 Section 501(c)(4), 501(c)(5), and 501(c)(6) organizations. Is the organization subject to the section 6033(e) notice and reporting requirement and proxy tax? If "Yes," complete Schedule C, Part III	5	✓
6 Did the organization maintain any donor advised funds or any accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I	6	✓
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II	7	✓
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III	8	✓
9 Did the organization report an amount in Part X, line 21; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV	9	✓
10 Did the organization hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V	10	✓
11 Did the organization report an amount in Part X, lines 10, 12, 13, 15, or 25? If "Yes," complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable	11	✓
12 Did the organization receive an audited financial statement for the year for which it is completing this return that was prepared in accordance with GAAP? If "Yes," complete Schedule D, Parts XI, XII, and XIII	12	✓
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	✓
14a Did the organization maintain an office, employees, or agents outside of the U.S.?	14a	✓
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the U.S.? If "Yes," complete Schedule F, Part I	14b	✓
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Part II	15	✓
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Part III	16	✓
17 Did the organization report more than \$15,000 on Part IX, column (A), line 11e? If "Yes," complete Schedule G, Part I	17	✓
18 Did the organization report more than \$15,000 total on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	✓
19 Did the organization report more than \$15,000 on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	✓
20 Did the organization operate one or more hospitals? If "Yes," complete Schedule H	20	✓
21 Did the organization report more than \$5,000 on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II	21	✓
22 Did the organization report more than \$5,000 on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III	22	✓
23 Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5? If "Yes," complete Schedule J	23	✓
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to question 25	24a	✓
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b	
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c	
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d	
25a Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I	25a	✓
b Did the organization become aware that it had engaged in an excess benefit transaction with a disqualified person from a prior year? If "Yes," complete Schedule L, Part I	25b	
26 Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II	26	✓
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, or substantial contributor, or to a person related to such an individual? If "Yes," complete Schedule L, Part III	27	✓

Part IV Checklist of Required Schedules (continued)

	Yes	No
28 During the tax year, did any person who is a current or former officer, director, trustee, or key employee:		
a Have a direct business relationship with the organization (other than as an officer, director, trustee, or employee), or an indirect business relationship through ownership of more than 35% in another entity (individually or collectively with other person(s) listed in Part VII, Section A)? <i>If "Yes," complete Schedule L, Part IV</i>		✓
b Have a family member who had a direct or indirect business relationship with the organization? <i>If "Yes," complete Schedule L, Part IV</i>		✓
c Serve as an officer, director, trustee, key employee, partner, or member of an entity (or a shareholder of a professional corporation) doing business with the organization? <i>If "Yes," complete Schedule L, Part IV</i>		✓
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>		✓
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>		✓
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>		✓
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>		✓
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>		✓
34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>		✓
35 Is any related organization a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>		✓
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>		✓
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>		✓

Part V Statements Regarding Other IRS Filings and Tax Compliance

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096, Annual Summary and Transmittal of U.S. Information Returns. Enter -0- if not applicable. 1a 0		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable. 1b 0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? 1c		
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return. 2a 0		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file this return. (see instructions) 2b		
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return? 3a ✓		
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O. 3b		✓
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)? 4a		✓
b	If "Yes," enter the name of the foreign country: See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? 5a		✓
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? 5b		✓
c	If "Yes," to question 5a or 5b, did the organization file Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction? 5c		
6a	Did the organization solicit any contributions that were not tax deductible? 6a		✓
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? 6b		
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization provide goods or services in exchange for any quid pro quo contribution of more than \$75? 7a		
b	If "Yes," did the organization notify the donor of the value of the goods or services provided? 7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? 7c		
d	If "Yes," indicate the number of Forms 8282 filed during the year. 7d		
e	Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? 7e		
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? 7f		
g	For all contributions of qualified intellectual property, did the organization file Form 8899 as required? 7g		
h	For contributions of cars, boats, airplanes, and other vehicles, did the organization file a Form 1098-C as required? 7h		
8	Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year? 8		
9	Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966? 9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person? 9b		
10	Section 501(c)(7) organizations. Enter:		
a	Initiation fees and capital contributions included on Part VIII, line 12. 10a		
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities. 10b		
11	Section 501(c)(12) organizations. Enter:		
a	Gross income from members or shareholders. 11a		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.) 11b		
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041? 12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year. 12b		

Part VI Governance, Management, and Disclosure (Sections A, B, and C request information about policies not required by the Internal Revenue Code.)

Section A. Governing Body and Management

		Yes	No
For each "Yes" response to lines 2-7b below, and for a "No" response to lines 8 or 9b below, describe the circumstances, processes, or changes in Schedule O. See instructions.			
1a	Enter the number of voting members of the governing body	14	
1b	Enter the number of voting members that are independent	13	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		✓
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		✓
4	Did the organization make any significant changes to its organizational documents since the prior Form 990 was filed?		✓
5	Did the organization become aware during the year of a material diversion of the organization's assets?		✓
6	Does the organization have members or stockholders?	✓	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	✓	
7b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	✓	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
8a	a The governing body?	✓	
8b	b Each committee with authority to act on behalf of the governing body?	✓	
9a	Does the organization have local chapters, branches, or affiliates?		✓
9b	b If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?		
10	Was a copy of the Form 990 provided to the organization's governing body before it was filed? All organizations must describe in Schedule O the process, if any, the organization uses to review the Form 990		✓
11	Is there any officer, director or trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		✓

Section B. Policies

		Yes	No
12a	Does the organization have a written conflict of interest policy? If "No," go to line 13	✓	
12b	b Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	✓	
12c	c Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done		✓
13	Does the organization have a written whistleblower policy?	✓	
14	Does the organization have a written document retention and destruction policy?	✓	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision:		
15a	a The organization's CEO, Executive Director, or top management official?	✓	
15b	b Other officers or key employees of the organization? Describe the process in Schedule O (see instructions)	✓	
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		✓
16b	b If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?		

Section C. Disclosure

- 17** List the states with which a copy of this Form 990 is required to be filed ▶ n/a
- 18** Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.
 Own website Another's website Upon request
- 19** Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.
- 20** State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ▶ Tieu- Minh To, 5160 Yonge Street 12th Floor, Totonto, ON Canada 416-229-3825

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
1b Total							4,932,270			

2 Total number of individuals (including those in 1a) who received more than \$100,000 in reportable compensation from the organization ► **40 (not reported to IRS)**

	Yes	No
3 Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual	✓	
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual.	✓	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization for services rendered to the organization? If "Yes," complete Schedule J for such person		✓

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
Gowlings Lafleur Henderson LLP	Legal Services	1,491,561
McDonnell Haynes LTD.	Branding, Promotion	1,441,321
EBS Engineering & Construction LTD.	Claim related Expenses	1,042,697
Wall-Tech Resoration Inc	Claim related Expenses	600,423
Galtek Homes Inc.	Claim related Expenses	532,390

2 Total number of independent contractors (including those in 1) who received more than \$100,000 in compensation from the organization ► **35**

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns					
	1b	Membership dues					
	1c	Fundraising events					
	1d	Related organizations					
	1e	Government grants (contributions)					
	1f	All other contributions, gifts, grants, and similar amounts not included above					
	g	Noncash contributions included in lines 1a-1f. \$					
	h	Total. Add lines 1a-1f					
Program Service Revenue			Business Code				
	2a	Builder Reg and renewal fees	524298	1,917,110	1,917,110		
	b	New Home Enrolment Fee	524298	28,096,994	28,096,994		
	c						
	d						
	e						
	g	Total. Add lines 2a-2f		30,014,104			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		10,662,509	10,662,509		
	4	Income from investment of tax-exempt bond proceeds					
	5	Royalties					
	6a			(i) Real	(ii) Personal		
		b	Gross Rents				
		c	Less: rental expenses				
		d	Net rental income or (loss)				
	7a			(i) Securities	(ii) Other		
		b	Gross amount from sales of assets other than inventory				
		c	Less cost or other basis and sales expenses	5,100,000			
		d	Net gain or (loss)		5,100,000	5,100,000	
	8a			a	b		
		b	Gross income from fundraising events (not including \$ of contributions reported on line 1c) See Part IV, line 18				
		c	Less: direct expenses				
	9a			a	b		
b		Gross income from gaming activities See Part IV, line 19					
c		Less: direct expenses					
10a			a	b			
	b	Gross sales of inventory, less returns and allowances					
	c	Less: cost of goods sold					
		Miscellaneous Revenue	Business Code				
11a							
	b						
	c						
	d	All other revenue		309,386	309,386		
	e	Total. Add lines 11a-11d		309,386			
12	Total Revenue. Add lines 1h, 2g, 3, 4, 5, 6d, 7d, 8c, 9c, 10c, and 11e		46,085,999	30,014,104	16,071,895		

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

<i>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</i>	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21				
2 Grants and other assistance to individuals in the U.S. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	4,234,415	1,539,310	2,695,105	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	15,083,992	10,376,222	4,707,770	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	154,760	119,494	35,266	
9 Other employee benefits	603,697	466,131	137,568	
10 Payroll taxes	2,128,984	1,643,842	485,142	
11 Fees for services (non-employees):				
a Management				
b Legal	2,977,538	2,697,034	280,504	
c Accounting	146,531		146,531	
d Lobbying				
e Professional fundraising services See Part IV, line 17				
f Investment management fees	743,191		743,191	
g Other	1,651,107	678,181	972,926	
12 Advertising and promotion	1,582,003	1,582,003		
13 Office expenses	1,449,780	174,235	1,275,545	
14 Information technology	1,158,271	916	1,157,355	
15 Royalties				
16 Occupancy	1,409,801	630,533	779,268	
17 Travel	1,306,718	1,217,042	89,676	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	639,870	153,007	486,863	
20 Interest	1,114,930		1,114,930	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	2,346,891		2,346,891	
23 Insurance	175,945		175,945	
24 Other expenses Itemize expenses not covered above (Expenses grouped together and labeled miscellaneous may not exceed 5% of total expenses shown on line 25 below)				
a warranty claims expenses	24,501,246	24,501,246		
b				
c				
d				
e				
f All other expenses misc other	2,112,582	296,179	1,816,403	
25 Total functional expenses. Add lines 1 through 24f	65,522,253	46,075,374	19,446,879	
26 Joint Costs. Check here <input type="checkbox"/> if following SOP 98-2. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

		(A) Beginning of year		(B) End of year	
Assets	1	Cash—non-interest-bearing		1	
	2	Savings and temporary cash investments		2	
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	6,155,948	4	8,764,293
	5	Receivables from current and former officers, directors, trustees, key employees, or other related parties. Complete Part II of Schedule L		5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L		6	
	7	Notes and loans receivable, net		7	
	8	Inventories for sale or use		8	
	9	Prepaid expenses and deferred charges	752,991	9	791,859
	10a	Land, buildings, and equipment: cost basis	10a 6,211,691		
	b	Less: accumulated depreciation. Complete Part VI of Schedule D	10b 3,181,820	10c	3,029,871
	11	Investments—publicly traded securities	310,746,851	11	227,964,854
	12	Investments—other securities. See Part IV, line 11		12	
	13	Investments—program-related. See Part IV, line 11		13	
	14	Intangible assets	2,273,343	14	1,600,408
	15	Other assets. See Part IV, line 11		15	
16	Total assets. Add lines 1 through 15 (must equal line 34)	324,665,136	16	242,151,285	
Liabilities	17	Accounts payable and accrued expenses	9,497,952	17	5,834,166
	18	Grants payable		18	
	19	Deferred revenue	90,368,470	19	73,859,607
	20	Tax-exempt bond liabilities		20	
	21	Escrow account liability. Complete Part IV of Schedule D		21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23	Secured mortgages and notes payable to unrelated third parties		23	
	24	Unsecured notes and loans payable		24	
	25	Other liabilities. Complete Part X of Schedule D	88,543,224	25	89,397,039
	26	Total liabilities. Add lines 17 through 25	188,409,646	26	169,091,812
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.				
	27	Unrestricted net assets		27	
	28	Temporarily restricted net assets		28	
	29	Permanently restricted net assets		29	
	Organizations that do not follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building, or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds	136,255,490	32	73,059,473
33	Total net assets or fund balances	136,255,490	33	73,059,473	
34	Total liabilities and net assets/fund balances	324,665,136	34	242,151,285	

Part XI Financial Statements and Reporting

1 Accounting method used to prepare the Form 990: Cash Accrual Other

2a Were the organization's financial statements compiled or reviewed by an independent accountant? Yes No

b Were the organization's financial statements audited by an independent accountant? Yes No

c If "Yes" to lines 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? Yes No

3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133? Yes No

b If "Yes," did the organization undergo the required audit or audits? Yes No

	Yes	No
2a		<input checked="" type="checkbox"/>
2b	<input checked="" type="checkbox"/>	
2c	<input checked="" type="checkbox"/>	
3a		<input checked="" type="checkbox"/>
3b		

**SCHEDULE D
(Form 990)**

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Attach to Form 990. To be completed by organizations that answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization

Tarion Warranty Corporation

Employer identification number

98 0197825

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		
5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?		<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor or other impermissible private benefit?		<input type="checkbox"/> Yes <input type="checkbox"/> No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

- Purpose(s) of conservation easements held by the organization (check all that apply)
 - Preservation of land for public use (e.g., recreation or pleasure)
 - Preservation of an historically important land area
 - Protection of natural habitat
 - Preservation of certified historic structure
 - Preservation of open space
- Complete lines 2a-2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

	Held at the End of the Year
a Total number of conservation easements	2a
b Total acreage restricted by conservation easements	2b
c Number of conservation easements on a certified historic structure included in (a)	2c
d Number of conservation easements included in (c) acquired after 8/17/06	2d
- Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶
- Number of states where property subject to conservation easement is located ▶
- Does the organization have a written policy regarding the periodic monitoring, inspection, violations, and enforcement of the conservation easements it holds? Yes No
- Staff or volunteer hours devoted to monitoring, inspecting, and enforcing easements during the year ▶
- Amount of expenses incurred in monitoring, inspecting, and enforcing easements during the year ▶ \$
- Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? Yes No
- In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

- If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items.
- If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items.
 - (i) Revenues included in Form 990, Part VIII, line 1 ▶ \$
 - (ii) Assets included in Form 990, Part X ▶ \$
- If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items:
 - a Revenues included in Form 990, Part VIII, line 1 ▶ \$
 - b Assets included in Form 990, Part X ▶ \$

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

- 3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply):
- a Public exhibition
 - b Scholarly research
 - c Preservation for future generations
 - d Loan or exchange programs
 - e Other
- 4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV.
- 5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

Part IV Trust, Escrow and Custodial Arrangements. Complete if organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

- 1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No

b If "Yes," explain the arrangement in Part XIV and complete the following table:

	Amount
1c	
1d	
1e	
1f	

- c Beginning balance
 - d Additions during the year
 - e Distributions during the year
 - f Ending balance
- 2a Did the organization include an amount on Form 990, Part X, line 21? Yes No
- b If "Yes," explain the arrangement in Part XIV.

Part V Endowment Funds. Complete if organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the year end balance held as

- a Board designated or quasi-endowment ▶%
- b Permanent endowment ▶%
- c Term endowment ▶%

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

- (i) unrelated organizations
- (ii) related organizations

	Yes	No
3a(i)		
3a(ii)		
3b		

b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

4 Describe in Part XIV the intended uses of the organization's endowment funds.

Part VI Investments—Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Depreciation	(d) Book value
1a Land				
b Buildings		0	0	0
c Leasehold improvements		2,193,843	801,764	1,392,079
d Equipment		2,943,066	1,831,790	1,111,276
e Other		1,074,782	548,266	526,516
Total. Add lines 1a–1e (Column (d) should equal Form 990, Part X, column (B), line 10(c))				3,029,871

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Financial derivatives and other financial products		
Closely-held equity interests		
Other		
Total. (Column (b) should equal Form 990, Part X, col (B) line 12.) ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. (Column (b) should equal Form 990, Part X, col (B) line 13.) ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. (Column (b) should equal Form 990, Part X, col (B) line 15.) ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

(a) Description of liability	(b) Amount
Federal income taxes	
Bank overdraft	340,759
Warranty Claim Liability	57,127,186
Funds Held as Security from Builders	30,388,335
Employee Future Benefits Liabilities	1,540,759
Total. (Column (b) should equal Form 990, Part X, col (B) line 25.) ▶	
	89,397,039

In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48.

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	46,085,999
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	65,522,253
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	-19,436,254
4	Net unrealized gains (losses) on investments	4	-23,788,690
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-19,971,073
9	Total adjustments (net). Add lines 4-8	9	-43,759,763
10	Excess or (deficit) for the year per financial statements. Combine lines 3 and 9	10	-63,196,017

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	42,901,292
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
a	Net unrealized gains on investments	2a	1,326,586
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	1,326,586
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	743,191
b	Other (Describe in Part XIV)	4b	1,114,930
c	Add lines 4a and 4b	4c	1,858,121
5	Total revenue. Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	46,085,999

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	63,664,132
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Losses reported on Form 990, Part IX, line 25	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	743,191
b	Other (Describe in Part XIV)	4b	1,114,930
c	Add lines 4a and 4b	4c	1,858,121
5	Total expenses. Add lines 3 and 4c. (This should equal Form 990, Part I, line 18.)	5	65,522,253

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X; Part XI, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b.

PART XI Line 8 (Other) Foreign Exchange Adjustment on conversion -19,971,073

PART XI Line 4 Net Unrealized Losses -23,788,690 (Change in unrealized loss on stock: -22,462,154; Change in unrealized gain on bond: 2,521,800; Write-down on stock: -3,848,336)

PART XII Line 4b - interest expenses

PART XIII Line 4b - interest expenses

Part XIV Supplemental Information *(continued)*

Lined area for supplemental information.

Statement of Activities Outside the United States

2008

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 990. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b, line 15, or line 16.

Name of the organization

Tarion Warranty Corporation

Employer identification number

98 0197825

Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

1 For grantmakers. Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? Yes No

2 For grantmakers. Describe in Part IV the organization's procedures for monitoring the use of grant funds outside the United States.

3 Activities per Region. (Use Schedule F-1 (Form 990) if additional space is needed.)

(a) Region	(b) Number of offices in the region	(c) Number of employees or agents in region	(d) Activities conducted in region (by type) (i.e., fundraising, program services, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures in region
Ontario, Canada	3	247	Program Services	New Home Warranty	46,075,374
Totals ▶	3	247			46,075,374

Part II Grants and Other Assistance to Organizations or Entities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Check this box if no one recipient received more than \$5,000
 Use Schedule F-1 (Form 990) if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)

2 Enter total number of organizations that are recognized as charities by the foreign country or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter _____

3 Enter total number of other organizations or entities _____

Part III Grants and Other Assistance to Individuals Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 16.
 Use Schedule F-1 (Form 990) if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)

**SCHEDULE J
(Form 990)**

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest
Compensated Employees

▶ Attach to Form 990. To be completed by organizations
that answered "Yes" to Form 990, Part IV, line 23.

OMB No 1545-0047

2008

**Open to Public
Inspection**

Name of the organization

Tarion Warranty Corporation

Employer identification number

98 0197825

Part I Questions Regarding Compensation

	Yes	No								
<p>1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.</p> <table border="0"> <tr> <td><input type="checkbox"/> First-class or charter travel</td> <td><input checked="" type="checkbox"/> Housing allowance or residence for personal use</td> </tr> <tr> <td><input type="checkbox"/> Travel for companions</td> <td><input type="checkbox"/> Payments for business use of personal residence</td> </tr> <tr> <td><input type="checkbox"/> Tax indemnification and gross-up payments</td> <td><input checked="" type="checkbox"/> Health or social club dues or initiation fees</td> </tr> <tr> <td><input type="checkbox"/> Discretionary spending account</td> <td><input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)</td> </tr> </table>	<input type="checkbox"/> First-class or charter travel	<input checked="" type="checkbox"/> Housing allowance or residence for personal use	<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence	<input type="checkbox"/> Tax indemnification and gross-up payments	<input checked="" type="checkbox"/> Health or social club dues or initiation fees	<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)		
<input type="checkbox"/> First-class or charter travel	<input checked="" type="checkbox"/> Housing allowance or residence for personal use									
<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence									
<input type="checkbox"/> Tax indemnification and gross-up payments	<input checked="" type="checkbox"/> Health or social club dues or initiation fees									
<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)									
b If line 1a is checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain.	✓									
2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	✓									
<p>3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Compensation committee</td> <td><input checked="" type="checkbox"/> Written employment contract</td> </tr> <tr> <td><input type="checkbox"/> Independent compensation consultant</td> <td><input checked="" type="checkbox"/> Compensation survey or study</td> </tr> <tr> <td><input type="checkbox"/> Form 990 of other organizations</td> <td><input checked="" type="checkbox"/> Approval by the board or compensation committee</td> </tr> </table>	<input checked="" type="checkbox"/> Compensation committee	<input checked="" type="checkbox"/> Written employment contract	<input type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study	<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee				
<input checked="" type="checkbox"/> Compensation committee	<input checked="" type="checkbox"/> Written employment contract									
<input type="checkbox"/> Independent compensation consultant	<input checked="" type="checkbox"/> Compensation survey or study									
<input type="checkbox"/> Form 990 of other organizations	<input checked="" type="checkbox"/> Approval by the board or compensation committee									
4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a:										
a Receive a severance payment or change of control payment?	✓									
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	✓									
c Participate in, or receive payment from, an equity-based compensation arrangement?		✓								
If "Yes" to any of lines 4a–c, list the persons and provide the applicable amounts for each item in Part III.										
Only 501(c)(3) and 501(c)(4) organizations must complete lines 5–8.										
5 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:										
a The organization?		✓								
b Any related organization?		✓								
If "Yes" to line 5a or 5b, describe in Part III.										
6 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:										
a The organization?		✓								
b Any related organization?		✓								
If "Yes" to line 6a or 6b, describe in Part III.										
7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III.	✓									
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If "Yes," describe in Part III.		✓								

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a.

(A) Name	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(over 150,000)							
	(i)						
	(ii)						
Howard Bogach	239,109	0	30,095			269,204	
	(i)						
	(ii)						
John Beceveilo	176,318	57,813	31,484			265,615	
	(i)						
	(ii)						
Mike Cote	140,868	46,574	31,650			219,092	
	(i)						
	(ii)						
Patrick Varcoe	161,392	52,314	31,484			245,190	
	(i)						
	(ii)						
Tim Schumacher	223,896	74,013	31,704			329,613	
	(i)						
	(ii)						
Janice Mandel	158,593	52,269	31,047			241,909	
	(i)						
	(ii)						
Bill Wallace	180,050	59,411	31,719			271,180	
	(i)						
	(ii)						
Eileen Holden	146,465	43,317	28,974			218,756	
	(i)						
	(ii)						
Suzanne Tiffin	135,271	47,371	30,156			212,798	
	(i)						
	(ii)						
Robert Jewett	201,506	65,354	31,484			298,344	
	(i)						
	(ii)						
Peter Balasubramanian	144,292	28,196	2,377			174,865	
	(i)						
	(ii)						
Gregory Gee (no longer with company)	395,818	160,086	151,757			707,661	
	(i)						
	(ii)						
Robin Fitzgerald (no longer with company)	139,607	96,975	213,684			450,266	
	(i)						
	(ii)						
	(i)						
	(ii)						

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Organization accrued compensation contingent on the goals and achievements met for 2008. The compensation range is determined by the success of the goals achievement.

Termination of Officers in 2008:

Gregory Gee (CEO) : Total Compensation for 2008=\$707,661 (2008 Base Compensation & bonus \$587,597; Severance \$120,064)

Robin Fitzgerald (SVP) : Total Compensation for 2008=\$450,226 (2008 Base Compensation & bonus \$262,144; Severance \$188,082)

Termination of Top 5 Highest Paid Employee in 2008:

Mark Roccatagliata: Total Compensation for 2008=\$139,368 (2008 Base Compensation & bonus \$27,448; Severance \$111,920)

**SCHEDULE O
(Form 990)**

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990

▶ Attach to Form 990. To be completed by organizations to provide additional information for responses to specific questions for the Form 990 or to provide any additional information.

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization

Tarion Warranty Corporation

Employer identification number

98 : 0197825

Part 1-line 5, total number of employees at the end of December 31, 2008 is 247. Employment is filed through Revenue Canada and therefore none was transmitted through Form W-3, transmittal of wage and tax statements.

Part 3-line 2, Initial Return.

Part 5-line3b, Form 990-T was not file for Investment Income and Gain & Loss from sales. Tarion is exempt under section 501(c)(4). Tarion is not an organization liable for the proxy tax on lobbying and political expenditures, is not a college or university, for profit organization that is liable for corporate tax or recapture taxes, and not a fiduciary for trust.

Part 6-line 19: Tarion makes available the annual Financial Statements on the Tarion website (www.tarion.com)

Note 1

Tarion Warranty Corporation
EIN 980197825
Form 990
Tax Year Ended Dec 31, 2009

Foreign Currency Translation Rates:

a All income statement figures are translated from Canadian dollars using the monthly averages for the 12 month period comprising the tax year (2008: 1.0671; 2007: 1.0740)

b All balance sheet figure are translated from Canadian dollars using the closing exchange rate as of Dec 31, 2008 (2008: 1.2246; 2007: 1.0120)

Taron Warranty Corporation					
EIN: 98-0197825					
IRS 990 - 2008					
Part VII-A - List of Officers, Directors, Trustees & Key Employees					
	<u>Name & Title</u>	<u>Avg hrs /wk</u>	<u>Attendance Record to Meetings</u>	<u>Position</u>	<u>Total (US\$) Column D Reportable compensation from the organization</u>
1	Harry Herskowitz Board of Directors, (voting rights)	n/a	(11/11 attendance)	Director	33,619 00
2	Scott Cameron Board of Directors, (voting rights)	n/a	(17/18 attendance)	Director	19,824 00
3	Brian Johnston Board of Directors, (voting rights)	n/a	(12/14 attendance)	Director	20,197 00
4	Peter Smith Board of Directors, (voting rights)	n/a	(11/11 attendance)	Director	17,772 00
5	Dick Brouwer Board of Directors, (voting rights)	n/a	(12/12 attendance)	Director	19,638 00
6	Robert Cooper Board of Directors, (voting rights)	n/a	(13/14 attendance)	Director	19,964 00
7	Peter Saturno Board of Directors, (voting rights)	n/a	(11/11 attendance)	Director	19,556 00
8	Deborah Brown Board of Directors, (voting rights)	n/a	(13/14 attendance)	Director	0
9	Frank Giannone Board of Directors, (voting rights)	n/a	(2/2 attendance)	Director	4,630 00
10	Christopher Spiten Board of Directors, (voting rights)	n/a	(10/13 attendance)	Director	19,836 00
11	Bob Ridley Board of Directors, (voting rights)	n/a	(12/12 attendance)	Director	17,900 00
12	Michael Lio Board of Directors, (voting rights)	n/a	(8/9 attendance)	Director	13,247 00
13	Julie DiLorenzo Board of Directors, (voting rights)	n/a	(11/16 attendance)	Director	17,958 00
14	Howard Bogach President, CEO, Registrar, (voting rights)	37 5	(13/13 attendance)	Director/Officer	269,204 00
15	Alex McFarlene Corporate Secretary	37 5	n/a	Officer	134,190 00
16	John Becevello Vice President, Finance, CFO (Deputy Registrar)	37 5	n/a	Officer	265,615 00
17	David Guiney Senior Vice President, Operations, (Deputy Registrar)	37 5	n/a	Officer	113,619 00
18	Mike Cote Vice President, Builder Relations, (Deputy Registrar)	37 5	n/a	Officer	219,092 00
19	Patrick Varcoe Vice President, L & U (Deputy Registrar)	37 5	n/a	Officer	245,190 00
20	Timothy Schumacher Vice President & General Counsel, (Deputy Registrar)	37 5	n/a	Officer	329,613 00
21	Janice Mandel Vice President, Corporate Affairs	37 5	n/a	Key Employee	241,909 00
22	Bill Wallace Vice President, Information Systems	37 5	n/a	Key Employee	271,180 00
23	Eileen Holden Vice President, Human Resources	37 5	n/a	Key Employee	218,756 00
24	Suzanne Tiffin Vice President, Customer Services	37 5	n/a	Key Employee	212,798 00
25	Robert Jewett Vice President, Claims	37 5	n/a	Key Employee	298,344 00
26	Tieu-Minh To Controller, Finance	37 5	n/a	Highest Comp	134,546 00
27	Grish Sharma Director L&U	37 5	n/a	Highest Comp	134,980 00
28	John Linney Director Contact Center	37 5	n/a	Highest Comp	135,808 00
29	Peter Balasubramanian Legal Counsel	37 5	n/a	Highest Comp	174,865 00
30	Gregorg Gee (No longer with Taron during 2008) CEO, Director	37 5	n/a	Director/Officer	707,661 00
31	Robin Fitzgerald (No longer with Taron during 2008) Senior Vice President, Operations	22 5	n/a	Officer	450,266 00
32	Robert Wade (No longer with Taron during 2008) Board of Directors (former Chair)	n/a	n/a	Director	11,125 00
33	Mark Roccatagliata (No longer with Taron during 2008)	37 5	n/a	Highest Comp	139,368 00
				2008	4,932,270 00

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2008 (\$ thousands)

12. CONTINGENCIES, COMMITMENTS AND GUARANTEES

In the normal course of business, the Corporation is party to a number of lawsuits, the outcome of which is not determinable at this time. However, in the opinion of management, these lawsuits should not result in material losses to the Corporation.

The Corporation has future minimum annual lease payments as follows:

	<u>Premises Leases</u>	<u>Computer and Office Equipment Leases</u>	<u>Total Leases</u>
2009	734	939	1,673
2010	739	643	1,382
2011	721	229	950
2012	716	-	716
2013	719	-	719
2014 and thereafter	2,008	-	2,008
	<u>\$ 5,637</u>	<u>\$ 1,811</u>	<u>\$ 7,448</u>

In the normal course of operations, the Corporation executes agreements that provide for indemnification to third parties in transactions such as service agreements, leases and purchases of goods. Under these agreements, the Corporation agrees to indemnify the counterparty against loss or liability arising from the acts or omissions of the Corporation in relation to the agreement. In addition, the Corporation has also agreed to indemnify its directors and certain of its officers and employees in accordance with the Corporation's by-laws.

These indemnification provisions will vary based on the nature and terms of the agreements. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation could be required to pay as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Corporation has not made significant payments under such indemnification agreements. No amounts have been accrued related to these agreements.

13. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the presentation adopted in 2008.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2008 (\$ thousands)

10. EMPLOYEE FUTURE BENEFIT PLANS (continued)

Significant Assumptions

	2008		2007	
	Pension Plan	OPEB	Pension Plan	OPEB
Accrued benefit obligation as of December 31				
Discount rate	7.25%	7.50%	5.50%	5.50%
Salary increase	4.00%	N/A	4.00%	N/A
General inflation	2.50%	2.50%	3.00%	3.00%
Benefit cost for the period:				
Discount rate	5.50%	5.50%	5.00%	5.00%
Salary increase	4.00%	N/A	4.00%	N/A
General inflation	3.00%	3.00%	3.00%	3.00%
Assumed health care cost trend rates at December 31				
Initial health care cost trend rate		8.50%		9.00%
Cost trend rate declines to		5.00%		5.00%
Year that the rate reaches the rate it is assumed to remain at		2016		2012

Sensitivity analysis for OPEB

Assumed health and dental care cost trend rates have a significant effect on the amounts reported for the health and dental care plans. A one-percentage-point change in assumed health and dental care cost trend rates would have the following effects for 2008:

	Valuation Assumptions	1% change	
		Increase	Decrease
Total of service and interest cost at 5.5% per annum	\$ 400	\$ 121	\$ (89)
Accrued benefit obligation as at December 31, 2008 at 7.5% per annum	\$ 2,165	\$ 442	\$ (344)

11. CAPITAL MANAGEMENT

The Corporation's capital consists of the surplus and accumulated net unrealized gains (losses). Although there is no external regulatory requirements imposed on the Corporation's capital, management has adopted a capital management framework modeled after the framework used in the P&C insurance industry and modified to reflect the Corporation's circumstances including its inability to raise capital in traditional ways. This framework incorporates the business requirements for sufficient capital throughout the variations of the new home building cycle, including possible losses from a future catastrophic event. It also reflects the relatively high risk profile of the Corporation's warranty operations, including the high level of measurement uncertainty inherent in its warranty liabilities due to the long warranty period of up to seven years and to other factors explained in Note 8.

In applying the framework, the total equity of the Corporation as at December 31, 2008 has been determined to be sufficient to cover possible losses from a future catastrophic event as determined by the annual dynamic capital adequacy testing performed during the year.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2008 (\$ thousands)

10. EMPLOYEE FUTURE BENEFIT PLANS

The Corporation's Pension Plan is comprised of a defined benefit pension plan which is closed to further contributions, and a money purchase pension plan. The money purchase pension plan ("MPP") is open to all full-time employees of the Corporation, subject to meeting certain eligibility conditions. Under the terms of the MPP, employees contribute a percentage of eligible employee earnings per year. The Corporation makes contributions for each contributing employee in amounts that vary dependent upon the employee's age and the number of years of eligible service.

In addition, the Corporation provides other post-employment benefits ("OPEB"), primarily various health and dental coverages, on an unfunded basis.

The Corporation has a December 31 measurement date. A valuation of the accrued pension benefit obligation was performed as at December 31, 2007, and a valuation of the OPEB was performed as of December 31, 2008. The next valuation of the accrued pension benefit obligation is expected to be performed as at January 1, 2011.

As at December 31, 2008, the fair value of the pension fund assets is \$11,720 (2007 - \$13,176), which is above the actuarial present value of accrued pension benefits for the Pension Plan estimated to be \$11,661 (2007 - \$13,286). The accrued pension liability is \$368 (2007 - \$556).

The accrued benefit liability for OPEB at December 31, 2008 is \$1,619 (2007 - \$1,107).

Other information about the Corporation's Pension Plan and OPEB is as follows:

	2008		2007	
	Pension Plan	OPEB	Pension Plan	OPEB
Reconciliation and funded status				
Fair value of plan assets	\$ 11,720	\$ -	\$ 13,176	\$ -
Accrued benefit obligation	11,661	2,165	13,286	2,669
Funded status of plan - surplus (deficit)	59	(2,165)	(110)	(2,669)
Unamortized transitional (asset)/obligation	(705)	103	(883)	119
Unamortized net actuarial loss	86	(678)	229	210
Unamortized past service cost	192	1,121	208	1,233
Accrued liability, net of valuation allowance	\$ (368)	\$ (1,619)	\$ (556)	\$ (1,107)
Transfers to other plans and benefits paid	\$ 925	\$ 17	\$ 584	\$ 17
Employee contributions	592	-	577	-
Employer contributions	953	17	952	17
Expense for the year	766	529	747	549

The total cash paid or payable in 2008 was \$970 (2007 - \$969).

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2008 (\$ thousands)

8. WARRANTY LIABILITIES (continued)

In general, the longer the period of time between the incidence of loss and the settlement of the related claim, the greater the potential for actual settlement amounts to differ from the recorded estimates. Actual settlements may also differ significantly from the estimates of these liabilities due to the measurement uncertainty involved in establishing assumptions for such variables as future rates of claim frequency, severity, inflation, the ability of builders to fulfill their obligations to home buyers, recoveries from builders and administrative costs.

The following table summarizes the components of the warranty liabilities as at December 31.

	<u>2008</u>	<u>2007</u>
Deferred home enrolment fees, beginning of year	\$ 91,466	\$ 88,115
Fees received	33,905	36,591
Fees earned	(30,118)	(33,240)
<u>Deferred home enrolment fees, end of year</u>	<u>95,253</u>	<u>91,466</u>
Warranty claims liabilities, beginning of the year	51,202	48,135
Provisions for claims, net of reversals	36,496	16,269
Claims paid	(14,023)	(13,202)
<u>Warranty claims liabilities, end of year</u>	<u>73,675</u>	<u>51,202</u>
<u>Warranty liabilities, end of year</u>	<u>\$ 168,928</u>	<u>\$ 142,668</u>

The following table summarizes the components of claims incurred presented in the Statement of Operations:

	<u>2008</u>	<u>2007</u>
Provisions for claims, net of reversals	\$ 36,496	\$ 16,269
Less recoveries	(10,232)	(9,322)
<u>Net claims incurred for the year</u>	<u>\$ 26,264</u>	<u>\$ 6,947</u>

9. FUNDS HELD AS SECURITY

The Corporation receives security in the form of cash, letters of credit and other guarantees, from builders in order to reduce the risk of financial loss related to future warranty claims from homeowners. Security is returned to the builder or released when certain requirements of the Corporation are met.

Security received in cash is invested as part of the Corporation's investment portfolio. The Funds held as security presented on the Balance Sheet as a liability are the potentially refundable security deposits received in cash, including cumulative accrued interest thereon of \$2,499 (2007 - \$2,211). Letters of credit and other guarantees are recognized in the financial statements only to the extent they are expected to be drawn upon to settle known claims. Such amounts are included in amounts recoverable from builders in the Balance Sheet (Note 4).

During the year, the Corporation incurred interest of \$1,195 (2007 - 1,338) on cash security deposits.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2008 (\$ thousands)

6. FINANCIAL INSTRUMENTS (continued)

- Cash and short-term investments are placed with governments, well-capitalized financial institutions and other creditworthy counterparties.
- The Corporation assesses the builder's risk profile including financial health during the registration and renewal processes. Based on the assessment, a builder may be licensed and as disclosed in Note 9, security is obtained in the form of cash, letters of credit, and other guarantees from the builder in order to reduce the risk of financial loss related to future warranty claims from homeowners.

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to daily cash requirements from settlement of claims, cash security releases and operating expenses. Liquidity risk is considered low as the majority of its investment portfolio are traded in an active market and can be readily disposed of. The Corporation also has a \$3 million line of credit it can draw on.

7. CAPITAL ASSETS

	2008			2007
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Software and applications	\$ 9,599	\$ 7,535	\$ 2,064	\$ 2,300
Computer and office equipment under capital lease	2,317	1,078	\$ 1,239	1,682
Leasehold improvements	2,829	1,034	1,795	1,937
Computer equipment	1,334	1,185	149	348
Furniture and office equipment	1,530	806	724	827
	<u>\$ 17,609</u>	<u>\$ 11,638</u>	<u>\$ 5,971</u>	<u>\$ 7,094</u>

The balance of the capital lease obligations arising from the acquisition of certain computer and office equipment was \$1,256 at December 31, 2008 (2007 - \$1,739). This obligation is reported on the Balance Sheet in accounts payable and accrued liabilities. Interest expense of \$203 was incurred during 2008 (2007 - \$190) on the capital leases which is reported in general and administrative expenses in the Statement of Operations.

8. WARRANTY LIABILITIES

The determination of the Corporation's warranty liabilities, which include deferred home enrolment fees and warranty claim liabilities, is dependent on the Corporation's claims handling practices, on actuarial assessments, on the judgment of its management, on historical precedents and trends, on prevailing legal, economic, social and regulatory environments and on expectations of future developments. Periodic reviews are performed by management and reviewed by our appointed actuary to assess whether warranty claims liabilities recorded for homes and condominiums, and deferred home enrolment fees are adequate relative to future claims and related administration costs to administer claims.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2008 (\$ thousands)

6. FINANCIAL INSTRUMENTS (continued)

Below is a table showing the potential impact on the Statement of Operations and equity as a result of specific stress scenarios applied to financial assets and financial liabilities (excluding warranty liabilities). This analysis does not represent management's view of future market changes, but reflects management's view of key sensitivities.

The stress scenarios are:

- Interest rate risk: a parallel shift of +/-50 basis points in interest rates for all maturities
- Equity price risk: an increase/decrease of 10% in the equity market prices
- Foreign currency risk: a strengthening/weakening of 5% in Canadian dollars relative to US dollars

	Carrying amount (\$'000)	Interest Rate Risk		Equity Price Risk		Foreign Exchange Rate Risk	
		-50 BP	+50 BP	-10%	10%	-5%	5%
		Stmnt of Operations (\$'000)	Stmnt of Operations (\$'000)	Equity (\$'000)	Equity (\$'000)	Equity (\$'000)	Equity (\$'000)
Financial Assets							
Held for Trading investments	215,617	7,174	(6,711)				
Available for Sale investments	77,920			(7,775)	7,775	457	(412)
Financial Liabilities							
Funds Held in Security	36,691	183	(183)				

For the above scenarios, we have assumed that interest rates, equity prices, and currency moved independently.

(c) Credit risk

Credit risk arises from the possibility of financial loss occurring as a result of a default by a counterparty on its obligation to the Corporation. Financial instruments that potentially subject the Corporation to concentrations of credit risk consist of cash, investments and amounts recoverable from builders. The carrying value of financial assets, including cash, investments and amounts recoverable from builders, represents the maximum credit exposure. The Corporation has adopted the following strategies to mitigate this risk:

- The Corporation's investment policies limits the concentration in any one investee or related group of investees, except for financial instruments issued by the Government of Canada for which there is no limit.

The Corporation only deals with counterparties believed to be creditworthy and actively monitors credit exposure, requiring minimum credit ratings of "A" for debt securities at the time an investment is purchased. At December 31, 2008, all of the debt securities are of investment grade. Investment grade is defined as a fixed income investment having a rating of A or better by a minimum of one of the following rating agencies (DBRS), (S&P), and (Moody) and in the case of commercial paper a rating of R-1 or better (DBRS) or A1 (Mid) or better (S&P).

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2008 (\$ thousands)

6. FINANCIAL INSTRUMENTS

(a) Fair value

Fair value represents the amount that would be exchanged in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation's cash and investments are measured at fair value. The carrying value of amounts recoverable from builders, funds held as security, accounts payable and accrued liabilities, and warranty liabilities approximates fair value.

(b) Market risk

To manage the risks in the investment portfolio, management regularly monitors the performance of investment managers who are required to operate within specific investment criteria related to credit quality, diversification and to maximize yield within those constraints.

Market risk is comprised of three risks that may impact the fair value of a financial instrument as described below.

- *Interest rate risk*
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Corporation is exposed to interest rate risk on its fixed income portfolio and its funds held as security. Details of the Corporation's fixed income portfolio with interest rate exposure are disclosed in Note 5(d).
- *Equity price risk*
Equity price risk is the risk that the value of a financial instrument will fluctuate due to changes in equity markets. The Corporation is exposed to equity price risk on its equity portfolio. The Corporation's equity portfolio is diversified and invested in well established, active, liquid markets.
- *Foreign currency risk*
Foreign currency risk is the risk of loss due to adverse movements in foreign currency rates versus the Canadian dollar. The Corporation is exposed to currency risk on its foreign currency denominated fixed-income and equity investments. As at December 31, 2008, the Corporation had approximately 11.1% (2007 – 6.4%) of the fair value of its equity investments and approximately 0.02% (2007 – 0.8%) of the fair value of its securities with interest rate exposure denominated in U.S. dollars. The Corporation manages its foreign currency exposure by limiting the foreign content in each investment manager's portfolio.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2008 (\$ thousands)

5. INVESTMENTS (continued)

(d) Securities with interest rate exposure

As at December 31, the scheduled maturities and fair values of the fixed income portfolio are as follows:

	<u>Terms to Maturity (1)</u>					Total
	Due within one year	Due one through five years	Due five through ten years	Due ten through twenty years	Due after twenty years	
2008						
Government						
Federal	\$ 3,639	\$ 26,272	\$ 8,056	\$ 1,484	\$ 24,065	\$ 63,516
Yield to Maturity ("YTM")	0.7%	1.5%	2.8%	3.3%	3.5%	2.4%
Provincial	-	2,992	1,444	8,268	13,398	26,102
YTM	0.0%	2.6%	4.1%	4.5%	4.7%	4.4%
Municipal	-	1,084	822	-	-	1,906
YTM	0.0%	2.4%	4.2%	0.0%	0.0%	3.2%
Total Government	3,639	30,348	10,322	9,752	37,463	91,524
YTM	0.7%	1.6%	3.1%	4.3%	4.0%	3.0%
Financial Institutions	967	11,227	19,121	-	3,923	35,238
YTM	2.2%	4.1%	5.5%	0.0%	7.7%	5.2%
Other Corporate	2,448	32,568	30,679	4,465	5,079	75,239
YTM	3.7%	4.5%	5.7%	6.3%	7.5%	5.3%
T-Bills / Debit Notes	11,796	-	-	-	-	11,796
YTM	1.6%	0.0%	0.0%	0.0%	0.0%	1.6%
Total Fixed Income	18,850	74,143	60,122	14,217	46,465	213,797
Accrued Interest	1,820	-	-	-	-	1,820
Total Fixed Income with Accrued Interest	\$ 20,670	\$ 74,143	\$ 60,122	\$ 14,217	\$ 46,465	\$ 215,617
YTM	1.7%	3.3%	5.2%	5.0%	4.7%	4.1%
2007						
Total Fixed Income	\$ 16,582	\$ 60,513	\$ 101,886	\$ 20,574	\$ 26,552	\$ 226,107
Accrued Interest	1,973	-	-	-	-	1,973
Total Fixed Income with Accrued Interest	\$ 18,555	\$ 60,513	\$ 101,886	\$ 20,574	\$ 26,552	\$ 228,080
YTM	3.9%	4.4%	4.7%	4.7%	4.7%	4.5%

- (1) The timing of actual maturities may differ from the contractual maturities shown above, since borrowers may have the right to prepay obligations with or without prepayment penalties.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2008 (\$ thousands)

5. INVESTMENTS (continued)

(b) *Investment income:*

	<u>2008</u>	<u>2007</u>
Change in fair value on held for trading assets	\$ 13,736	\$ 8,026
Net realized gains on sale of available for sale assets	3,550	8,654
Writedown on available for sale assets	(4,125)	(229)
Dividends from available for sale assets	2,313	2,463
Interest expense - other financial liabilities	(1,195)	(1,338)
	<u>\$ 14,279</u>	<u>\$ 17,576</u>

(c) *Impairment review of available for sale assets:*

In determining whether an impairment is recognized, management considers factors including the extent of the unrealized losses, the length of time that the investment has been in an unrealized loss position, the financial condition and near-term prospects of the issuer.

As of December 31, 2008, the available for sale equity portfolio had \$6,447 (2007 - \$2,700) of unrealized losses recorded in accumulated net unrealized gains in the equity portfolio on the Balance Sheet. The equity holdings in a loss position are largely comprised of publicly traded equities and/or pooled funds which have been impacted by the recent financial crisis. The majority of these equities have been impaired less than six months 41% of these equities are invested in 2 pooled funds, 23% in the energy sector, 9% in the Canadian financial services sector and the remaining 27% in various other sectors. Management believes these unrealized losses are temporary in nature and will reevaluate the impairment condition on these holdings on a regular basis to assess for any potential future writedowns required.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2008 (\$ thousands)

4. AMOUNTS RECOVERABLE FROM BUILDERS

The amounts recoverable from builders is comprised of two types of receivables: the estimated amounts recoverable from builders in respect of outstanding warranty claims recognized as under the warranty liabilities; and other receivables from builders representing the estimated realizable value of receivables from builders for warranty claims that the Corporation has paid out on the builder's behalf during the remediation process. The carrying values approximate their fair values.

	<u>2008</u> Carrying Value	<u>2007</u> Carrying Value
Amounts recoverable from builders	\$ 7,218	\$ 3,318
Other receivables from builders	4,085	2,913
	<u>\$ 11,303</u>	<u>\$ 6,231</u>

As described in Note 6(c), the Corporation obtains security from builders to minimize its financial losses from future warranty claims. At December 31, there is \$4,105 (2007- \$1,448) of security held associated with amounts recoverables from builders.

5. INVESTMENTS

(a) Fair value of investments:

The Corporation has designated the fixed income portfolio as held for trading financial assets and the equity portfolio as available for sale financial assets. Both classes of assets are reported at fair value on the balance sheet.

The following table discloses details of the fair value of the Corporation's investment portfolio as at December 31:

	<u>2008</u> Fair Value	<u>2007</u> Fair Value
Held for trading assets		
Bonds issued by federal, provincial and municipal governments	\$ 91,987	\$ 106,798
Financial institution bonds	35,663	29,804
Other corporate bonds	76,153	78,315
Treasury bills	11,814	13,163
	<u>215,617</u>	<u>228,080</u>
Available for sale assets		
Equity portfolio	77,920	86,441
	<u>\$ 293,537</u>	<u>\$ 314,521</u>

The fair value for both held for trading and available for sale assets are based on quoted bid prices and include accrued interest and dividends, respectively. The fair value of bonds and equities denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at December 31.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2008 (\$ thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Claims recoveries include amounts recovered from builders on claims incurred during the current year or in previous years and changes in the estimate of amounts recoverable from builders on outstanding warranty claims liabilities. Estimated amounts recoverable from builders are presented on the balance sheet as an asset of the Corporation.

Capital assets

Capital assets are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are provided at the following rates and bases:

Software and applications	- straight-line over three years
Computer equipment	- straight-line over four years
Computer equipment acquired under capital lease	- straight-line over four years or the term of lease if shorter than four years
Furniture and office equipment	- 20% declining balance
Leasehold improvements	- straight-line over the term of the lease

Employee future benefits

The Corporation accrues its obligations under employee benefit plans and the related costs, net of plan assets. The cost of pensions and other post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimates of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service periods of eligible employees active at the date of amendment.

Future accounting changes

Goodwill, Intangible Assets and Research and Development Costs

The CICA issued Section 3064 – *Goodwill and Intangible Assets*, replacing Section 3062 – *Goodwill and Other Intangible Assets*” and Section 3450 – *Research and Development Costs*. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Provisions for goodwill are unchanged from the previous Section 3062. The Section will be effective on a retrospective basis for the Corporation's fiscal year beginning January 1, 2009. The new section is not expected to have any significant impact on the financial statements.

International Financial Reporting Standards

The CICA requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards (“IFRS”) beginning on or after January 1, 2011. The objective of the change is to move toward the use of a single set of world-wide accounting standards to facilitate and improve the useability and comparability of financial statements globally. Although there are many similarities between Canadian GAAP and IFRS, there are some significant GAAP differences which may impact the Corporation's financial statements. The Corporation is currently in the planning phase of the conversion and is not yet able to fully determine the impact on the financial statements. The conversion to IFRS is a significant initiative for the Corporation and resources are being dedicated to ensure proper implementation.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2008 (\$ thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Other financial liabilities

Accounts payable and accrued liabilities, and funds held as security, are designated as other liabilities and are measured at amortized cost using the effective interest method.

The warranty liabilities are specifically excluded from the financial instruments accounting standards.

Revenue recognition

Home enrolment fees are remitted by builders during the year. These fees, net of refunds, are deferred and taken into revenue as earned, as determined by actuarial calculations, over the warranty period. The deferred portion of home enrolment fees is included in warranty liabilities. If claims experience indicates that home enrolment fees collected will not be sufficient to discharge related liabilities, a provision for premium deficiency is included in the warranty liabilities.

Builders' registration fees are recorded as revenue upon registration and renewal fees are recorded as revenue in the year in which they are due.

Dividend income is recognized as of the ex-dividend date. Interest income is recognized as earned. Net realized gains or losses on investments are recognized on a trade date basis. Unrealized gains or losses based on the fair value in effect at the balance sheet date on held for trading financial assets are recognized in investment income. Unrealized gains or losses on available for sale financial assets are recognized in the Accumulated net unrealized gains (losses) in the equity portfolio until they are realized or until they are considered "other than temporarily" impaired, at which time the losses are charged to the Statement of Operations.

Warranty liabilities

The warranty liabilities include deferred home enrolment fees and warranty claims liabilities. Deferred home enrolment fees represent the unearned portion of home enrolment fees remitted by builders. Warranty claims liabilities include estimates of costs for claims reported and in process, and provisions for claims incurred but not yet reported at the balance sheet date where it is anticipated that costs will be incurred by the Corporation.

The warranty period spans seven years and significant periods of time can elapse between the incurrence of claims liabilities and their settlement. Accordingly, the estimation of the liabilities involves significant measurement uncertainty.

The liabilities are discounted to reflect the investment income expected to be earned over the period between the incurrence and settlement of claims. The discount rate reflects the expected future yield from the fixed interest investments. Provisions for adverse deviation are added to allow for the inherent measurement uncertainty that arises because actual investment yields may differ from the discount rate; because the actual settlements may occur at amounts that differ from expected settlement amounts; and because the timing of settlements may differ from expected timing.

Claims incurred include claims recoveries and changes in the provisions for claims reported and in process and for claims incurred but not yet reported.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2008 (\$ thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments and Comprehensive Results of Operations

The Corporation designates and recognizes its financial instruments in accordance with the requirements of Section 3855 – *Recognition and Measurement*, Section 1530 – *Comprehensive Income*, and Section 3251 – *Equity*, as described below:

- Held for trading financial assets

Cash and the fixed income portfolio are designated as held for trading financial assets and are measured at fair value with gains and losses, including interest earned, in the Statement of Operations. Transaction costs are recognized in the Statement of Operations as incurred.

- Available for sale financial assets

The equity portfolio is designated as available for sale financial assets and is measured at fair value with unrealized gains and losses recognized in the net unrealized gains (losses) on equity portfolio in the Statement of Comprehensive Results of Operations. Accumulated net unrealized gains (losses) in the equity portfolio (“AUGL”) form part of the Equity on the Balance Sheet. The cumulative changes in the fair value of available for sale securities are removed from the AUGL and recorded in the Statement of Operations when the underlying security is either sold or there is a decline in value that is considered to be other than temporary. Available for sale assets are assessed on an individual security basis at each balance sheet date to determine whether there is objective evidence of impairment. If there is objective evidence of impairment and the decline in fair value is other than temporary, the accumulated loss is moved from the AUGL in the equity section and recognized in the Statement of Operations.

Transaction costs are added to the fair value of the available for sale financial assets at acquisition.

- Held to maturity financial assets

No financial assets were designated as held to maturity.

- Loans and receivables

Amounts recoverable from builders are designated as loans and receivables. The carrying value is based on management’s best estimate of the recoverable value determined by considering past collection experience, the amount of security held and the existence of guarantees. Where there is evidence that there is impairment in these amounts, the impairment charge is recognized in the Statement of Operations to reduce the carrying value of the financial assets to their recoverable amounts.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2008 (\$ thousands)

1. CORPORATION OPERATIONS

Tarion Warranty Corporation (the "Corporation") was designated in 1976 by the Government of Ontario to administer the Ontario New Home Warranties Plan Act (the "Act"). The objectives of the Act include consumer protection, builder regulation and providing consumers and builders with a broad range of services including information and education. The Corporation collects home enrolment and builder registration fees and invests available funds for the purposes of settling warranty claims from homeowners, and providing for investigation, enforcement, and other administrative costs related to its responsibilities in administering the Act. Warranty protection is outlined in the Act and includes providing a warranty to purchasers of new homes in respect of:

- loss of deposit if a builder cannot or will not complete the sale of a home, through no fault of the home buyer;
- specified construction and contractual warranties for defects in work or material; and
- the effects of delays in closing, under certain circumstances.

As a non-profit organization, the Corporation is exempt from income taxes.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In addition, although not required, the Corporation adopts certain guidelines issued by the Office of the Superintendent of Financial Institutions Canada ("OSFI") for property and casualty ("P&C") insurance companies in Canada. These guidelines are in accordance with GAAP.

The preparation of financial statements, in conformity with GAAP, requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual amounts could differ from those estimates. The most significant estimation processes are related to the determination of warranty liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies

Effective January 1, 2008, the Corporation adopted two new CICA Handbook sections: Section 3862 – *Financial Instruments – Disclosures*, and Section 3863 – *Financial Instruments – Presentation*.

Section 3862 and 3863 replace Handbook 3861 – *Financial Instruments – Disclosure and Presentation*. Section 3862 requires enhanced disclosures related to financial instruments and their significance related to the Corporation's financial position and performance. Additional disclosures related to the nature and extent of risks arising from financial instruments and how those risks are managed are also required. Section 3863 is basically unchanged from the presentation requirements of Section 3861. In adopting the requirements of Section 3862, as permitted, the Corporation has chosen to continue to apply the disclosure requirements of Section 3861 to insurance contracts.

TARION WARRANTY CORPORATION

Statement of Cash Flows

Year ended December 31, 2008

(\$ thousands)

	<u>2008</u>	<u>2007</u>
NET INFLOWS (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenses (expenses over revenue) for the year	\$ (22,257)	\$ 2,170
Add (deduct) non-cash items		
Unrealized and realized (gains) losses on held for trading assets	(4,619)	1,436
Net realized gains on sale of available for sale assets	(3,550)	(8,654)
Writedown on available for sale assets	4,125	229
Depreciation and amortization	2,516	2,745
Other	-	(68)
	<u>(23,785)</u>	<u>(2,142)</u>
Changes in non-cash balances related to operations		
Increase in prepaid expenses and other assets	(259)	(233)
Increase in amounts recoverable from builders	(5,072)	(3,912)
Increase in warranty liabilities	26,260	6,418
Increase (decrease) in funds held as security	2,761	(571)
Increase (decrease) in accounts payable and accrued liabilities	(2,092)	2,355
Increase in employee future benefits liabilities	324	327
Cash provided by (used in) operating activities	<u>(1,863)</u>	<u>2,242</u>
INVESTING		
Proceeds from sale and maturity of investments	209,629	228,082
Purchase of investments	(206,494)	(227,340)
Purchase of capital assets	(1,392)	(3,703)
Cash provided by (used in) investing activities	<u>1,743</u>	<u>(2,961)</u>
NET DECREASE IN CASH DURING THE YEAR	(120)	(719)
CASH (OVERDRAFT), BEGINNING OF YEAR	(319)	400
OVERDRAFT, END OF YEAR	\$ (439)	\$ (319)

TARION WARRANTY CORPORATION

Statement of Changes in Equity

Year ended December 31, 2008

(\$ thousands)

	<u>2008</u>	<u>2007</u>
Surplus, beginning of year	\$ 112,099	\$ 109,929
Excess of revenue over expenses (Expenses over revenue) for the year	(22,257)	2,170
Surplus, end of year	\$ 89,842	\$ 112,099
Accumulated net unrealized gains in the equity portfolio, beginning of year	\$ 25,813	\$ 32,487
Change in net unrealized losses in the equity portfolio for the year	(21,892)	(6,674)
Accumulated net unrealized gains in the equity portfolio, end of year	\$ 3,921	\$ 25,813
TOTAL EQUITY, END OF YEAR	\$ 93,763	\$ 137,912

TARION WARRANTY CORPORATION

Statement of Operations

Year Ended December 31, 2008

(\$ thousands)

	<u>2008</u>	<u>2007</u>
REVENUE		
Home enrolment fees earned	\$ 30,118	\$ 33,240
Builders' registration and renewal fees	2,055	2,055
Investment results		
Investment income (Note 5)	14,279	17,576
Investment management fees	(797)	(805)
Other revenue	332	109
	<u>45,987</u>	<u>52,175</u>
EXPENSES		
Net claims incurred (Note 8)	\$ 26,264	\$ 6,947
Salaries and benefits	23,803	24,520
General and administrative	15,661	15,793
Depreciation and amortization	2,516	2,745
	<u>68,244</u>	<u>50,005</u>
EXCESS OF REVENUE OVER EXPENSES		
(EXPENSES OVER REVENUES) FOR THE YEAR	\$ (22,257)	\$ 2,170

Statement of Comprehensive Results of Operations

Year Ended December 31, 2008

(\$ thousands)

	<u>2008</u>	<u>2007</u>
EXCESS OF REVENUE OVER EXPENSES		
(EXPENSES OVER REVENUES) FOR THE YEAR	\$ (22,257)	\$ 2,170
NET UNREALIZED GAINS (LOSSES) IN THE EQUITY PORTFOLIO		
Increase (decrease) due to change in fair value during the year	(22,466)	1,751
Increase (decrease) for amounts included in investment income in the Statement of Operations	574	(8,425)
	<u>(21,892)</u>	<u>(6,674)</u>
COMPREHENSIVE RESULTS OF OPERATIONS FOR THE YEAR	\$ (44,149)	\$ (4,504)

TARION WARRANTY CORPORATION

Balance Sheet


December 31, 2008

(\$ thousands)

	<u>2008</u>	<u>2007</u>
ASSETS		
Investments (Note 5)	\$ 293,537	\$ 314,521
Capital assets (Note 7)	5,971	7,094
Amounts recoverable from builders (Note 4)	11,303	6,231
Prepaid expenses and other assets	1,021	762
	<u>\$ 311,832</u>	<u>\$ 328,608</u>
LIABILITIES		
Bank overdraft	\$ 439	\$ 319
Warranty liabilities (Note 8)	168,928	142,668
Funds held as security (Note 9)	39,191	36,430
Accounts payable and accrued liabilities (Note 7)	7,524	9,616
Employee future benefits liabilities (Note 10)	1,987	1,663
	<u>218,069</u>	<u>190,696</u>
EQUITY		
Surplus	89,842	112,099
Accumulated net unrealized gains in the equity portfolio	3,921	25,813
	<u>93,763</u>	<u>137,912</u>
	<u>\$ 311,832</u>	<u>\$ 328,608</u>

Approved by the Board


Harry Eerskowitz
Director and Chair of the Board


Dick Brouwer
Director and Chair of the Audit Committee

ACTUARY'S REPORT

To the Directors of **Tarion Warranty Corporation**:

I have valued the warranty liabilities of **Tarion Warranty Corporation** for its Balance Sheet as at December 31, 2008 and their change in the Statement of Operations for the year then ended in accordance with accepted actuarial practice, including the selection of appropriate assumptions and methods.

In my opinion, the amount of the warranty liabilities makes appropriate provision for all warranty obligations, and the financial statements fairly present the results of the valuation.



James K. Christie
Fellow, Canadian Institute of Actuaries

February 27, 2009

Auditors' Report

To the Directors of
Tarion Warranty Corporation

We have audited the balance sheet of Tarion Warranty Corporation (the "Corporation") as at December 31, 2008 and the statements of operations, of comprehensive results of operations, of changes in equity and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
February 27, 2009

TARION WARRANTY CORPORATION

Management's Responsibility for Financial Reporting

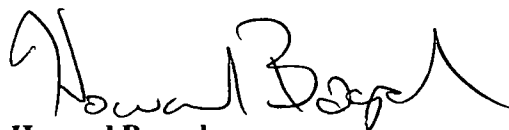
Management is responsible for the integrity of the financial statements and operational information presented in this Annual Report. The financial statements have been presented in accordance with appropriate and generally accepted accounting principles and reflect management's best estimates and judgments. Financial information presented elsewhere in the Annual Report is consistent with these financial statements.

Management maintains a system of internal controls, to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

The external actuary who is appointed by the Board is responsible for ensuring that the assumptions and methods used in the determination of the warranty liabilities are in accordance with accepted actuarial practice.

External auditors have examined and reported on the financial statements.

The Audit Committee, consisting of non-executive directors, has reviewed these financial statements with management and the external auditors and has reported to the Board of Directors, which has approved the financial statements.



Howard Bogach
President & Chief Executive Officer
February 27, 2009



John Becevello
Vice President & Chief Financial Officer
February 27, 2009