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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)

2009

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

A For the 2009 calendar year, or tax year beginning **January 1**, 2009, and ending **December 31**, 20 **09**

B Check if applicable:
 Address change
 Name change
 Initial return
 Terminated
 Amended return
 Application pending

Please use IRS label or print or type See Specific Instructions

C Name of organization **Tarion Warranty Corporation**
 Doing Business As
 Number and street (or P O box if mail is not delivered to street address) Room/suite
5160 Yonge Street 12th Floor
 City or town, state or country, and ZIP + 4
North York, Canada, M1P5J4

D Employer identification number
98 0197825

E Telephone number
(416) 229-3800

G Gross receipts \$ **42,005,552**

F Name and address of principal officer
Howard Bogach

H(a) Is this a group return for affiliates? Yes No
H(b) Are all affiliates included? Yes No
 If "No," attach a list (see instructions)
H(c) Group exemption number ▶

I Tax-exempt status 501(c) (**4**) (insert no) 4947(a)(1) or 527

J Website: ▶ **www.tarion.com**

K Form of organization Corporation Trust Association Other ▶

L Year of formation **1976** **M** State of legal domicile

Part I Summary

1 Briefly describe the organization's mission or most significant activities: **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.**

2 Check this box if the organization discontinued its operations or disposed of more than 25% of its net assets.

3 Number of voting members of the governing body (Part VI, line 1a)	3	18
4 Number of independent voting members of the governing body (Part VI, line 1b)	4	16
5 Total number of employees (Part V, line 2a)	5	233 (see SCHD O)
6 Total number of volunteers (estimate if necessary)	6	0
7a Total gross unrelated business revenue from Part VIII, column (C), line 12	7a	13,896,406
b Net unrelated business taxable income from Form 990-T, line 34	7b	n/a see SCHD O

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)		
9 Program service revenue (Part VIII, line 2g)	30,014,104	28,109,146
10 Investment income (Part VIII, column (A), lines 7d, 8, 9, 10, and 11e)	15,762,509	13,539,116
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10b, and 11e)	309,386	357,290
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	46,085,999	42,005,552
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	21,520,088
16a Professional fundraising fees (Part IX, column (A), line 11e)		
b Total fundraising expenses (Part IX, column (D), line 25) ▶		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	43,316,404	16,174,358
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	65,522,253	37,694,446
19 Revenue less expenses. Subtract line 18 from line 12	-19,436,254	4,311,106
20 Total assets (Part X, line 16)	242,151,285	318,090,656
21 Total liabilities (Part X, line 26)	169,091,812	205,835,275
22 Net assets or fund balances Subtract line 21 from line 20	73,059,473	112,255,381

Part II Signature Block

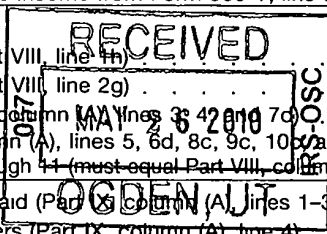
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge

Sign Here
 Signature of officer: Edmond Lee Date: May 17, 2010
 Type or print name and title: Edmond Lee, CFO

Paid Preparer's Use Only
 Preparer's signature: _____ Date: _____ Check if self-employed
 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

SCANNED JUL 21 2010



Part III Statement of Program Service Accomplishments

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 \$ 18,159,719 including grants of \$ _____) (Revenue \$ 25,565,607)
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 \$ 2,063,853 including grants of \$ _____) (Revenue \$ 2,543,539)
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 ► 20,223,572

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		✓
2	Is the organization required to complete Schedule B, Schedule of Contributors?		✓
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		✓
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities? If "Yes," complete Schedule C, Part II		✓
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		✓
6	Did the organization maintain any donor advised funds or any similar funds or 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		✓
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		✓
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III		✓
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		✓
10	Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V		✓
11	Is the organization's answer to any of the following questions "Yes"? If so, complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable	✓	
	• Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI.		
	• Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.		
	• Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.		
	• Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX.		
	• Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X		
	• Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48? If "Yes," complete Schedule D, Part X.		
12	Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI, XII, and XIII.	✓	
12A	Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," completing Schedule D, Parts XI, XII, and XIII is optional	Yes	No
			✓
13	Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E		✓
14a	Did the organization maintain an office, employees, or agents outside of the United States?	✓	
14b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? If "Yes," complete Schedule F, Part I	✓	
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.		✓
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		✓
17	Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I		✓
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II		✓
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III.		✓
20	Did the organization operate one or more hospitals? If "Yes," complete Schedule H		✓

Part IV Checklist of Required Schedules (continued)

	Yes	No
21 Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>		✓
22 Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>		✓
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	✓	
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? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i>		✓
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
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?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
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? <i>If "Yes," complete Schedule L, Part I</i>		✓
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>		
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? <i>If "Yes," complete Schedule L, Part II</i>		✓
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>		✓
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions).		
a A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>		✓
b A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>		✓
c An entity of which a current or former officer, director, trustee, or key employee of the organization (or a family member) was an officer, director, trustee, or direct or indirect owner? <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>		✓
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O.	✓	

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 <i>e-file</i> 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?	✓	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O		✓
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)?		✓
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?		✓
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		✓
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction?		
	5c		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?		✓
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 receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?		
	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	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
	8		
9	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 For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body	18	
1b	Enter the number of voting members that are independent	16	
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?		<input checked="" type="checkbox"/>
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?		<input checked="" type="checkbox"/>
4	Did the organization make any significant changes to its organizational documents since the prior Form 990 was filed?		<input checked="" type="checkbox"/>
5	Did the organization become aware during the year of a material diversion of the organization's assets?		<input checked="" type="checkbox"/>
6	Does the organization have members or stockholders?	<input checked="" type="checkbox"/>	
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	<input checked="" type="checkbox"/>	
7b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	<input checked="" type="checkbox"/>	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a	The governing body?	<input checked="" type="checkbox"/>	
b	Each committee with authority to act on behalf of the governing body?	<input checked="" type="checkbox"/>	
9a	Is there any officer, director, 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		<input checked="" type="checkbox"/>

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Does the organization have local chapters, branches, or affiliates?		<input checked="" type="checkbox"/>
10b	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?		
11	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?		<input checked="" type="checkbox"/>
11A	Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
12a	Does the organization have a written conflict of interest policy? If "No," go to line 13	<input checked="" type="checkbox"/>	
12b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	<input checked="" type="checkbox"/>	
12c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done		<input checked="" type="checkbox"/>
13	Does the organization have a written whistleblower policy?	<input checked="" type="checkbox"/>	
14	Does the organization have a written document retention and destruction policy?	<input checked="" type="checkbox"/>	
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?		
a	The organization's CEO, Executive Director, or top management official	<input checked="" type="checkbox"/>	
b	Other officers or key employees of the organization	<input checked="" type="checkbox"/>	
	If "Yes" to line 15a or 15b, 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?		<input checked="" type="checkbox"/>
16b	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 Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year. Use Schedule J-2 if additional space is needed.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

Check this box if the organization did not compensate any current officer, director, or trustee.

(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			
See Notes #3 (List of Officers, etc)									

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								4,613,315		

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization ▶ 33

	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	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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	<input type="checkbox"/>	<input checked="" type="checkbox"/>

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
EllisDon Corporation	Claims Related	1,490,147
EBS Engineering & Construction Limited	Engineering & Claims Rel	1,132,600
Unlimited Building Solutions	Claims Related	894,683
Gowlings Lafleur Henderson LLP	Legal Services	1,276,873
McDonnell Haynes Ltd.	Branding, Promotion	460,962

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization ▶ 26

Part VIII Statement of Revenue				(A)	(B)	(C)	(D)	
				Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a Federated campaigns	1a						
	b Membership dues	1b						
	c Fundraising events	1c						
	d Related organizations	1d						
	e Government grants (contributions)	1e						
	f All other contributions, gifts, grants, and similar amounts not included above	1f						
	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	2,543,539	2,543,539			
	b New Home Enrolment Fee		524298	25,565,607	25,565,607			
	c							
	d							
	e							
	f All other program service revenue							
g Total. Add lines 2a-2f				28,109,146				
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)			9,837,320		9,837,320		
	4 Income from investment of tax-exempt bond proceeds							
	5 Royalties							
	6a Gross Rents	(i) Real	(ii) Personal					
		b Less: rental expenses						
		c Rental income or (loss)						
	d Net rental income or (loss)							
	7a Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other					
		b Less: cost or other basis and sales expenses						
		c Gain or (loss)		3,701,796				
	d Net gain or (loss)				3,701,796		3,701,796	
	8a Gross income from fundraising events (not including \$ of contributions reported on line 1c). See Part IV, line 18	a						
		b Less: direct expenses	b					
		c Net income or (loss) from fundraising events						
	9a Gross income from gaming activities. See Part IV, line 19	a						
b Less: direct expenses		b						
c Net income or (loss) from gaming activities								
10a Gross sales of inventory, less returns and allowances	a							
	b Less: cost of goods sold	b						
	c Net income or (loss) from sales of inventory							
Miscellaneous Revenue		Business Code						
11a								
b								
c								
d All other revenue				357,290		357,290		
e Total. Add lines 11a-11d				357,290				
12 Total revenue. See instructions.				42,005,552	28,109,146	13,896,406		

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	2,654,719	915,787	1,738,932	
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	15,573,191	9,975,168	5,598,023	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	777,806	534,243	243,563	
9 Other employee benefits	529,161	363,459	165,702	
10 Payroll taxes	1,985,211	1,363,561	621,650	
11 Fees for services (non-employees):				
a Management				
b Legal	2,235,255	1,856,320	378,935	
c Accounting	141,880		141,880	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees	724,238		724,238	
g Other	1,123,907	137,503	986,404	
12 Advertising and promotion	511,448	511,448		
13 Office expenses	1,087,282	101,629	985,653	
14 Information technology	1,011,467	440	1,011,027	
15 Royalties				
16 Occupancy	1,628,169	732,676	895,493	
17 Travel	896,985	850,107	46,878	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	533,782	34,226	499,556	
20 Interest	310,900		310,900	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	2,027,651		2,027,651	
23 Insurance	173,606		173,606	
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	2,712,575	2,712,575		
b				
c				
d				
e				
f All other expenses <i>misc</i>	1,055,213	134,430	920,783	
25 Total functional expenses. Add lines 1 through 24f	37,694,446	20,223,572	17,470,874	
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	0	1	2,724,315
	2 Savings and temporary cash investments		2	
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	8,764,293	4	11,095,986
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. 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	791,859	9	1,034,199
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 7,809,224		
	b Less: accumulated depreciation	10b 4,548,312	3,029,871	10c 3,260,912
	11 Investments—publicly traded securities	227,964,854	11	298,529,910
	12 Investments—other securities. See Part IV, line 11		12	
	13 Investments—program-related. See Part IV, line 11		13	
	14 Intangible assets	1,600,408	14	1,445,334
	15 Other assets. See Part IV, line 11		15	
16 Total assets. Add lines 1 through 15 (must equal line 34)	242,151,285	16	318,090,656	
Liabilities	17 Accounts payable and accrued expenses	5,834,166	17	9,485,292
	18 Grants payable		18	
	19 Deferred revenue	73,859,607	19	95,505,641
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial 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 to unrelated third parties		24	
	25 Other liabilities. Complete Part X of Schedule D	89,397,039	25	100,844,342
	26 Total liabilities. Add lines 17 through 25	169,091,812	26	205,835,275
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	73,059,473	32	112,255,381
33 Total net assets or fund balances	73,059,473	33	112,255,381	
34 Total liabilities and net assets/fund balances	242,151,285	34	318,090,656	

Part XI Financial Statements and Reporting

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

If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.

2a Were the organization's financial statements compiled or reviewed by an independent accountant?

b Were the organization's financial statements audited by an independent accountant?

c If "Yes" to line 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?

If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.

d If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a consolidated basis, separate basis, or both:

Separate basis Consolidated basis Both consolidated and separate basis

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?

b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.

	Yes	No
2a		✓
2b	✓	
2c	✓	
3a		✓
3b		

Note 3					
Taron Warranty Corporation					
EIN: 98-0197825					
IRS 990 - 2009					
Part VII-A - List of Officers, Directors, Trustees & Key Employees					
				Conversion Rate	1.1415
	Name & Title	Avg hrs /wk	Attendance Record to Meetings	Position	Total (US\$) Column D Reportable compensation from the organization
1	Harry Herskowitz Board of Directors, (voting rights)	n/a	(16/17 attendance)	Director	39,816 00
2	Scott Cameron Board of Directors, (voting rights)	n/a	(13/14 attendance)	Director	20,018 00
3	Bran Johnston Board of Directors, (voting rights)	n/a	(16/19 attendance)	Director	18,966 00
4	Peter Smith Board of Directors, (voting rights)	n/a	(10/13 attendance)	Director	17,389 00
5	Dick Brouwer Board of Directors, (voting rights)	n/a	(12/12 attendance)	Director	19,711 00
6	Robert Cooper Board of Directors, (voting rights)	n/a	(19/19 attendance)	Director	24,398 00
7	Peter Saturno Board of Directors, (voting rights)	n/a	(18/18 attendance)	Director	23,434 00
8	Deborah Brown Board of Directors, (voting rights)	n/a	(12/14 attendance)	Director	-
9	Frank Giannone Board of Directors, (voting rights)	n/a	(4/4 attendance)	Director	12,297 00
10	Christopher Spiteri Board of Directors, (voting rights)	n/a	(15/18 attendance)	Director	21,890 00
11	Bob Ridley Board of Directors, (voting rights)	n/a	(13/15 attendance)	Director	20,280 00
12	Michael Lio Board of Directors, (voting rights)	n/a	(20/20 attendance)	Director	23,814 00
13	Mark Bsciano Board of Directors, (voting rights)	n/a	(7/10 attendance)	Director	12,155 00
14	Bob Aaron Board of Directors, (voting rights)	n/a	(11/12 attendance)	Director	18,495 00
15	James Bazely Board of Directors, (non-voting rights)	n/a	(3/3 attendance)	Director	5,048 00
16	Harold Levy Board of Directors, (voting rights)	n/a	(17/18 attendance)	Director	21,343 00
17	Peter Oakes Board of Directors, (non-voting rights)	n/a	(19/19 attendance)	Director	23,332 00
18	Howard Bogach President, CEO, Registrar, (voting rights)	37.5	(30/31 attendance)	Director/Officer	441,956 00
19	Alex McFarlene Corporate Secretary	37.5	n/a	Officer	130,790 00
20	John Becevello Vice President, Finance, CFO (Deputy Registrar)	37.5	n/a	Officer	239,717 00
21	David Guiney Senior Vice President, Operations, (Deputy Registrar)	37.5	n/a	Officer	296,704 00
22	Mike Cote Vice President, Builder Relations, (Deputy Registrar)	37.5	n/a	Officer	194,595 00
23	Patrick Varcoe Vice President, L & U (Deputy Registrar)	37.5	n/a	Officer	222,372 00
24	Timothy Schumacher Vice President & General Counsel, (Deputy Registrar)	37.5	n/a	Officer	295,902 00
25	Janice Mandel Vice President, Corporate Affairs	37.5	n/a	Key Employee	217,099 00
26	Bill Wallace Vice President, Information Systems	37.5	n/a	Key Employee	243,861 00
27	Eileen Holden Vice President, Human Resources	37.5	n/a	Key Employee	198,213 00
28	Suzanne Tiffin Vice President, Customer Services	37.5	n/a	Key Employee	188,124 00
29	Peter Balasubramanian Vice President, Claims-TM 2/11/09	37.5	n/a	Key Employee	202,115 00
30	Tieu-Minh To Controllor, Finance	37.5	n/a	Highest Comp	129,837 00
31	Grish Sharma Director L&U	37.5	n/a	Highest Comp	129,643 00
32	John Linney Director Contact Center	37.5	n/a	Highest Comp	130,602 00
33	Andrew Rodgers	37.5	n/a	Highest Comp	124,650 00
34	John Hynes	37.5	n/a	Highest Comp	124,637 00
35	Julie DiLorenzo Former Board of Directors, (voting rights)	n/a	(5/6 attendance)	Former (Director)	5,004 00
36	Gregorg Gee (No longer with Taron during 2008) Former CEO, Director	37.5	n/a	Former (Officer)	347,850 00
37	Robin Fitzgerald (No longer with Taron during 2008) Former Senior Vice President, Operations	22.5	n/a	Former (Officer)	100,406 00
38	Robert Jewett Vice President, Claims	37.5	n/a	Former (Key Emp)	326,852 00
				2009	4,613,315 00

**SCHEDULE D
(Form 990)**

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2009

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? Yes No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? Yes No

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

- 1 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 a certified historic structure
 Preservation of open space
- 2 Complete lines 2a through 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 Tax 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 |
- 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶
- 4 Number of states where property subject to conservation easement is located ▶
- 5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? Yes No
- 6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶
- 7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ \$
- 8 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
- 9 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.

- 1a 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
- b 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 ▶ \$
- 2 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 acquisition, 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 Escrow and Custodial Arrangements. Complete if the 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 |
|--|-----------|
| c Beginning balance | 1c |
| d Additions during the year | 1d |
| e Distributions during the year | 1e |
| f Ending balance | 1f |
- 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 the 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 Net investment earnings, gains, and 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

	Yes	No
(i) unrelated organizations	3a(i)	
(ii) related organizations	3a(ii)	
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b	

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) Accumulated depreciation	(d) Book value
1a Land				
b Buildings				
c Leasehold improvements		2,910,762	1,289,762	1,620,995
d Equipment		3,561,208	2,450,620	1,110,588
e Other		1,337,254	807,925	529,329
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c))				3,260,912

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		
Closely-held equity interests		
Other		
.....		
.....		
.....		
.....		
.....		
.....		
.....		
.....		
Total. (Column (b) must 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) must 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) must equal Form 990, Part X, col (B) line 15) ▶	

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

1. (a) Description of liability	(b) Amount
Federal income taxes	
Warranty Claim Liability	61,432,416
Funds Held as Security from Builders	37,145,489
Employee Future Benefits Liabilities	2,266,437
Total. (Column (b) must equal Form 990, Part X, col (B) line 25) ▶	100,844,342

2. FIN 48 Footnote. 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 Audited Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	42,005,552
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	37,694,446
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	4,311,106
4	Net unrealized gains (losses) on investments	4	21,500,116
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV.)	8	13,384,686
9	Total adjustments (net). Add lines 4 through 8	9	34,884,802
10	Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9	10	39,195,908

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	43,340,081
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
a	Net unrealized gains on investments	2a	2,338,894
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	2,338,894
3	Subtract line 2e from line 1	3	41,001,187
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	693,465
b	Other (Describe in Part XIV.)	4b	310,900
c	Add lines 4a and 4b	4c	1,004,365
5	Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)	5	42,005,552

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

1	Total expenses and losses per audited financial statements	1	36,690,081
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	Other losses	2c	
d	Other (Describe in Part XIV.)	2d	
e	Add lines 2a through 2d	2e	0
3	Subtract line 2e from line 1	3	36,690,081
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	693,465
b	Other (Describe in Part XIV.)	4b	310,900
c	Add lines 4a and 4b	4c	1,004,365
5	Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)	5	37,694,446

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, line 2; Part XI, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information

PART XI Line 8 (Other) Foreign Exchange Adjustment on conversion 13,384,686

PART XI Line 4 Net Unrealized Gain 21,500,116 (Change in unrealized gain on stock: 19,161,222; Change in unrealized gain on bond: 4,597,080; Write-down on stock:-2,258,186)

PART XII, XIII Line 4a - Investment Management Fee

PART XII, XIII Line 4b - Interest Expense on Cash Security

Part XIV Supplemental Information *(continued)*

Area for supplemental information with horizontal dashed lines.

Schedule F
(Form 990)

Statement of Activities Outside the United States

OMB No 1545-0047

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

2009

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 990. ▶ See separate instructions.

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 for region
Ontario, Canada	3	233	Program Services	New Home Warranty	20,223,572
Totals ▶	3	233			20,223,572

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 (e) 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 recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, 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)

Part IV **Supplemental Information**

Complete this part to provide the information required in Part I, line 2, and any additional information.

Area with horizontal dashed lines for supplemental information.

**SCHEDULE J
(Form 990)**

Department of the Treasury
Internal Revenue Service

Compensation Information
For certain Officers, Directors, Trustees, Key Employees, and Highest
Compensated Employees
▶ Complete if the organization answered "Yes" to Form 990,
Part IV, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2009

**Open to Public
Inspection**

Name of the organization

Tarion Warranty Corporation

Employer identification number

98 : 0197825

Part I Questions Regarding Compensation

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.

- | | |
|--|---|
| <input type="checkbox"/> First-class or charter travel | <input 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 any of the boxes on line 1a are 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?

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.

- | | |
|--|---|
| <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, with respect to the filing organization or a related organization.

- 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 section 501(c)(3) and 501(c)(4) organizations must complete lines 5–9.

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

9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1a		
1b	✓	
2	✓	
3		
4a	✓	
4b	✓	
4c		✓
5a		✓
5b		✓
6a	✓	
6b		✓
7		✓
8		✓
9		

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) Retirement and other 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)							
Howard Bogach	297,854	111,695	32,407			441,956	
John Becevello	165,572	44,087	30,058			239,717	
Mike Cote	132,282	31,748	30,566			194,596	
Patrick Varcoe	151,555	40,355	30,462			222,372	
Tim Schumacher	210,250	55,191	30,462			295,903	
Janice Mandel	148,927	39,654	28,518			217,099	
Bill Wallace	169,076	44,385	30,400			243,861	
Eileen Holden	137,538	34,043	26,631			198,212	
Suzanne Tiffin	127,026	33,824	27,274			188,124	
Peter Balasubramanian	158,177	20,325	23,612			202,115	
David Guiney	232,151	33,859	30,695			296,705	
Gregory Gee (no longer with company)		112,746	235,104			347,850	
Bob Jewett (no longer with company)	56,525		270,327			326,852	

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 2009. The compensation range is determined by the success of the goals achievement.

Termination of Officers in 2008 (Compensation carryover into 2009):

Gregory Gee (CEO) : Total Compensation for 2009=\$347,850 (Severance)

Robin Fitzgerald (SVP) : Total Compensation for 2009=\$100,406 (Severance)

Termination of Key Employee in 2009:

Robert Jewett (VP of Claims Dept; Key Employee): Total Compensation for 2009=\$326,852 (Base Salary: \$56,525; Severance: \$256,176; Other: \$14,151)

Termination of Director in 2009:

Julie DiLorenzo: Total Compensation in 2009: \$5,004

**SCHEDULE O
(Form 990)**

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990

Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.

▶ Attach to Form 990.

OMB No 1545-0047

2009

**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, 2009 is 233. Employment is filed through Revenue

Canada and therefore none was transmitted through Form W-3, transmittal of wage and tax statements.

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)

Name of the organization

Employer identification number

Form body with horizontal dashed lines for text entry.

Tarion Warranty Corporation
Consolidated Summary Investment Listing
As at December 31, 2009
(Market Values using Bid Prices)

Conversion 1 0466

	CANADIAN DOLLAR		US DOLLAR	
	Quantity	Market Value	Quantity	Market Value
Fixed Income Category				
Bonds				
Federal Gov	72,089,500	75,140,443	72,089,500	71,794,806
Provincial Gov	32,168,000	32,366,433	32,168,000	30,925,314
Municipal Gov	500,000	540,030	500,000	515,985
Total Government Issued Bonds	104,757,500	108,046,907	104,757,500	103,236,105
Financial Institution Bonds	28,732,000	29,834,451	28,732,000	28,506,068
Corporate Bonds (other than Utilities)	9,713,000	10,371,285	9,713,000	9,909,502
Corporate Utility's Bonds	56,204,000	60,358,809	56,204,000	57,671,325
Total Canadian Bonds	199,406,500	208,611,451	199,406,500	199,323,000
Short Term Securities				
(CANADIAN ISSUED NOTES IN CDN\$)	12,285,000	12,279,905	12,285,000	11,733,141
(CANADIAN ISSUED NOTES IN US\$)	15,000	15,698	15,000	14,999
Total Short Term Securities	12,300,000	12,295,603	12,300,000	11,748,140
Accrued Interest		1,523,036		1,455,222
TOTAL FIXED INCOME		222,430,089		212,526,362
Equity Portfolio				
<i>(Quantity = No of Shares or Units)</i>				
DOMESTIC Stock (CAD Denominated)				
ATCO LTD CLASS 1 NON-VTG	12,445	570,354	12,445	544,959
ALTAGAS	20,100	377,277	20,100	360,479
BANK OF MONTREAL	10,940	610,124	10,940	582,958
BANK OF NOVA SCOTIA	77,695	3,821,817	77,695	3,651,650
BAYTEX	20,400	602,412	20,400	575,590
CAE	47,242	410,061	47,242	391,803
CAMECO CORP COMMON	43,100	1,454,192	43,100	1,389,444
CIBC	38,500	2,616,075	38,500	2,499,594
CANADIAN NATL RAILWAY CO	39,980	2,284,312	39,980	2,182,602
CANADIAN NATL RESOURCES	13,860	1,048,079	13,860	1,001,413
CANADIAN OILSANDS	22,600	672,124	22,600	642,198
CANADIAN PACIFIC	10,500	593,565	10,500	567,136
CANADIAN TIRE LTD CL A	31,170	1,784,483	31,170	1,705,028
CANFOR CORP	13,044	105,656	13,044	100,952
CENOVUS	69,533	1,835,671	69,533	1,753,938
ENBRIDGE INC	40,340	1,958,507	40,340	1,871,304
ENCANA	63,153	2,150,156	63,153	2,054,420
ENSIGN ENERGY	32,400	484,380	32,400	462,813
FINNING	22,600	374,934	22,600	358,240
GOLDCORP	18,305	756,839	18,305	723,140
GREAT-WEST LIFECO INC	94,735	2,540,793	94,735	2,427,664
IGM FINANCIAL	15,900	669,867	15,900	640,041
IMPERIAL OIL LTD	21,236	862,182	21,236	823,793
JEAN COUTU GRP(PJC)	19,484	188,800	19,484	180,394
KINROSS GOLD	87,125	1,684,070	87,125	1,609,087
LOBLAW COMPANIES LTD	25,935	877,133	25,935	838,078
MAGNA	11,400	605,340	11,400	578,387
MANULIFE FINANCIAL CORP	174,146	3,361,018	174,146	3,211,368
METRO INC	31,935	1,250,894	31,935	1,195,198
MOLSON INC	34,700	1,596,200	34,700	1,525,129
NEXEN INC COMMON	57,190	1,427,520	57,190	1,363,959
POTASH CORP OF SASK INC	15,025	1,713,558	15,025	1,637,262
POWER FINANCIAL CORP COM	19,100	590,381	19,100	564,094
QUEBECOR INC CL B	49,225	1,339,905	49,225	1,280,245
RESEARCH IN MOTION	13,290	941,424	13,290	899,507
ROGERS COMMUN CL B	61,225	1,993,486	61,225	1,904,726
ROYAL BANK	70,570	3,976,620	70,570	3,799,560
SNC-LAVALIN GROUP INC	37,325	2,012,564	37,325	1,922,954
SHAW COMMUNICATIONS INC	42,200	911,520	42,200	870,934
SHOPPERS DRUG MART	32,730	1,482,996	32,730	1,416,966
SUNLIFE	23,453	707,577	23,453	676,072
SUNCOR	39,800	1,476,580	39,800	1,410,835

TALISMAN ENERGY INC	179,600	3,497,712	179,600	3,341,976
TELUS	48,200	1,640,728	48,200	1,567,674
THOMSON CORP COMMON	59,245	2,008,406	59,245	1,918,981
TIM HORTONS	7,119	226,705	7,119	216,611
TORONTO-DOMINION BANK	74,040	4,882,198	74,040	4,664,817
TRANSCANADA CORP	30,887	1,116,581	30,887	1,066,865
WEST FRASER TIMBER CO LTD	13,146	431,057	13,146	411,864
WESTON LTD	5,700	380,874	5,700	363,916
JF SPECIAL EQUITY FUND	125,308	2,569,719	125,308	2,455,302
TOTAL DOMESTIC Stock	2,168,881	73,475,422	2,168,881	70,203,920
FOREIGN Stock (CAD Denominated)				
BEUTEL GOODMAN POOLED FUNDS	575,701	6,341,295	575,701	6,058,948
FOREIGN Stock (US Denominated)				
ABBOT LABS INC	2,840	153,332	2,840	153,332
ALTRIA GROUP INC	1,420	27,875	1,420	27,875
APPLE COMPUTERS	490	103,233	490	103,233
AUTOMATIC DATA	500	21,410	500	21,410
BANK OF NEW YORK CO	3,826	106,401	3,826	106,401
BECKMAN COULTER INC	1,000	65,440	1,000	65,440
BECTON DICKENSON	1,370	108,038	1,370	108,038
CVS CORP	3,060	98,563	3,060	98,563
CHEVRON COMMON	2,830	216,749	2,830	216,749
CISCO SYSTEMS INC	6,175	147,832	6,175	147,832
COLGATE PALMOLIVE	1,840	151,156	1,840	151,156
COMCAST	4,835	77,117	4,835	77,117
COMMUNITY HEALTH	3,330	117,715	3,330	117,715
CONOCOPHILLIPS	1,680	85,562	1,680	85,562
EMERSON ELECTRONIC	3,190	135,894	3,190	135,894
EOG RESOURCES	800	77,520	800	77,520
EXXON MOBIL	1,840	125,470	1,840	125,470
FISERV INC COM	2,540	123,139	2,540	123,139
GENERAL ELECTRIC	3,940	59,612	3,940	59,612
HALLIBURTON	3,850	115,691	3,850	115,691
HARTFORD FINANCIAL	1,990	46,288	1,990	46,288
JP MORGAN CHASE	1,320	55,005	1,320	55,005
JOHNSON & JOHNSON	2,410	154,962	2,410	154,962
KIMBERLY-CLARK CORP	1,790	113,324	1,790	113,324
LINCOLN NATIONAL CORP	2,760	68,090	2,760	68,090
M&T BANK	1,030	68,444	1,030	68,444
MCCORMICK	2,770	100,081	2,770	100,081
METLIFE	1,850	65,397	1,850	65,397
MONSANTO	750	61,313	750	61,313
NIKE	1,430	93,908	1,430	93,908
PEPISCO	1,670	101,035	1,670	101,035
PFIZER INC COM	6,880	125,149	6,880	125,149
PHILIP MORRIS	1,520	72,991	1,520	72,991
QUEST	1,690	101,468	1,690	101,468
PROCTER & GAMBLE	2,380	144,251	2,380	144,251
ROYAL DUTCH SHELL	1,520	91,200	1,520	91,200
SCRIPPS NETWORK	1,200	49,308	1,200	49,308
SPECTRA	2,260	46,353	2,260	46,353
3M COMPANY	1,510	124,831	1,510	124,831
TEXAS INSTRUMENTS	4,440	114,865	4,440	114,865
TIME WARNER CABLE	364	15,066	364	15,066
TIME WARNER INC	1,453	42,050	1,453	42,050
TRANSOCEAN	500	41,400	500	41,400
TYCO INTERNATIONAL	1,450	51,475	1,450	51,475
US BANCORP	3,400	76,365	3,400	76,365
WALGREEN CO	3,350	122,343	3,350	122,343
WASHINGTON POST	70	30,660	70	30,660
WELLS FARGO	3,583	96,706	3,583	96,706
ZIMMER HOLDINGS	1,905	111,957	1,905	111,957
JF INTL EQUITY FUND	256,731	4,930,786	256,731	4,930,786
Total US Denominated Stock (in US\$)	367,332	9,434,819	367,332	9,434,819
Premium @ -104 66 (Q4)		439,663		0
Unrealized Exchange on USD				
Total US Denominated Stock (in CAD\$)	367,332	9,874,482	367,332	9,434,819
TOTAL FOREIGN Stock (in CAD\$)				
		16,215,777		15,493,767
Dividend Receivables		320,116		305,863
TOTAL STOCK PORTFOLIO		90,011,315		86,003,550
TOTAL INVESTMENT PORTFOLIO				
		312,441,405		298,529,912

Tarion Warranty Corporation
Consolidated Summary Investment Listing
As at December 31, 2009
(Market Values using Bid Prices)

Conversion 1 0466

	CANADIAN DOLLAR		US DOLLAR	
	Quantity	Market Value	Quantity	Market Value
Fixed Income Category				
Bonds				
Federal Gov	72,089,500	75,140,443	72,089,500	71,794,806
Provincial Gov	32,168,000	32,366,433	32,168,000	30,925,314
Municipal Gov	500,000	540,030	500,000	515,985
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Total Canadian Bonds	199,406,500	208,611,451	199,406,500	199,323,000
Short Term Securities				
(CANADIAN ISSUED NOTES IN CDN\$)	12,285,000	12,279,905	12,285,000	11,733,141
(CANADIAN ISSUED NOTES IN US\$)	15,000	15,698	15,000	14,999
Total Short Term Securities	12,300,000	12,295,603	12,300,000	11,748,140
Accrued Interest		1,523,036		1,455,222
TOTAL FIXED INCOME		222,430,089		212,526,362
Equity Portfolio				
(Quantity = No. of Shares or Units)				
DOMESTIC Stock (CAD Denominated)				
ATCO LTD CLASS 1 NON-VTG	12,445	570,354	12,445	544,959
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METRO INC	31,935	1,250,894	31,935	1,195,198
MOLSON INC	34,700	1,596,200	34,700	1,525,129
NEXEN INC COMMON	57,190	1,427,520	57,190	1,363,959
POTASH CORP OF SASK INC	15,025	1,713,558	15,025	1,637,262
POWER FINANCIAL CORP COM	19,100	590,381	19,100	564,094
QUEBECOR INC CL B	49,225	1,339,905	49,225	1,280,245
RESEARCH IN MOTION	13,290	941,424	13,290	899,507
ROGERS COMMUN CL B	61,225	1,993,486	61,225	1,904,726
ROYAL BANK	70,570	3,976,620	70,570	3,799,560
SNC-LAVALIN GROUP INC	37,325	2,012,564	37,325	1,922,954
SHAW COMMUNICATIONS INC	42,200	911,520	42,200	870,934
SHOPPERS DRUG MART	32,730	1,482,996	32,730	1,416,966
SUNLIFE	23,453	707,577	23,453	676,072
SUNCOR	39,800	1,476,580	39,800	1,410,835

TALISMAN ENERGY INC	179,600	3,497,712	179,600	3,341,976
TELUS	48,200	1,640,728	48,200	1,567,674
THOMSON CORP COMMON	59,245	2,008,406	59,245	1,918,981
TIM HORTONS	7,119	226,705	7,119	216,611
TORONTO-DOMINION BANK	74,040	4,882,198	74,040	4,664,817
TRANSCANADA CORP	30,887	1,116,581	30,887	1,066,865
WEST FRASER TIMBER CO LTD	13,146	431,057	13,146	411,864
WESTON LTD	5,700	380,874	5,700	363,916
JF SPECIAL EQUITY FUND	125,308	2,569,719	125,308	2,455,302
TOTAL DOMESTIC Stock	2,168,881	73,475,422	2,168,881	70,203,920
FOREIGN Stock (CAD Denominated)				
BEUTEL GOODMAN POOLED FUNDS	575,701	6,341,295	575,701	6,058,948
FOREIGN Stock (US Denominated)				
ABBOT LABS INC	2,840	153,332	2,840	153,332
ALTRIA GROUP INC	1,420	27,875	1,420	27,875
APPLE COMPUTERS	490	103,233	490	103,233
AUTOMATIC DATA	500	21,410	500	21,410
BANK OF NEW YORK CO	3,826	106,401	3,826	106,401
BECKMAN COULTER INC	1,000	65,440	1,000	65,440
BECTON DICKENSON	1,370	108,038	1,370	108,038
CVS CORP	3,060	98,563	3,060	98,563
CHEVRON COMMON	2,830	216,749	2,830	216,749
CISCO SYSTEMS INC	6,175	147,832	6,175	147,832
COLGATE PALMOLIVE	1,840	151,156	1,840	151,156
COMCAST	4,835	77,117	4,835	77,117
COMMUNITY HEALTH	3,330	117,715	3,330	117,715
CONOCOPHILLIPS	1,680	85,562	1,680	85,562
EMERSON ELECTRONIC	3,190	135,894	3,190	135,894
EOG RESOURCES	800	77,520	800	77,520
EXXON MOBIL	1,840	125,470	1,840	125,470
FISERV INC COM	2,540	123,139	2,540	123,139
GENERAL ELECTRIC	3,940	59,612	3,940	59,612
HALLIBURTON	3,850	115,691	3,850	115,691
HARTFORD FINANCIAL	1,990	46,288	1,990	46,288
JP MORGAN CHASE	1,320	55,005	1,320	55,005
JOHNSON & JOHNSON	2,410	154,962	2,410	154,962
KIMBERLY-CLARK CORP	1,790	113,324	1,790	113,324
LINCOLN NATIONAL CORP	2,760	68,090	2,760	68,090
M&T BANK	1,030	68,444	1,030	68,444
MCCORMICK	2,770	100,081	2,770	100,081
METLIFE	1,850	65,397	1,850	65,397
MONSANTO	750	61,313	750	61,313
NIKE	1,430	93,908	1,430	93,908
PEPISCO	1,670	101,035	1,670	101,035
PFIZER INC COM	6,880	125,149	6,880	125,149
PHILIP MORRIS	1,520	72,991	1,520	72,991
QUEST	1,690	101,468	1,690	101,468
PROCTER & GAMBLE	2,380	144,251	2,380	144,251
ROYAL DUTCH SHELL	1,520	91,200	1,520	91,200
SCRIPPS NETWORK	1,200	49,308	1,200	49,308
SPECTRA	2,260	46,353	2,260	46,353
3M COMPANY	1,510	124,831	1,510	124,831
TEXAS INSTRUMENTS	4,440	114,865	4,440	114,865
TIME WARNER CABLE	364	15,066	364	15,066
TIME WARNER INC	1,453	42,050	1,453	42,050
TRANSOCEAN	500	41,400	500	41,400
TYCO INTERNATIONAL	1,450	51,475	1,450	51,475
US BANCORP	3,400	76,365	3,400	76,365
WALGREEN CO	3,350	122,343	3,350	122,343
WASHINGTON POST	70	30,660	70	30,660
WELLS FARGO	3,583	96,706	3,583	96,706
ZIMMER HOLDINGS	1,905	111,957	1,905	111,957
JF INTL EQUITY FUND	256,731	4,930,786	256,731	4,930,786
Total US Denominated Stock (in US\$)	367,332	9,434,819	367,332	9,434,819
Premium @ -104 66 (Q4)		439,663		0
Unrealized Exchange on USD				
Total US Denominated Stock (in CAD\$)	367,332	9,874,482	367,332	9,434,819
TOTAL FOREIGN Stock (in CAD\$)				
		16,215,777		15,493,767
Dividend Receivables		320,116		305,863
TOTAL STOCK PORTFOLIO		90,011,315		86,003,550
TOTAL INVESTMENT PORTFOLIO				
		312,441,405		298,529,912

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 (2009: 1.1415; 2008: 1.0671)

b. All balance sheet figure are translated from Canadian dollars using the closing exchange rate as of Dec 31, 2009 (2009: 1.0466; 2008: 1.2246)

Note 2

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

Unrelated Business Revenue:

<u>Reference</u>	<u>Description</u>	<u>Amount</u>
VIII(3)	Investment Income (dividends, interest):	9,837,320
VIII(7d)	Realized capital gain on sale of assets other than inventory:	3,701,796
VIII(11d)	Misc unrelated business revenue :	357,290
	Part 1(7a) / Part VIII(Column C)	<u>13,896,406</u>

Tarion Warranty Corporation

Financial Statements
December 31, 2009

TARION WARRANTY CORPORATION

Management's Responsibility for Financial Reporting

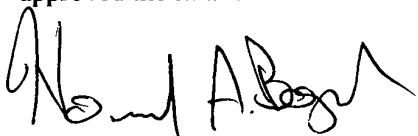
Management is responsible for the integrity of the financial statements and operational information presented in this Annual Report. The financial statements have been presented in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgments. 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 of Directors 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 annual 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
March 15, 2010



John Becevello
Vice President & Chief Financial Officer
March 15, 2010



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Canada

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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, 2009 and the statements of operations, comprehensive results of operations, changes in equity and 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Licensed Public Accountants
March 15, 2010

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, 2009 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.

March 15, 2010


James K. Christie
Fellow, Canadian Institute of Actuaries

TARION WARRANTY CORPORATION

Balance Sheet


December 31, 2009

(\$ thousands)

	2009	2008
ASSETS		
Cash	\$ 2,851	\$ -
Investments (Note 5)	312,441	293,537
Amounts recoverable from builders (Note 4)	11,613	11,303
Equipment and leaseholds (Note 3, 7)	3,413	3,907
Intangible assets (Note 3, 8)	1,513	2,064
Prepaid expenses and other assets	1,082	1,021
	\$ 332,913	\$ 311,832
LIABILITIES		
Bank overdraft	\$ -	\$ 439
Warranty liabilities (Note 9)	164,251	168,928
Funds held as security (Note 10)	38,876	39,191
Accounts payable and accrued liabilities	9,928	7,524
Employee future benefits liabilities (Note 11)	2,372	1,987
	215,427	218,069
EQUITY		
Surplus	97,432	89,842
Accumulated net unrealized gains in the equity portfolio	20,054	3,921
	117,486	93,763
	\$ 332,913	\$ 311,832

See accompanying notes to financial statements.

Approved by the Board


Harry Herskowitz
Director and Chair of the Board


Christopher Spiteri
Director and Vice-Chair of the Board

TARION WARRANTY CORPORATION

Statement of Operations

Year ended December 31, 2009

(\$ thousands)

	<u>2009</u>	<u>2008</u>
REVENUES		
Home enrolment fees earned	\$ 29,183	\$ 30,118
Builders' registration and renewal fees	2,903	2,055
Investment results		
Investment income (Note 5)	17,769	14,279
Investment management fees	(792)	(797)
Other revenue	408	332
	<u>49,471</u>	<u>45,987</u>
EXPENSES		
Net claims incurred (Note 9)	3,095	26,264
Salaries and benefits	24,565	23,803
General and administrative	11,906	15,661
Depreciation and amortization	2,315	2,516
	<u>41,881</u>	<u>68,244</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 7,590	\$ (22,257)

Statement of Comprehensive Results of Operations

Year ended December 31, 2009

(\$ thousands)

	<u>2009</u>	<u>2008</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES		
FOR THE YEAR	\$ 7,590	\$ (22,257)
NET UNREALIZED GAINS (LOSSES) IN THE EQUITY PORTFOLIO		
Increase (decrease) due to change in fair value		
during the year	15,404	(22,466)
Increase for amounts included in		
investment income in the Statement of Operations	729	574
	<u>16,133</u>	<u>(21,892)</u>
COMPREHENSIVE RESULTS OF OPERATIONS FOR THE YEAR	\$ 23,723	\$ (44,149)

See accompanying notes to financial statements.

TARION WARRANTY CORPORATION

Statement of Changes in Equity

Year ended December 31, 2009

(\$ thousands)

	<u>2009</u>	<u>2008</u>
Surplus, beginning of year	\$ 89,842	\$ 112,099
Excess (deficiency) of revenues over expenses	7,590	(22,257)
Surplus, end of year	\$ 97,432	\$ 89,842
Accumulated net unrealized gains in the equity portfolio, beginning of year	\$ 3,921	\$ 25,813
Change in net unrealized gains (losses) in the equity portfolio for the year	16,133	(21,892)
Accumulated net unrealized gains in the equity portfolio, end of year	\$ 20,054	\$ 3,921
TOTAL EQUITY, END OF YEAR	\$ 117,486	\$ 93,763

See accompanying notes to financial statements.

TARION WARRANTY CORPORATION

Statement of Cash Flows

Year ended December 31, 2009

(\$ thousands)

	2009	2008
NET INFLOWS (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess (deficiency) of revenues over expenses	\$ 7,590	\$ (22,257)
Add (deduct) non-cash items		
Unrealized and realized gains on held for trading assets	(7,624)	(4,619)
Net realized gains on sale of available for sale assets	(1,849)	(3,550)
Writedown on available for sale assets	2,578	4,125
Depreciation and amortization	2,315	2,516
	<u>3,010</u>	<u>(23,785)</u>
Changes in non-cash balances related to operations		
Increase in prepaid expenses and other assets	(61)	(259)
Increase in amounts recoverable from builders	(310)	(5,072)
Increase (decrease) in warranty liabilities	(4,677)	26,260
Increase (decrease) in funds held as security	(315)	2,761
Increase (decrease) in accounts payable and accrued liabilities	2,404	(2,092)
Increase in employee future benefits liabilities	385	324
Cash provided by (used in) operating activities	<u>436</u>	<u>(1,863)</u>
INVESTING		
Proceeds from sale and maturity of investments	249,853	209,629
Purchase of investments	(245,729)	(206,494)
Purchase of equipment and leaseholds	(1,108)	(513)
Disposal of equipment and leaseholds	422	-
Purchase of intangible assets	(584)	(879)
Cash provided by (used in) investing activities	<u>2,854</u>	<u>1,743</u>
NET INCREASE (DECREASE) IN CASH DURING THE YEAR	3,290	(120)
CASH (BANK OVERDRAFT), BEGINNING OF YEAR	(439)	(319)
CASH (BANK OVERDRAFT), END OF YEAR	\$ 2,851	\$ (439)
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash interest paid	\$ 947	\$ 915

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2009 (\$ thousands)

1. OPERATIONS OF THE CORPORATION

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 revenues 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 and the fair valuation of financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies

Intangible Assets

The Canadian Institute of Chartered Accountants ("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. The Corporation adopted Section 3064 effective January 1, 2009. As a result of adopting this standard, the Corporation has reclassified \$1,513 of software and development net book value (2008 - \$2,064) from equipment and leaseholds to intangible assets. The adoption of Section 3064 did not have any impact on the Corporation's Statement of Operations.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2009 (\$ thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to Section 3862 Financial Instruments – Disclosures (Section 3862)

In June 2009, the CICA amended Section 3862 to improve fair value and liquidity risk disclosures for financial instruments. The Section now requires classifying of fair value measurements using a three-level fair value hierarchy, described below, for disclosure purposes. Each level reflects the inputs used to measure the fair values of financial assets and financial liabilities:

- Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs used in a valuation technique are based on unobservable market data.

The adoption of the amended Section 3862 had no impact on the Corporation's financial statements and the expanded disclosures are included in Note 6.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC-173)

Effective January 1, 2009, the Corporation adopted the CICA Emerging Issues Committee ("EIC") Abstract EIC-173, which provides additional guidance on how to measure financial assets and financial liabilities taking into account the Corporation's own credit risk and the counterparty credit risk. The adoption of EIC-173 did not have a significant impact on the Corporation's financial statements.

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

- Available for sale financial assets

The equity portfolio investments are designated as available for sale financial assets and are 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 removed from the AUGL in the Balance Sheet equity section and recognized in the Statement of Operations.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2009 (\$ thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are 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.

- 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.

Revenues recognition

Home enrolment fees are remitted by builders during the year. These fees, net of refunds, are deferred and taken into revenues as earned based on expected claims experience 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 revenues upon registration and renewal fees are recorded as revenues 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.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2009 (\$ thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Claims recoveries include expected recoverable from builders on claims incurred during the current year and change in the estimate of amounts recoverable from builders from prior years. Estimated amounts recoverable from builders are presented on the balance sheet as an asset of the Corporation.

Equipment and leaseholds

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

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

Intangible assets

Intangible assets are amortized on a straight line basis over three years.

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.

Currency translation

Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the period-end rate. Revenue and expense items in a foreign currency are translated into Canadian dollars at the transaction date rate.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2009 (\$ thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting changes

International Financial Reporting Standards

Canadian publicly accountable enterprises and certain Government business enterprises are required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with fiscal 2010 IFRS comparatives. 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 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's project to transition to IFRS on January 1, 2011 is underway.

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 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.

	<u>2009</u> Carrying Value	<u>2008</u> Carrying Value
Amounts recoverable from builders	\$ 8,853	\$ 7,218
Other receivables from builders	2,760	4,085
	<u>\$ 11,613</u>	<u>\$ 11,303</u>

As at December 31, 2009, of the total amounts recoverable from builders, the balance greater than 30 days past due is \$2,187 (2008 – \$3,570) and is not considered to be impaired.

As described in Note 6(c), the Corporation obtains security from builders to minimize its financial losses from future warranty claims. At December 31, 2009, there is \$4,254 (2008- \$4,105) of security held associated with amounts recoverable 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.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2009 (\$ thousands)

5. INVESTMENTS (continued)

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

	<u>2009</u>	<u>2008</u>
	<u>Fair</u>	<u>Fair</u>
	<u>Value</u>	<u>Value</u>
Held for trading assets		
Bonds issued by federal, provincial and municipal governments	\$ 108,507	\$ 91,987
Financial institution bonds	30,049	35,663
Other corporate bonds	71,577	76,153
Treasury bills	12,297	11,814
	<u>222,430</u>	<u>215,617</u>
Available for sale assets		
Equity portfolio	90,011	77,920
	<u>\$ 312,441</u>	<u>\$ 293,537</u>

(b) *Investment income:*

	<u>2009</u>	<u>2008</u>
Change in fair value on held for trading assets	\$ 16,341	\$ 13,736
Net realized gains on sale of available for sale assets	1,849	3,550
Writedown on available for sale assets	(2,578)	(4,125)
Dividends from available for sale assets	2,512	2,313
Interest expense - other financial liabilities	(355)	(1,195)
	<u>\$ 17,769</u>	<u>\$ 14,279</u>

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

In determining whether an impairment is to be 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, 2009, the available for sale equity portfolio was written down by \$2,578 (2008 - \$4,125). The remainder of the unrealized losses in the portfolio of \$258 (2008 - \$6,447) was recorded in the accumulated net unrealized gains in the equity portfolio on the Balance Sheet as management determined these unrealized losses are temporary in nature or not significant. Management evaluates the impairment condition of all holdings on a quarterly basis to assess for any potential impairment write downs required.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2009 (\$ 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	
2009						
Government						
Federal	\$ 3,674	\$ 49,209	\$ 2,553	\$ 7,017	\$ 12,687	75,140
Yield to Maturity ("YTM")	0.4%	2.0%	3.2%	4.2%	4.1%	2.5%
Provincial	-	7,408	10,789	9,177	4,993	32,367
YTM	0.0%	2.4%	3.5%	4.6%	4.8%	3.8%
Municipal	-	-	540	-	-	540
YTM	0.0%	0.0%	4.5%	0.0%	0.0%	4.5%
Total Government	3,674	56,617	13,882	16,194	17,680	108,047
YTM	0.4%	2.1%	3.5%	4.4%	4.3%	2.9%
Financial Institutions	-	6,801	18,266	-	4,767	29,834
YTM	0.0%	2.1%	3.7%	0.0%	4.5%	3.4%
Other Corporate	-	16,437	37,503	6,164	10,626	70,730
YTM	0.0%	2.3%	3.8%	5.0%	5.7%	3.9%
T-Bills / Debt Notes	12,296	-	-	-	-	12,296
YTM	1.4%	0.0%	0.0%	0.0%	0.0%	1.4%
Total Fixed Income	15,970	79,855	69,651	22,358	33,073	220,907
Accrued Interest	1,523	-	-	-	-	1,523
Total Fixed Income with Accrued Interest	\$ 17,493	\$ 79,855	\$ 69,651	\$ 22,358	\$ 33,073	\$ 222,430
YTM	1.2%	2.1%	3.7%	4.6%	4.8%	3.2%
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 / Debt 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%

(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, 2009 (\$ 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 for funds held as security and, accounts payable and accrued liabilities approximates fair value due to their short term nature.

The fair value of the amounts recoverable from builders is not disclosed as the fair value cannot be measured reliably; there is no external active market for this type of asset and the inputs required to value these are not easily determinable.

Fair value hierarchy

The fair value for both held for trading and available for sale assets are based on quoted bid prices in active markets 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. The following table presents the financial instruments measured at fair value classified by the fair value hierarchy set out in Section 3862 as described in Note 3:

	2009	2008
Level 1 Categorization		
Cash (Bank Overdraft)	\$ 2,851	\$ (439)
Equity Portfolio	90,011	77,920
Level 2 Categorization		
Treasury Bills / Debit Notes	12,297	11,814
Bonds	210,133	203,803
Level 3 Categorization	-	-
Total	\$ 315,292	\$ 293,098

During the year ended December 31, 2009, there were no transfers among Levels 1, 2 and 3.

(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).

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2009 (\$ thousands)

6. FINANCIAL INSTRUMENTS (continued)

- *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.

	2009		2008	
Financials	\$ 24,472	27%	\$ 19,749	25%
Energy	19,834	22%	16,812	22%
Pooled Funds	14,215	16%	11,790	15%
Consumer Staples	6,888	8%	7,594	10%
Consumer Discretionary	6,167	7%	5,192	7%
Industrials	6,068	7%	4,958	6%
Telecommunication	4,586	5%	4,115	5%
Metals & Mining	2,441	2%	3,057	4%
Materials	2,315	2%	2,140	3%
Information Technology	1,475	2%	748	1%
Health Care	980	1%	1,010	1%
Utilities	570	1%	755	1%
Total:	\$ 90,011	100%	\$ 77,920	100%

- *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, 2009, the Corporation had approximately 11.0% (2008 – 11.1%) of the fair value of its equity investments and approximately 0.01% (2008 – 0.02%) 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, 2009 (\$ thousands)

6. FINANCIAL INSTRUMENTS (continued)

The table below shows the potential impact on the Statement of Operations and Balance Sheet equity as a result of specific stress scenarios applied to financial assets and financial liabilities (excluding warranty liabilities). The analysis reflects management's view of key sensitivities. The actual results may differ from this sensitivity analysis and the difference could be material.

The stress scenarios are:

- Interest rate risk: a parallel shift of -25/+50 basis points in interest rates for all maturities
- Equity price risk: an increase/decrease of 10% in 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	
		-25 BP	+50 BP	-10%	10%	-5%	5%
		Stmt of Operations (\$'000)	Stmt of Operations (\$'000)	Equity (\$'000)	Equity (\$'000)	Equity (\$'000)	Equity (\$'000)
Financial Assets							
Held for Trading investments	222,430	3,905	(5,637)	-	-	-	-
A available for Sale investments	90,011	-	-	(8,969)	8,969	520	(470)
Financial Liabilities							
Funds held as security	36,959	92	(185)	-	-	-	-

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, 2009, 99.4% (2008 – 100%) of the debt securities have a rating of "A" or better, and 0.6% (2008 – Nil) of the debt securities have a rating of BBB.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2009 (\$ 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, operating expenses and cash security releases. The settlement of claims have no fixed terms and is dependent on the timing of the repair work involved and the cash security release has no fixed terms and is contingent upon fulfilment of certain requirements (see Note 10). Liquidity risk is considered low as a significant percentage of the investment portfolio is traded in an active market and can be readily disposed of. The Corporation also has a \$3,000 (2008 - \$3,000) line of credit it can draw on of which the amount outstanding at December 31, 2009 is Nil (2008 - \$651).

7. EQUIPMENT AND LEASEHOLDS

	2009		2008	
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Equipment and Leaseholds:				
Computer and office equipment under capital lease	\$ 2,188	\$ 1,198	\$ 990	\$ 1,239
Leasehold improvements	3,046	1,350	1,696	1,795
Computer equipment	1,395	1,258	137	149
Furniture and office equipment	1,544	954	590	724
	<u>\$ 8,173</u>	<u>\$ 4,760</u>	<u>\$ 3,413</u>	<u>\$ 3,907</u>

The total depreciation and amortization expense for the year ended December 31, 2009 was \$1,180 (2008 - \$1,400).

The balance of the capital lease obligations arising from the acquisition of certain computer and office equipment was \$991 at December 31, 2009 (2008 - \$1,256). This obligation is reported on the Balance Sheet in accounts payable and accrued liabilities. Interest expense of \$165 was incurred during 2009 (2008 - \$203) on the capital leases which is reported in general and administrative expenses in the Statement of Operations.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2009 (\$ thousands)

8. INTANGIBLE ASSETS

The Corporation's intangible assets are comprised of externally purchased software and applications and internally developed software enhancements.

	2009		2008	
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
<i>Finite-life Intangible Assets:</i>				
Software and applications	\$ 5,569	\$ 4,880	\$ 689	\$ 713
Internal software enhancements	4,614	3,790	824	1,351
	<u>\$ 10,183</u>	<u>\$ 8,670</u>	<u>\$ 1,513</u>	<u>\$ 2,064</u>

The amortization of intangible assets recorded in operating expenses during the year ended December 31, 2009 was \$1,135 (2008 - \$1,116). There were no write-downs of intangible assets due to impairment during 2009 and 2008.

9. 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 the Corporation's 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.

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.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2009 (\$ thousands)

9. WARRANTY LIABILITIES (continued)

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

	<u>2009</u>	<u>2008</u>
Deferred home enrolment fees, beginning of year	\$ 95,253	\$ 91,466
Fees received	33,885	33,905
Fees earned	<u>(29,183)</u>	<u>(30,118)</u>
Deferred home enrolment fees, end of year	99,955	95,253
Warranty claims liabilities, beginning of the year	73,675	51,202
Provisions for claims, net of reversals	11,616	36,496
Claims paid	<u>(20,995)</u>	<u>(14,023)</u>
Warranty claims liabilities, end of year	64,296	73,675
Warranty liabilities, end of year	<u>\$ 164,251</u>	<u>\$ 168,928</u>

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

	<u>2009</u>	<u>2008</u>
Provisions for claims, net of reversals	\$ 11,616	\$ 36,496
Less recoveries	<u>(8,521)</u>	<u>(10,232)</u>
Net claims incurred for the year	<u>\$ 3,095</u>	<u>\$ 26,264</u>

10. 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. The funds held as security do not have any fixed contractual maturities and are to be returned to the builders or released only upon satisfactory completion of certain requirements, such as there being no or minimal deposit or financial loss risk and the completion of outstanding warranty obligations under the Ontario New Home Warranties Plan Act, the timing of completion of which cannot be reasonably estimated.

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 \$1,917 (2008 - \$2,499). 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 \$355 (2008 - \$1,195) on cash security deposits.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2009 (\$ thousands)

11. 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 January 1, 2008, 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 and the valuation of the OPEB will be performed as at December 31, 2011.

As at December 31, 2009, the fair value of the pension fund assets is \$14,557 (2008 - \$11,720), which is less than (2008 - greater than) the actuarial present value of accrued pension benefits for the Pension Plan estimated to be \$14,686 (2008 - \$11,661). The accrued pension liability is \$319 (2008 - \$368).

The accrued benefit liability for OPEB at December 31, 2009 is \$2,053 (2008 - \$1,619).

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

	2009		2008	
	Pension Plan	OPEB	Pension Plan	OPEB
Reconciliation and funded status				
Fair value of plan assets	\$ 14,557	\$ -	\$ 11,720	\$ -
Accrued benefit obligation	14,686	2,954	11,661	2,165
Funded status of plan - surplus (deficit)	(129)	(2,954)	59	(2,165)
Unamortized transitional (asset)/obligation	(588)	86	(705)	103
Unamortized net actuarial (gains) losses	224	(194)	86	(678)
Unamortized past service cost	174	1,009	192	1,121
Accrued liability, net of valuation allowance	\$ (319)	\$ (2,053)	\$ (368)	\$ (1,619)
Transfers to other plans and benefits paid	\$ 411	\$ 13	\$ 925	\$ 17
Employee contributions	600	-	592	-
Employer contributions	938	13	953	17
Expense for the year	896	449	766	529

The total cash paid or payable in 2009 was \$951 (2008 - \$970).

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2009 (\$ thousands)

11. EMPLOYEE FUTURE BENEFIT PLANS (continued)

Significant Assumptions

	2009		2008	
	Pension Plan	OPEB	Pension Plan	OPEB
Accrued benefit obligation as of December 31				
Discount rate	6.50%	6.50%	7.25%	7.50%
Salary increase	4.00%	N/A	4.00%	N/A
General inflation	2.50%	2.50%	2.50%	2.50%
Benefit cost for the period:				
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%
Assumed health care cost trend rates at December 31				
Initial health care cost trend rate		8.00%		8.50%
Cost trend rate declines to		5.00%		5.00%
Year that the rate reaches the rate it is assumed to remain at		2016		2016

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 1% change in assumed health and dental care cost trend rates would have the following impact on the Employee future benefits liabilities and the related costs for 2009:

2009	Valuation Assumptions	1% change	
		Increase	Decrease
Total of service and interest cost at 7.5% per annum:	\$ 348	\$ 92	\$ (67)
Accrued benefit obligation as at December 31, 2009 at 6.5% per annum:	\$ 2,954	\$ 688	\$ (525)

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)

12. 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 9.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2009 (\$ thousands)

12. CAPITAL MANAGEMENT (continued)

In applying the framework, the total equity of the Corporation as at December 31, 2009 and 2008 has been determined to be sufficient to cover possible losses from a future catastrophic event as determined by the dynamic capital adequacy testing performed by the Corporation's external actuary in 2008. The next dynamic capital adequacy test will be performed in 2010.

13. CONTINGENCIES, COMMITMENTS AND GUARANTEES

In the normal course of business, the Corporation is a party to a number of lawsuits as the administrator of the Ontario New Home Warranties Plan Act. To the extent that lawsuits relate to disputes of warranty coverage, provisions for loss are included in the warranty liabilities on the Balance Sheet. Other lawsuits are at various stages of legal proceedings, the outcome of which are currently not determinable and are not expected to have a significant impact on the Corporation's financial position.

As at December 31, 2009, the Corporation has future minimum annual lease payments under operating leases for each of the next five years and thereafter as follows:

	<u>Premises Leases</u>	<u>Computer and Office Equipment Leases</u>	<u>Total Leases</u>
2010	\$ 755	\$ 622	\$ 1,377
2011	742	395	1,137
2012	738	213	951
2013	739	100	839
2014	748	-	748
2015 and thereafter	1,319	-	1,319
	<u>\$ 5,041</u>	<u>\$ 1,330</u>	<u>\$ 6,371</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.

TARION WARRANTY CORPORATION

Notes to Financial Statements

December 31, 2009 (\$ thousands)

14. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation provides a broad range of services to home owners and builders based on its mandate to administer the Act. Accordingly, the Corporation may enter into transactions with builders related with the Corporation's Board of Directors through a relationship of principal, director, officer and/or guarantor.

As at December 31, 2009 and 2008, there are no collection and litigation account receivables and cash securities recognized due from related parties. Letters of credit and other guarantees lodged by related parties are recognized in the financial statements only to the extent they are expected to be drawn upon to settle known claims.

15. SUBSEQUENT EVENT

The Pension Plan assets are invested solely in a unitized fund. During the year a project was undertaken to change the money purchase pension plan so that employees will be able to choose their investments from a predetermined basket of funds. The project is ongoing and the implementation is planned for the fall of 2010.

16. COMPARATIVE AMOUNTS

As described in Note 3 under changes in accounting policies, the intangible assets comparative amounts have been reclassified to conform to the presentation adopted in 2009.