



Ontario
Securities
Commission

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de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

IN THE MATTER OF SENTRY INVESTMENTS INC. and SEAN DRISCOLL

- and -

**IN THE MATTER OF A
SETTLEMENT AGREEMENT BETWEEN STAFF
OF THE ONTARIO SECURITIES COMMISSION AND
SENTRY INVESTMENTS INC. and SEAN DRISCOLL**

SETTLEMENT AGREEMENT

PART I - INTRODUCTION

1. The Ontario Securities Commission (the “Commission”) will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the “Act”), it is in the public interest for the Commission to make certain orders in respect of Sentry Investments Inc. (“Sentry”) and Sean Driscoll (“Driscoll”) (collectively, the “Respondents”).

2. Investment fund managers (“IFMs”) are prohibited from making a payment of money or providing a non-monetary benefit to a dealing representative (“DR”) in connection with the distribution of securities, except in certain permitted circumstances under Parts 3 and 5 of National Instrument 81-105 *Mutual Fund Sales Practices* (“NI 81-105”). The Companion Policy to NI 81-105 provides that NI 81-105 was adopted in order to discourage sales practices and compensation arrangements that could be perceived as inducing dealers and their representatives to sell mutual fund securities on the basis of incentives they were receiving rather

than on the basis of what was suitable for and in the best interests of their clients. The purpose of NI 81-105 is to provide a minimum standard of conduct to ensure that investor interests remain uppermost in the actions of mutual fund industry participants when they are distributing mutual fund securities and that conflicts of interest arising from sales practices and compensation arrangements are minimized.

3. Sentry is registered with the Commission as, among other things, an IFM. Sentry's investment fund products ("Sentry Products") are distributed to investors by DRs registered with third party dealers ("Participating Dealers").

4. As summarized below, between January 2011 and November 2016, in the case of Sentry, and between April 20, 2015 and September 12, 2016, in the case of Driscoll, Sentry and Driscoll failed to comply with NI 81-105 and failed to meet the minimum standards of conduct expected of industry participants in relation to certain sales practices. In addition, Sentry did not have adequate systems of controls and supervision in place around its sales practices to ensure compliance with NI 81-105 and Sentry did not maintain adequate books, records and other documents to demonstrate Sentry's compliance with NI 81-105.

5. In September 2015, Sentry held a mutual fund conference in Beverly Hills, California that did not comply with NI 81-105 (the "Sentry Conference"). Sentry provided excessive non-monetary benefits to DRs attending the Sentry Conference including hosting a party for DRs and their guests (collectively, the "Participants") at a mansion in Beverly Hills (the "BH Mansion Party") involving dinner, an open bar and various forms of entertainment at a cost to Sentry of over \$1,000 USD per DR attending alone or over \$2,000 USD per DR attending with a guest. DRs were also given gifts of Dom Perignon and Participants received jewellery from Tiffany & Co. ("Tiffany's"). Participants were also provided with the option of playing 18 holes of golf on the first day of the conference at Sentry's expense, and, on another day, with the choice of one of several afternoon activities including: a tour of a movie studio at Sentry's expense, a wine tasting tour at Sentry's expense or attending a free taping of a TV show. When the taping of the TV

show was no longer available for the 12 DRs who arrived late for the event, a helicopter tour at Sentry's expense was substituted.

6. Since 2011, Sentry has failed to comply with NI 81-105 in relation to its annual spending on DRs on promotional gifts and business promotion activities ("Annual DR Spending") in a number of respects and has provided excessive annual non-monetary benefits to some DRs. In some limited instances, Sentry spent more than \$4,000 per DR per year. Sentry has also provided excessive non-monetary benefits to DRs for one-time events such as concerts, hockey, baseball and basketball games, including playoff games and other sporting events. In several instances, the cost of these non-monetary benefits to Sentry exceeded \$1,000 per DR per event. In addition, Sentry provided excessive non-monetary benefits in the form of purchasing tables for DRs at charity events. In 2012, Sentry paid \$6,000 in relation to a charity event which was allocated entirely to a DR who, as set out in paragraph 7 below, also received tickets to an event at a cost to Sentry of over \$12,000 in 2015 and over \$15,000 in 2016. In addition, on occasion, Sentry provided excessive gifts to some DRs valued at over \$200 including Christmas, birthday and baby gifts.

7. In each of 2015 and 2016, in response to requests by a DR to source Montreal Grand Prix Formula 1 race tickets (the "Montreal F1 Tickets"), Driscoll, Sentry's former Ultimate Designed Person ("UDP"), gifted the Montreal F1 Tickets to the DR at a cost of \$12,495.29 in 2015 (the "2015 Montreal F1 Tickets") and \$15,935.38 in 2016 (the "2016 Montreal F1 Tickets"). The DR in question was considered by Sentry to be one of its top ranking DRs based on the amount of Sentry assets held by the DR's clients. A Sentry representative did not attend these events with the DR.

8. In April 2015, Driscoll charged the cost of the 2015 Montreal F1 Tickets to Sentry. In April 2016, Driscoll personally paid for the 2016 Montreal F1 Tickets and then obtained a reimbursement from Sentry at a time when he was aware that staff of the Compliance and Registrant Regulation Branch ("CRR Staff") of the Commission was inquiring into Sentry's spending on DRs. In July 2016, after Driscoll became aware that the CRR review had been referred to the Enforcement Branch of the Commission (the "Enforcement Branch"), Driscoll reimbursed Sentry for the cost of the 2016 Montreal F1 Tickets. On September 9, 2016, staff of

the Enforcement Branch (“Staff”) served Sentry with a summons requiring it to provide details of its spending in 2015 on certain DRs including the DR who received the 2015 Montreal F1 Tickets. Two days later, Driscoll sought and obtained a reimbursement of \$28,000 from the DR on account of the 2015 and 2016 Montreal F1 Tickets and shortly thereafter, he reported his conduct to Sentry’s executive team and Sentry’s board of directors. Driscoll’s discussions with the former CCO of Sentry concerning the proposed purchase and reimbursement of the cost of the 2016 Montreal F1 Tickets are described in paragraph 82 below.

9. On September 15, 2016, Driscoll advised the board of directors of Sentry Investment Corp. (“SIC”), Sentry’s parent company, about the purchase of the Montreal F1 Tickets, whereupon SIC, with the support of Sentry’s board of directors, created a special committee comprised of the independent directors of SIC (the “Special Committee”) to investigate the Montreal F1 Tickets and the Sentry Conference. The Special Committee promptly provided its detailed findings to Staff. In November 2016, Sentry, with the support of Driscoll, began taking corrective action including in response to the findings and recommendations of the Special Committee.

10. On October 24, 2016, Driscoll advised the Special Committee of his desire to resign as Chief Executive Officer (“CEO”) and UDP of Sentry, with his resignation to take effect on a date to be determined in conjunction with the Special Committee. Thereafter, Driscoll’s resignation was accepted and, on December 22, 2016, a new UDP was registered with the Commission.

PART II – JOINT SETTLEMENT RECOMMENDATION

11. Staff agree to recommend settlement of the proceeding commenced by the Notice of Hearing dated March 31, 2017 (the “Proceeding”) against the Respondents according to the terms and conditions set out in Part VI of this Settlement Agreement (the “Settlement Agreement”). The Respondents agree to the making of an order in the form attached as Schedule “B” (the “Order”), based on the facts set out below.

12. For the purposes of this Proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Respondents agree with the facts as set out in Parts III and IV and the conclusions set out in Part V of this Settlement Agreement.

PART III – AGREED FACTS**A. The Respondents**

13. Through predecessor entities, Sentry has been a mutual fund manager since 1997. Sentry was incorporated on May 5, 2008 under Sentry Select Capital Inc., which name was changed to Sentry Investments Inc. on May 27, 2011. Since December 8, 2008, Sentry has been registered with the Commission as a Mutual Fund Dealer, Portfolio Manager and Commodity Trading Manager. Sentry has been registered as an IFM since December 17, 2010 and as an Exempt Market Dealer since April 19, 2013.

14. Driscoll was registered as Sentry's UDP from January 29, 2013 to December 22, 2016. The relevant period for the conduct referred to below is January 2011 to November 2016. Driscoll was Sentry's UDP for only part of that period.

B. The Legislative Framework

15. Subsection 2.1(1) of NI 81-105 states, among other things, that no member of the organization of a mutual fund shall, in connection with the distribution of securities of the mutual fund:

- a. make a payment of money to a Participating Dealer or a DR;
- b. provide a non-monetary benefit to a Participating Dealer or a DR; or
- c. pay for or make reimbursement of a cost or expense incurred or to be incurred by a Participating Dealer or DR.

16. Pursuant to section 1.1 of NI 81-105, a "member of the organization" referred to in subsection 2.1(1) includes an IFM (the "Member").

17. Subsection 2.1(2) of NI 81-105 provides the following exceptions to subsection 2.1(1) and allows a Member to:

- a. make a payment of money or provide a non-monetary benefit to a Participating Dealer, or pay for or make reimbursement of a cost or expense incurred or to be incurred by a Participating Dealer or DR, if permitted by Part 3 or 5 of NI 81-105; and
- b. provide a non-monetary benefit to a DR, if permitted by Part 5 of NI 81-105.

18. Part 5 of NI 81-105 deals with “Marketing and Educational Practices” and section 5.2 allows a Member to provide a non-monetary benefit to a DR by allowing the DR to attend a conference organized and presented by the Member (a “Mutual Fund Sponsored Conference”) provided that:

- a. The primary purpose of the conference is the provision of educational information about financial planning, investing in securities, mutual fund industry matters, the mutual fund, the mutual fund family of which the mutual fund is a member or mutual funds generally (“Permitted Topics”);
- b. The selection of the DRs to attend the conference is made exclusively by the Participating Dealer, uninfluenced by any Member;
- c. The conference is held in Canada, the US or in the location where the portfolio adviser of the mutual fund carries on business (provided certain conditions are met);
- d. No Member pays any travel, accommodation or personal incidental expenses associated with the attendance of the DR at the conference; and
- e. The costs relating to the organization and presentation of the conference are reasonable having regard to the purpose of the conference.

19. In addition, section 5.6 of NI 81-105 allows a Member to provide DRs with non-monetary benefits of a promotional nature and of minimal value, and to engage in business promotion activities that result in a DR receiving a non-monetary benefit if, among other things, the provision of the benefits and activities is neither so extensive nor so frequent as to cause a reasonable person to question whether the provision of the benefits or activities improperly influence the investment advice given by the DR to his or her clients.

C. The Sentry Conference

20. The Sentry Conference was held in Beverly Hills, California at the Beverly Wilshire Hotel from September 27, 2015 to September 30, 2015. This was the first Mutual Fund Sponsored Conference that Sentry had hosted. The provision of education on Permitted Topics was part of the program for the Sentry Conference.

21. The Sentry Conference did not comply with section 5.2 of NI 81-105 in the following respects:

- a. The primary purpose of the Sentry Conference was not the provision of Permitted Topics contrary to subsection 5.2(a) of NI 81-105;
- b. Sentry, rather than the Participating Dealers, selected the DRs to attend the Sentry Conference contrary to subsection 5.2(b) of NI 81-105;
- c. The costs relating to the organization and presentation of the Sentry Conference were not reasonable having regard to the purpose of the Sentry Conference contrary to subsection 5.2(e) of NI 81-105; and
- d. Sentry paid for some of the DRs' travel, accommodation, and personal incidental expenses associated with the DRs' attendance at the Sentry Conference contrary to subsection 5.2(d) of NI 81-105.

(i) Primary purpose of the Sentry Conference

22. The Sentry Conference was referred to by Sentry as its "due diligence" conference. However, the primary purpose of the Sentry Conference was not the provision of Permitted Topics as an insufficient amount of time was spent on the provision of Permitted Topics compared to the time spent on non-permitted topics and recreational activities. In particular during the period Sunday, September 27, 2015 to Wednesday, September 30, 2015:

- a. Participants were invited to play and some played a round of 18 holes of golf between 8:15 am and 3 pm on the Sunday followed by a reception that evening from 5:30 pm to 9:30 pm;
- b. educational activities, including Permitted Topics sessions, were offered from 8:15 am to 3:30 pm on the Monday (excluding 1 hour and 30 minutes for lunch and breaks) and from 8:40 am to 11:45 am on the Tuesday (excluding a 15 minute break);
- c. dinner and recreational activities were offered on the Monday evening commencing at 6:45 pm and, on the Tuesday afternoon, commencing at 12:45 pm for the afternoon activities and 6:30 pm for the evening activities; and

- d. the only event taking place on the Wednesday prior to the Participants' departure was a breakfast at the hotel.

23. Sentry did not comply with subsection 5.2(a) of NI 81-105 since the time spent on dinners and recreational activities exceeded the time spent on Permitted Topics and therefore the primary purpose test was not met. As a result, the provision of non-monetary benefits by Sentry to DRs at the Sentry Conference breached section 2.1 of NI 81-105.

(ii) Sentry selected the DRs who attended the Sentry Conference

24. In advance of the Sentry Conference, Sentry contacted Participating Dealers to notify them of Sentry's intention to hold the Sentry Conference and to advise them of Sentry's intention to extend invitations directly to the Participating Dealers' DRs unless an objection was raised by a certain date.

25. When no objection was raised, Sentry proceeded to extend invitations directly to DRs. However, Sentry did not extend invitations to all of the Participating Dealers' DRs. Rather, Sentry selected and invited DRs based on Sentry's top 1000 list of DRs (based on the amount of Sentry assets held by the DR's clients) and/or Sentry's view of the selling potential of the DR.

26. Sentry did not comply with subsection 5.2(b) of NI 81-105 as Sentry influenced the selection of DRs to attend the Sentry Conference. As a result, the provision of non-monetary benefits by Sentry to DRs at the Sentry Conference breached section 2.1 of NI 81-105.

(iii) The costs relating to the organization of the Sentry Conference were not reasonable

27. Sentry originally planned to have approximately 465 attendees at the Sentry Conference, comprised of 250 DRs, 175 guests of DRs and 40 Sentry representatives. After completion of the registration period, Sentry anticipated a total of 322 attendees comprised of 282 Participants (159 DRs and 123 guests of DRs) and 40 Sentry representatives. However, shortly before the commencement of the Sentry Conference, approximately 75 DRs and/or their guests cancelled, resulting in a total of only approximately 247 actual attendees who attended the Sentry Conference comprised of 116 DRs, 91 guests of DRs and 40 Sentry staff.

28. The Sentry Conference ultimately cost Sentry approximately \$2 million in total. Although some of these costs were attributable to invoices that were based on a guaranteed minimum number of attendees and a less favourable Canada-US exchange rate, a significant amount of the total cost related to the provision of excessive per person non-monetary benefits based on calculations accounting for the higher anticipated number of attendees of 322 rather than the actual number of attendees of 247.

29. Sentry's compliance department ("Sentry Compliance") approved a budget for the Sentry Conference based on approximately 465 attendees (the "Budget") that allowed for, among other expenditures, combined costs for dinner and entertainment of approximately \$600 USD per attendee per evening. These approved figures were unreasonably high on a per DR basis.

30. In addition, Sentry Compliance did not ensure that all of the proposed spending on non-monetary benefits per DR included in the Budget were, on an individual and on an aggregate basis, reasonable having regard to the purpose of the conference.

31. As costs began to escalate beyond the amounts contained in the Budget, the Sentry employee responsible for organizing the event did not seek approval from Sentry Compliance regarding the higher costs in order to ensure compliance with Part 5 of NI 81-105.

(a) Dinners and Evening Entertainment

32. As set out below, the actual non-monetary benefits provided to DRs for dinners and evening entertainment were, in fact, much higher than the approximate \$600 USD per attendee per evening set out in the Budget.

33. The BH Mansion Party that was held on the Monday evening included dinner, open bars, a cigar bar, a 10 piece 1920s band, a pianist, flapper dancers, fortune tellers, a lip reader, a handwriting analyst and a photographer. The total cost of the BH Mansion Party was approximately \$335,166 USD. This resulted in a total non-monetary benefit of at least \$1,041 USD per DR attending alone or \$2,082 USD per DR attending with a guest, based on the 322 anticipated attendees.

34. The combined Tuesday evening events resulted in an approximate non-monetary benefit of at least \$906 USD per DR attending alone and \$1,812 USD per DR attending with a guest as set out below:

- a. on the evening of Tuesday, September 29, 2015, Participants could choose from a list of popular Beverly Hills restaurants for dinner paid for by Sentry. The total cost of the Tuesday dinners was approximately \$107,394.11 USD and was based on the actual number of attendees of approximately 247 resulting in an approximate non-monetary benefit of \$434 USD per DR attending alone and \$868 USD per DR attending with a guest; and
- b. after dinner, Participants attended a block party at Two Rodeo Drive (the “Rodeo Drive Party”) paid for by Sentry which consisted of transforming an outdoor shopping area into a Parisian themed sitting and standing area with dessert stations, a specialty coffee cart, an open bar, DJ and casino games. The total cost of the Rodeo Drive Party to Sentry was approximately \$151,960 USD. This resulted in a total non-monetary benefit of at least \$472 USD per DR attending alone and \$944 USD per DR attending with a guest, based on the 322 anticipated attendees.

(b) Other Recreational Activities

35. The Sentry Conference began with an optional 18 holes of golf on Sunday, September 27, 2015 at a cost to Sentry of \$36,984.67 USD. This resulted in an approximate non-monetary benefit of at least \$308 USD per DR attending alone and \$616 USD per DR attending with a guest based on 120 anticipated players.

36. On the evening of Sunday, September 27, 2015, Sentry held a reception at the Beverly Wilshire Hotel at a cost to Sentry of \$109,333.24 USD. This resulted in an approximate non-monetary benefit of at least \$340 USD per DR attending alone and \$680 USD per DR attending with a guest, based on the 322 anticipated attendees.

37. For those who attended both Sunday events, this resulted in the provision of an approximate non-monetary benefit of \$648 USD per DR attending alone or \$1,296 USD per DR attending with a guest.

38. On the afternoon of Tuesday, September 29, 2015, Participants could choose from one of several events, including :

- a. a wine tasting event which cost Sentry \$31,541.09 USD based on 98 anticipated attendees resulting in an approximate non-monetary benefit of at least \$322 USD per DR attending alone and \$644 USD per DR attending with a guest;
- b. a Universal Studios VIP Tour which cost Sentry \$249 USD per person resulting in a non-monetary benefit of \$249 USD per DR attending alone and \$498 USD per DR attending with a guest; or
- c. attending a taping of a television show. There was no cost to Sentry for this event.

39. Approximately 2 Sentry representatives and 12 Participants were shuttled to the studio for the taping of the television show, but were refused entry as a result of their late arrival. At the last minute, without notifying Sentry Compliance or the Sentry executives in attendance at the Sentry Conference, the Sentry employee responsible for organizing the event arranged for a

replacement activity for those Participants consisting of a helicopter tour at a cost to Sentry of \$20,000 USD. This resulted in a non-monetary benefit of approximately \$1,428 USD per DR attending alone and \$2,856 USD per DR attending with a guest.

(c) Gifts

40. Sentry provided the following gifts to Participants (prior to and during the Sentry Conference):

- a. in advance of the Sentry Conference, a bottle of Dom Perignon champagne was delivered to each DR scheduled to attend the conference, at a cost to Sentry of \$219.95 per DR (excluding delivery costs); and
- b. during the Sentry Conference, gifts were delivered to rooms of Participants consisting of:
 - i. necklaces from Tiffany's (\$216.75/necklace) or earrings from Tiffany's (\$246.50/set of earrings) for the female Participants; and
 - ii. engraved sterling silver cufflinks (\$210/set of cufflinks) for the male Participants.

41. The provision of these gifts did not comply with section 5.6 of NI 81-105 as they were not of minimal value and were not promotional in nature.

(d) Reasonableness of meals, entertainment, recreational activities and gifts

42. In addition, the meals, evening entertainment, recreational activities and gifts referred to above, which were provided to DRs at the Sentry Conference did not comply with subsection 5.2(e) of NI 81-105 as they were, individually and collectively, not reasonable having regard to the purpose of the Sentry Conference. As a result, the provision of these non-monetary benefits by Sentry to DRs at the Sentry Conference was in breach of section 2.1 of NI 81-105.

(iv) Sentry paid for some of the DRs' travel and accommodation costs

43. During the Sentry Conference, Sentry provided transportation to DRs and their guests to and from afternoon and evening activities. The total transportation cost incurred by Sentry on account of Participants was approximately \$27,000 USD.

44. Sentry charged a \$75 registration fee per Participant to reimburse Sentry for its transportation costs incurred on behalf of DRs and their guests. However, Sentry collected the registration fee from less than one third of the Participants resulting in Sentry collecting only \$6,700 from DRs as reimbursement for its transportation costs. Even if Sentry would have collected the registration fee from all 282 anticipated Participants, the total collected would have amounted to only \$21,150 (compared to the \$27,000 USD referred to above).

45. Sentry indirectly paid for some DR's accommodation costs by negotiating a discounted rate for a block of rooms to be occupied by DRs and most of the Sentry representatives in exchange for Sentry agreeing to take more expensive suites for certain of its executives. In addition, without consulting Sentry Compliance, the Sentry employee responsible for organizing the Sentry Conference personally paid a total of \$3,929.72 USD for five room upgrades and room charges for certain DRs.

46. Sentry did not comply with subsection 5.2(d) of NI 81-105 because Sentry paid for some travel and accommodation expenses associated with the DRs' attendance at the Sentry Conference. As a result, the provision of non-monetary benefits by Sentry to DRs at the Sentry Conference was in breach of section 2.1 of NI 81-105.

(v) Provision of other benefits at the Sentry Conference not permitted under NI 81-105

(a) Provision of Guest Activities

47. Sentry also provided activities to guests of DRs while the DRs were participating in the educational sessions at the Sentry Conference. In particular, in the afternoon of Monday, September 28, 2015, Sentry hosted a 1920s Makeover Event at the Beverly Wilshire Hotel's Royal Suite for the guests of DRs (the "1920s Makeover Event"). As part of the 1920s

Makeover Event, guests were provided with rented costumes, a bottle of custom perfume, hair styling and make-up application and the services of a photographer, all paid for by Sentry. The cost to Sentry of this event was approximately \$38,345 USD based on a minimum of 65 attendees resulting in a non-monetary benefit of approximately \$590 USD per DR.

48. Part 5 of NI 81-105 permits the provision of certain non-monetary benefits from an IFM to a DR, not from an IFM to a guest of a DR. Sentry's provision of these non-monetary benefits to guests of DRs in the absence of the presence of a DR were in breach of section 2.1 of NI 81-105.

(b) Provision of Monetary Benefits

49. During the Sentry Conference, Sentry provided \$500 USD gift certificates to three DRs (and/or their guests) as casino prizes.

50. The provision of gift certificates constitute the provision of monetary benefits which is contrary to Part 5 of NI 81-105 as only the provision of non-monetary benefits to DRs is permitted under that part. Part 3 of NI 81-105 deals with the provision of permitted monetary benefits to DRs. However, gift certificates are not allowable under this part of NI 81-105. As a result, Sentry provided these monetary benefits to DRs in breach of section 2.1 of NI 81-105.

D. Sentry's Annual DR Spending

51. During the period January 2011 to January 19, 2015, Sentry's written sales practices policy provided excessive Annual DR Spending limits comprised of the following annual limits:

- a. a \$4,000 limit for tickets for entertainment events such as concerts, sporting events and theatre (with a \$500 maximum amount per item limit);
- b. a \$2,000 limit for recreational and leisure events such as golf, skiing and racing lessons (with a \$300 maximum amount per item limit); and
- c. a \$4,000 limit for prizes at charity events/auctions and dealer events or for branch gifts or other non-monetary benefits (with a maximum amount of \$500 per item limit).

52. In practice, Sentry's Sales Department sought to manage the above expenditures to a total annual limit of \$4,000 per DR, which annual limit was excessive.

53. Although actual Annual DR Spending did not ever reach the \$10,000 combined limit set out in Sentry's written sales practice policy,

- a. there were numerous instances when Sentry spent excessive amounts annually on DRs including, in some limited instances, more than \$4,000 per DR per year;
- b. Sentry provided DRs with a number of excessive non-monetary benefits for one-time events which, in many cases, exceeded Sentry's own maximum amount per item limit; and
- c. In other cases, Sentry's spending on one-time events adhered to Sentry's maximum amount per item limit but was still contrary to subsection 5.6 of NI 81-105 because of the cost and/or nature of the expense.

54. On January 19, 2015, Sentry reduced its total Annual DR Spending limit to \$2,500. At the same time, Sentry communicated its expectation to its employees that no more than \$500 per quarter should be spent on any individual DR in order to encourage adherence to the \$2,500 Annual DR Spending limit. However, from January 2015 to September 30, 2016:

- a. there were numerous instances when Sentry's actual Annual DR Spending on individual DRs exceeded the \$500 per quarter guideline; and
- b. there were no limits placed on Sentry's spending on DRs for one-time events resulting in Sentry's continued provision of excessive non-monetary benefits to DRs for one-time events.

55. Examples of excessive spending by Sentry on DRs for one-time events during the period January 2011 to September 30, 2016 (in addition to the Montreal F1 Tickets) included spending on expensive tickets to major performance events, hockey and play-off events and other sporting events. Sentry provided excessive non-monetary benefits to DRs for one-time events that in several instances exceeded \$1,000. For example, tickets to Selena Gomez and One Direction

costing Sentry over \$1,000 per DR per event, hockey tickets for \$2,184 and football tickets for \$1,359.98.

56. In addition, Sentry provided excessive non-monetary benefits in the form of purchasing tables for DRs at charity events as follows:

- a. In 2012, Sentry paid \$6,000 in relation to tables purchased for a charity event. This amount was entirely allocated to one DR, the same DR who, in 2015 and 2016, received the Montreal F1 Tickets. There were no Sentry representatives in attendance at this charity event; and
- b. In 2015, Sentry paid \$4,000 in relation to a table purchased for a charity event, for which 8 out of 10 seats were entirely allocated to one DR. A Sentry representative attended this event.

57. In addition, since 2011, Sentry has, on occasion, provided excessive gifts to some DRs valued at over \$200 including Christmas, birthday and baby gifts and has provided gift certificates to DRs in breach of section 2.1 of NI 81-105.

58. Since January 25, 2015, Sentry's sales practice policy has required that an employee of Sentry be in attendance for the duration of a business promotional activity. This requirement is designed to ensure that the activity qualifies as a business promotional activity.

59. However, on occasion, during the period January 25, 2015 to September 30, 2016, Sentry provided some DRs with tickets to sporting and theatre events without sending a Sentry employee to attend the event with the DR.

60. As a result of all of the above, during the period January 2011 to September 30, 2016, Sentry provided non-monetary benefits to DRs that did not comply with section 5.6 of NI 81-105 resulting in Sentry providing non-monetary benefits to DRs in breach of section 2.1 of NI 81-105.

E. Lack of Controls around Sentry's Sales Practices

61. During the period January 2011 to October 2016, Sentry failed to put in place an adequate record keeping system and adequate controls including procedures for tracking and reporting the individual and aggregate Annual DR Spending by all employees of Sentry (the "DR Spending Records System"). In particular, during this period, Sentry failed to:

- a. include in its DR Spending Records System,
 - i. non-monetary benefits provided to DRs by Sentry's executive team, including the Montreal F1 Tickets;
 - ii. the purchasing of tables at charitable events by Sentry to which DRs (and their guests) were invited to attend as Sentry guests; and
 - iii. some gifts provided to DRs;
- b. adequately train and supervise its employees on its DR Spending Records System;
- c. adequately train the Sentry employees who were providing non-monetary benefits to DRs on the requirements of NI 81-105;
- d. adequately supervise the employees providing non-monetary benefits to DRs; and
- e. carry out adequate testing of its DR Spending Records System resulting in Sentry's excessive Annual DR Spending continuing undetected over a long period of time.

62. During the period January, 2015 to September 30, 2015, Sentry failed to impose appropriate systems of controls and supervision to ensure that the Sentry Conference complied with Part 5 of NI 81-105 including failing to:

- a. establish internal parameters prior to the Sentry Conference to assist Sentry in determining the reasonableness of the proposed non-monetary benefits, on an individual and aggregate basis;

- b. establish a process requiring the involvement of Sentry Compliance at each stage of the organization of the Sentry Conference, including the development, approval and execution of the Budget;
- c. track all non-monetary benefits provided to DRs (including non-monetary benefits provided to guests of DRs) at the Sentry Conference, including the recording of:
 - i. the names of DRs and guests who attended dinners, evening activities and recreational activities at the Sentry Conference; and
 - ii. the names of DRs and guests who received other non-monetary benefits during the Sentry Conference; and
- d. reconcile actual spending of non-monetary benefits provided to DRs at the Sentry Conference with those contemplated by the Budget.

63. As a result of the above, during the period January 2011 to October 2016, Sentry failed to establish and maintain adequate systems of controls and supervision around its sales practices to ensure compliance with section 2.1 and Part 5 of NI 81-105 in breach of section 32(2) of the Act and section 11.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“NI 31-103”).

F. Failure to maintain adequate Books and Records in relation to Sentry’s Sales Practices

64. During the period January 2011 to October 2016, Sentry failed to maintain adequate books and records in relation to its sales practices as follows:

- a. As referred to above, Sentry did not keep track of the names of DRs and their guests attending each event at the Sentry Conference or the names of DRs and their guests who received other non-monetary benefits at the conference;

- b. Sentry did not keep track of the names of DRs and their guests when Sentry purchased a table for charitable events and invited DRs (and their guests) as Sentry's guests; and
 - c. Sentry did not always track the gifts that it provided to DRs.
65. As a result, during the period January 2011 to October 2016, Sentry was not able to accurately track the non-monetary benefits it provided to DRs.
66. During the period January 2011 to October 2016, Sentry failed to maintain adequate books, records and other documents as were reasonably required to demonstrate Sentry's compliance with Part 5 of NI 81-105 and was therefore in breach of paragraph 3 of subsection 19(1) of the Act.
- G. Other conduct contrary to the public interest regarding Sentry's Books and Records**
67. In at least two instances in 2015, Sentry staff recorded the presence of a Sentry employee at one-time events paid for by Sentry for the benefit of a DR when, in fact, a Sentry employee did not attend the event.
68. In addition, following the Sentry Conference, in or about November 2015, unbeknownst to Sentry's executives, the Sentry employee responsible for organizing the Sentry Conference attempted to conceal Sentry's non-compliance with NI 81-105 by:
- a. mischaracterizing the three \$500 gift certificates referred to above as ten \$150 gift certificates on Sentry's internal records;
 - b. seeking revised invoices from two third party service providers in order to conceal some of the non-monetary benefits provided to DRs on account of dinners, evening entertainment and accommodation; and
 - c. paying for some DR accommodation costs personally.
69. The conduct referred to above was contrary to the public interest and contrary to Sentry's obligation under paragraph 1 of subsection 19(1) of the Act to maintain adequate books and records for the proper recording of its business transactions and financial affairs.

H. The Montreal F1 Tickets

70. In 2015 and 2016, Sentry's sales practice policies stated that Sentry could not pay for or reimburse the costs associated with business promotional activities for investors or clients of DRs. This requirement is consistent with NI 81-105 as the only circumstance contemplated by NI 81-105 in which an IFM may provide a benefit to clients of a DR is in the context of Cooperative Marketing Practices pursuant to section 5.1 of NI 81-105. That section allows an IFM to pay some of the costs associated with an event hosted by a DR provided that the event meets certain requirements, including that the primary purpose of the event is to promote or provide educational information concerning the mutual fund, the mutual fund family of which the mutual fund is a member or mutual funds generally. An event that does not meet the primary purpose test would be considered a client appreciation event which is not eligible for IFM support under section 5.1 of NI 81-105. As such, section 5.1, does not permit an IFM to provide a DR with compensation or reimbursement for costs associated with client appreciation events.

71. In April 2015, a DR requested Driscoll's assistance in sourcing Montreal F1 Tickets. On April 20, 2015, Driscoll authorized the purchase by Sentry of two Montreal F1 Tickets for that DR in the amount of \$12,495.29. This amount was well above Sentry's Annual DR Spending limit of \$2,500. In addition, the expenditure did not qualify as a promotional activity under Sentry's sales practice policies as a Sentry representative did not attend this event with the DR. The event took place in Montreal during the weekend of June 5, 2015. By June 8, 2015, Driscoll was aware that the DR had taken a client to the event.

72. Driscoll did not report his non-compliance with Sentry's sales practice policy to Sentry's Chief Compliance Officer ("CCO") or to Sentry's board of directors at that time.

73. On or about December 10, 2015, CRR Staff wrote to Sentry about the Sentry Conference and sought documents from Sentry. By February 2016, Driscoll was aware that CRR Staff had also sought and obtained records from Sentry regarding Sentry's Annual DR Spending in 2015.

74. The purchase of the Montreal F1 Tickets in 2015 did not appear in the Sentry records provided to CRR Staff since, as mentioned above, Sentry's DR Spending Records System did not capture these types of non-monetary benefits at that time.

75. In April 2016, the same DR referred to above again requested Driscoll's assistance in sourcing Montreal F1 Tickets. On April 6, 2016, Driscoll purchased four Montreal F1 Tickets for the same DR referred to above in the amount of \$15,935.38, which amount was well above Sentry's Annual DR Spending limit of \$2,500. Driscoll paid for the tickets personally and then sought a reimbursement from Sentry. A Sentry representative did not attend this event with the DR.

76. The DR in question was considered by Sentry as one of its top ranking DRs based on the amount of Sentry assets held by the DR's clients.

77. On July 4, 2016, CRR Staff advised Sentry that it had concerns with Sentry's compliance with Part 5 of NI 81-105 in relation to the Sentry Conference and advised Sentry that the matter had been referred to the Enforcement Branch.

78. On July 20, 2016, Driscoll reimbursed Sentry in the amount of \$15,935.38 for the 2016 Montreal F1 Tickets.

79. On September 9, 2016, Staff served Sentry with a summons requiring it to provide details of its spending in 2015 on certain DRs including the DR who received the Montreal F1 Tickets. Two days later, Driscoll contacted the DR who received the Montreal F1 Tickets and sought and obtained a reimbursement of \$28,000 from the DR on account of the 2015 and 2016 Montreal F1 Tickets.

80. On September 12, 2016, Driscoll informed Sentry's senior executives and external legal counsel and, on September 15, 2016, Driscoll informed Sentry and SIC's boards of directors about the 2015 and 2016 Montreal F1 Tickets and the steps he had taken to date to obtain a reimbursement from the DR for the cost of the tickets.

81. Upon completion of the investigation by the Special Committee, Driscoll reimbursed Sentry for the 2015 Montreal F1 Tickets, having already reimbursed Sentry for the 2016 Montreal F1 Tickets on July 20, 2016.

82. Jasmin Jabri ("Jabri") was registered with the Commission as Sentry's CCO in 2016, reporting directly to Driscoll. In or about the end of March 2016, there were discussions

between Driscoll and Jabri regarding the proposed purchase of the 2016 Montreal F1 Tickets for the DR. On or about April 6, 2016, Jabri was aware that Driscoll had, in fact, purchased the 2016 Montreal F1 Tickets for the DR. Neither Driscoll nor Jabri took steps to escalate or rectify the matter at that time. In July 2016, Driscoll subsequently discussed with Jabri his proposed reimbursement to Sentry for the cost of the 2016 Montreal F1 Tickets. Neither Driscoll nor Jabri took steps to escalate the matter at that time.

83. Jabri voluntarily resigned as the CCO of Sentry effective December 31, 2016. Jabri agreed to provide and has provided Staff with a signed undertaking to: (a) successfully complete the Osgoode Certificate in Regulatory Compliance and Legal Risk Management for Financial Institutions offered by Osgoode Professional Development before reapplying for registration as a CCO of any registrant; and (b) not to reapply for registration as a CCO of any registrant before January 1, 2018.

I. Driscoll's failure to meet his obligations as the UDP of Sentry

84. Driscoll was the CEO and UDP of Sentry from January 29, 2013 until December 22, 2016. As such, pursuant to section 5.1 of NI 31-103, Driscoll was required to:

- a) supervise the activities of Sentry that were directed towards ensuring compliance with securities legislation by Sentry and the individuals acting on Sentry's behalf; and
- b) promote compliance by Sentry and individuals acting on Sentry's behalf with securities legislation.

85. In 2015 and 2016, Driscoll did not comply with Sentry's own Annual DR Spending limit and Sentry's sales practices policy when he gifted the Montreal F1 Tickets to a DR. These gifts were excessive and did not constitute a non-monetary benefit of a promotional nature and of minimal value pursuant to section 5.6 of NI 81-105.

86. Driscoll was aware that CRR Staff was looking into Sentry's Annual DR Spending when he personally paid for the 2016 Montreal F1 Tickets.

87. Apart from his discussions with Sentry's former CCO, Driscoll did not inform Sentry's senior executive team or its board of directors of his conduct until he became aware that Staff

was seeking records relating to Sentry's spending on the DR who received the Montreal F1 Tickets.

88. In respect of the above, Driscoll did not promote compliance by Sentry and individuals acting on Sentry's behalf with securities legislation. Rather, he caused Sentry to breach section 2.1 of NI 81-105 in relation to the Montreal F1 Tickets.

89. During the period April 20, 2015 to September 12, 2016, Driscoll breached his obligations as the UDP of Sentry and he caused Sentry to breach section 2.1 of NI 81-105 in relation to his conduct pertaining to the Montreal F1 Tickets referred to above. As an officer and director of Sentry, he authorized, permitted and/or acquiesced in Sentry's breach of section 2.1 of NI 81-105 pursuant to section 129.2 of the Act.

PART IV – MITIGATING FACTORS

90. Sentry advises Staff of the following:

- a. Sentry, not the Sentry Products, paid for the monetary and non-monetary benefits at issue;
- b. the performance of the Sentry Products has not been impacted by these matters. The management expense ratios of the Sentry Products were not affected by the monetary and non-monetary benefits that were paid to DRs; and
- c. Sentry, not the Sentry Products, will pay all costs, fines and expenses relating to the resolution of the matters described in this Settlement Agreement, including the administrative fine, costs of the Commission's investigation and the fees charged by PricewaterhouseCoopers LLP in relation to its engagement as the Consultant, as described in the Undertaking at Schedule "A" to this Settlement Agreement.

91. Commencing in 2013, during Driscoll's tenure as UDP, Sentry made efforts to improve its compliance function including in relation to sales practices and NI 81-105. These initiatives included increasing the number of full time compliance specialists at Sentry from three to five, the appointment of a new CCO and revising and updating all of Sentry's compliance policies

and procedures (including reducing Sentry's Annual DR Spending limit) and its Code of Conduct and Ethics.

92. In February 2016, at Driscoll's direction, Sentry cancelled a further Mutual Fund Sponsored Conference scheduled to occur in April 2016.

93. Since November 2016, Sentry, with the support of Driscoll, has taken steps to ensure the completeness and accuracy of its DR Spending Records. Responsibility for the oversight and maintenance of the DR Spending Records has been moved from Sentry's Sales Department to Sentry's Finance Department. In addition, controls have been enhanced to ensure that executive level expenditures and non-monetary benefits provided through charitable events are appropriately included in Sentry's DR Spending Records System and are subject to review and approval.

94. Upon learning about the Montreal F1 Tickets from Driscoll in September 2016, the Special Committee promptly investigated the matter and the Sentry Conference and reported its findings to Staff of the Commission in October 2016.

95. As a result of the Special Committee's recommendations, corrective action was taken by Sentry commencing in December 2016 including the following:

- a. enhanced reporting by the CCO to the Special Committee and the board of directors of both of Sentry and SIC;
- b. Sentry initiated steps to identify and retain an independent compliance consultant (the "Consultant") for the purpose of enhancing its compliance function and ensuring consistency with securities law and industry best practices, and entered into discussions with Staff concerning the terms of an undertaking in relation thereto;
- c. on December 22, 2016, Driscoll resigned as the CEO and UDP of Sentry and a new CEO was appointed and registered as a UDP with the Commission;

- d. the Special Committee recommended and Driscoll accepted the making of a reparation payment to Sentry in the amount of \$100,000, which amount has been paid by him; and
- e. in January 2017, Sentry created a formal Management Committee, the mandate of which includes supporting the work of the Consultant, oversight and monitoring of the implementation of the Consultant's recommendations and supporting the efforts of the UDP and CCO to nurture a culture of compliance within Sentry.

96. In December 2016, Sentry created two additional compliance officer positions. In addition, in January 2017, the mandate of the board of directors of Sentry was updated to require that Sentry promptly escalate to the board of SIC all matters of significance affecting Sentry's obligations as a registrant, including issues relating to its compliance with applicable securities laws and inquiries by securities regulators.

97. All of the voting shares of Sentry are owned by SIC. All of the voting shares of SIC are owned by Petro Assets Inc., whose shares are owned by the Driscoll family. The Respondents advise Staff that Petro Assets Inc. has no direct involvement in the supervision or daily operations of Sentry or SIC. On January 30, 2017, the holder of 100% of the voting control of the shares of Petro Assets Inc., who is not Driscoll, offered to sign, and did sign, an undertaking to the Commission that for so long as he exercises direct or indirect control over at least 51% of the voting shares of SIC, and consistent with his long-standing practice, he shall continue to ensure that a majority of the directors of SIC are independent of management of Sentry and not members of the Driscoll family.

98. On February 2, 2017, Sentry signed the undertaking attached to this Settlement Agreement as Schedule "A" (the "Undertaking"). Pursuant to the Undertaking, Sentry undertook to enter into an agreement (the "Agreement") with a Consultant approved by a Manager in the CRR Branch (the "OSC Manager"), to examine, among other areas, Sentry's sales practices system, with a view to making recommendations to be included in a plan to be submitted to the OSC Manager no later than 90 days from the date of the Undertaking for review and approval by the OSC Manager (the "Plan").

99. Consistent with the Undertaking, on January 31, 2017, Sentry retained a Consultant approved by the OSC Manager, namely PricewaterhouseCoopers LLP and entered into the Agreement with the Consultant.

100. On December 23, 2016, Sentry's new CEO and UDP signed an undertaking to the Commission that in his capacity as UDP, he will work alongside the Consultant to ensure that any requests for information by the Consultant are fulfilled promptly, that any recommendations of the Consultant are implemented by Sentry in a timely manner and to receive training to increase his knowledge of the requirements of Ontario securities law including the requirement to establish and maintain an adequate system of compliance under section 11.1 of the NI 31-103.

101. On January 3, 2017, a new CCO for Sentry was registered with the Commission.

102. Sentry and Driscoll have cooperated with Staff in connection with Staff's investigation of the matters referred to in this Settlement Agreement.

103. Sentry and Driscoll have no disciplinary history with the Commission.

PART V – CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND THE PUBLIC INTEREST

104. By engaging in the conduct described above, Sentry admits and acknowledges that it has breached Ontario securities law and that it has acted contrary to the public interest in that:

- a. during the period August 2015 to September 2015, Sentry provided non-monetary benefits to DRs and/or their guests in connection with the Sentry Conference that did not meet the requirements of sections 5.2 and 5.6 of NI 81-105 and provided monetary benefits to DRs in the form of gift certificates that were not permitted under Part 3 of NI 81-105 resulting in Sentry providing non-monetary and monetary benefits in breach of section 2.1 of NI 81-105 and contrary to the public interest;
- b. during the period January 2011 to September 30, 2016, Sentry provided non-monetary benefits to DRs in relation to its Annual DR Spending and in relation to

its spending on DRs on one-time events (including in relation to the Montreal F1 Tickets) that did not meet the requirements of section 5.6 of NI 81-105 and provided monetary benefits to DRs in the form of gift certificates that were not permitted under Part 3 of NI 81-105 resulting in Sentry providing non-monetary and monetary benefits in breach of section 2.1 of NI 81-105 and contrary to the public interest;

- c. during the period January 2011 to October 2016, Sentry failed to establish and maintain adequate systems of controls and supervision around its sales practices to ensure compliance with section 2.1 and Part 5 of NI 81-105 in breach of section 32(2) of the Act and section 11.1 of NI 31-103 and contrary to the public interest;
- d. during the period January 2011 to October 2016, Sentry failed to maintain adequate books, records and other documents as were reasonably required to demonstrate its compliance with NI 81-105 in breach of paragraph 3 of subsection 19(1) of the Act and contrary to the public interest; and
- e. in 2015, Sentry failed to maintain adequate books and records for the proper recording of its business transactions and financial affairs in breach of paragraph 1 of subsection 19(1) of the Act and contrary to the public interest.

105. Driscoll admits and acknowledges that, in connection with the Montreal F1 Tickets, he breached Ontario securities law and that he acted contrary to the public interest in that:

- a. during the period April 20, 2015 to September 12, 2016, he failed to meet his obligations as the UDP of Sentry in breach of section 5.1 of NI 31-103 and contrary to the public interest;
- b. during the period April 20, 2015 to September 12, 2016, as an officer and director of Sentry, he did authorize, permit and/or acquiesce in Sentry's breach of section 2.1 of NI 81-105 pursuant to section 129.2 of the Act; and
- c. as Sentry's UDP during the period April 20, 2015 to September 12, 2016, he acted contrary to the public interest in failing to disclose Sentry's breach of NI 81-

105 through his gifting of the Montreal F1 Tickets to a DR to Sentry's board of directors.

PART VI – TERMS OF SETTLEMENT

106. The Respondents agree to the terms of settlement listed below and to the Order attached hereto as Schedule "B" that provides that:

- a. the Settlement Agreement is approved;
- b. the Respondents are reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;
- c. Sentry shall
 - i. continue to submit to a review of its practices and procedures in accordance with the terms set out in the Undertaking attached hereto as Schedule "A" and shall refrain from hosting a Mutual Fund Sponsored Conference until the OSC Manager has communicated to Sentry that the OSC Manager is satisfied that the conclusions expressed in the Attestation Letter by the Consultant described in Schedule "A" are valid, pursuant to paragraph 4 of subsection 127(1);
 - ii. pay an administrative penalty in the amount of \$1,500,000 by wire transfer to the Commission before the commencement of the Settlement Hearing, which amount shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act, pursuant to paragraph 9 of subsection 127(1) of the Act; and
 - iii. pay costs of the Commission's investigation in the amount of \$150,000, by wire transfer to the Commission before the commencement of the Settlement Hearing, pursuant to section 127.1 of the Act; and
- d. Driscoll

- i. shall resign all positions that he holds as a director or officer of any IFM or other registrant and as director of any affiliate of Sentry, pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act;
- ii. is prohibited from becoming or acting as a director or officer of SIC or of any IFM or other registrant or as a director of any affiliate of Sentry for a period of 2 years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act;
- iii. is prohibited from becoming or acting as a UDP or CCO of any IFM or other registrant for a period of 5 years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraphs 8.2 and 8.4 of subsection 127(1) of the Act;
- iv. shall successfully complete the PDO Exam and Chief Compliance Officers Qualifying Exam referred to in section 3.1 of NI 31-103 as a condition of becoming an officer or director of SIC or of any IFM or other registrant and as a condition for future registration as a UDP; and
- v. shall successfully complete the PDO Exam and Chief Compliance Officers Qualifying Exam referred to in section 3.1 of NI 31-103 and the Osgoode Certificate in Regulatory Compliance and Legal Risk Management for Financial Institutions offered by Osgoode Professional Development as a condition for future registration as a CCO.

107. The Respondents undertake to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the prohibitions set out in sub-paragraphs 106(c)(i) and 106(d) above. These prohibitions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

108. The Respondents agree to attend in person at the hearing before the Commission to consider the proposed settlement.

109. The Respondents acknowledge that this Settlement Agreement and proposed Order may form the basis for parallel orders in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to the Respondents. The Respondents should contact the securities regulator of any other jurisdiction in which it/he may intend to engage in any securities or derivatives related activities, prior to undertaking such activities.

PART VII – STAFF COMMITMENT

110. If the Commission approves this Settlement Agreement, Staff will not commence any proceeding under Ontario securities law against the Respondents in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 111 below and except with regard to the items referred to at subparagraph 2(ii) of the Undertaking attached at Schedule “A” to this Settlement Agreement and to the Order of the Commission (the “Other Areas of Review”). Nothing in this Settlement Agreement shall be interpreted as limiting Commission Staff’s ability to commence proceedings against the Respondents in relation to the Other Areas of Review.

111. If the Commission approves this Settlement Agreement and the Respondents fail to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against the Respondents. These proceedings may be based on, but need not be limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement.

PART VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT

112. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for April 5, 2017 or on another date agreed to by Staff and the Respondents, according to the procedures set out in this Settlement Agreement and the Commission’s Rules of Procedure.

113. Staff and the Respondents agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on the Respondents’ conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.

114. If the Commission approves this Settlement Agreement, the Respondents agree to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

115. If the Commission approves this Settlement Agreement, neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.

116. Whether or not the Commission approves this Settlement Agreement, the Respondents will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

PART IX – DISCLOSURE OF SETTLEMENT AGREEMENT

117. If the Commission does not approve this Settlement Agreement or does not make the order substantially in the form of the order attached as Schedule “B” to this Settlement Agreement:

- a. this Settlement Agreement and all discussions and negotiations between Staff and the Respondents before the settlement hearing takes place will be without prejudice to Staff and the Respondents; and
- b. Staff and the Respondents will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this agreement.

118. Both parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement, except as is necessary to make submissions at the settlement hearing. If, for whatever reason, the Commission does not approve the Settlement Agreement, the terms of the Settlement Agreement shall remain confidential indefinitely, unless Staff and the Respondents otherwise agree or if required by law.

PART X – EXECUTION OF SETTLEMENT AGREEMENT

119. This Settlement Agreement may be signed in one or more counterparts which, together, constitute a binding agreement.

120. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

Dated at Toronto this 31st day of March, 2017.

SENTRY INVESTMENTS INC.

By: "Philip Yuzpe"

Name: Philip Yuzpe

By: "Ryan Caughay"

Name: Ryan Caughay

SEAN DRISCOLL

By: "Sean Driscoll"

Name: Sean Driscoll

"Veronica Sjolín"

Name: Veronica Sjolín
Witness

COMMISSION STAFF

By: "Jeff Kehoe"

Jeff Kehoe
Director, Enforcement Branch

Schedule “A”

Undertaking

WHEREAS an investigation of conduct relating to Sentry Investment Inc.’s (“**Sentry**”) mutual fund sales practices has been initiated by Staff of the Ontario Securities Commission (the “**Commission**”) as a result of a compliance review by the Compliance and Registrant Regulation (“**CRR**”) Branch and is not concluded;

AND WHEREAS a special committee composed of independent directors of the board of directors of Sentry Investments Corp. (the “**Special Committee**”), the direct shareholder of Sentry, has resolved, *inter alia*, to retain an independent compliance consultant (“the **Consultant**”) to review and recommend improvements to certain aspects of Sentry’s internal policies, procedures, practices and internal controls, and to require the Consultant to report its findings to the Commission;

AND WHEREAS Sentry supports and accepts the retention of the Consultant and seeks to take immediate corrective action in relation to certain compliance issues noted to date;

Sentry hereby undertakes that:

1. within 30 days of signing this Undertaking, Sentry will enter into an agreement (the “**Agreement**”) with a Consultant that has been approved by a Manager in the CRR Branch of the Commission (the “**OSC Manager**”);
2. the Agreement will provide that the Consultant will examine the areas set out in (i) and (ii) below, with a view to making recommendations to be included in a plan to be submitted to the OSC Manager no later than 90 days from the date of this Undertaking for review and approval by the OSC Manager (the “**Plan**”). In particular, the Consultant will examine:
 - (i) Sentry’s operations, internal controls, practices, policies and procedures relating to sales practices (the “**Sales Practice System**”) to ensure that:
 - a. the Sales Practice System fully complies with applicable law, including National Instrument 81-105 *Mutual Fund Sales Practices* (“**NI 81-105**”) and section 11.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“**NI 31-103**”);
 - b. the Sales Practice System is tailored to the specific manner of business conducted by Sentry and is consistent with prudent business practices and best industry standards;
 - c. Sentry’s staff are required to report any misconduct or non-compliance in a timely manner and that there is an appropriate escalation process in place to ensure that Sentry’s senior management, its board of directors and the board of directors of Sentry Investments Corp., can adequately oversee Sentry’s activities in respect of the Sales Practice System;

- d. the Sales Practice System is designed to identify any non-compliance at an early stage and to allow for correction of the conduct in a timely manner; and
 - e. all applicable Sentry staff are trained on business promotion matters (including Sentry's Ultimate Designated Person and members of Sentry's executive team) to ensure compliance with applicable laws related to the Sales Practice System, including NI 81-105;
- (ii) Sentry's operations, internal controls, practices, policies and procedures relating to the daily operation of Sentry's Investment Funds to ensure that Sentry's Transfer Agent, Fund Accounting, Trust Accounting, Portfolio Management and Independent Review Committee functions, fully comply with applicable laws, including section 11.1 of NI 31-103;
3. the Agreement will also provide that the Consultant will:
- (i) include in the Plan, a description of the review performed, the results of the review, and the Consultant's recommendations for any changes or improvements that the Consultant reasonably deems necessary to conform with 2 (i) to (ii) above;
 - (ii) assist Sentry in the implementation of the Plan including assisting Sentry and Sentry's counsel, in the preparation of policies, procedures and/or training materials, or in amending existing policies, procedures and/or training materials to ensure compliance with 2(i) and (ii) above;
 - (iii) submit written progress reports ("**Progress Report**") to the OSC Manager, every 90 days commencing 90 days after the approval of the Plan by the OSC Manager, detailing Sentry's progress with respect to the implementation of the Plan and stating whether the specific recommendations included in the Plan have been implemented and, if not, the expected date of completion and person(s) responsible for the implementation. The Consultant shall submit Progress Reports until the Plan has been fully implemented to the satisfaction of the OSC Manager;
 - (iv) submit, within 12 months of receiving confirmation from the OSC Manager that the Plan has been fully implemented (the "**Confirmation Date**"), a letter (the "**Attestation Letter**"), expressing his or her conclusions on whether the revised policies and procedures and internal controls set out in the Plan were working appropriately and adequately followed, administered and enforced by Sentry for the 9 month period commencing from the Confirmation Date;
 - (v) Include a report with the Attestation Letter which provides a description of the testing performed to support the conclusions contained in the Attestation Letter; and

- (vi) submit such additional reports as may be requested by the OSC Manager for the purpose of satisfying the OSC Manager that the conclusions expressed in the Attestation Letter described above is valid.
4. the Plan and the Progress Reports will be reviewed and approved by the Special Committee and signed by a representative of the Special Committee as evidence of its review and approval;
 5. Sentry shall provide the Consultant with reasonable access to all of Sentry's books and records necessary to complete the Consultant's mandate and will allow the Consultant to meet privately with Sentry's officers, directors and employees. Sentry shall require its officers, directors and employees to cooperate fully with the Consultant with respect to the Consultant's work and with respect to the implementation of the Plan or any of its specific recommendations; and
 6. Sentry shall immediately submit to the Commission a direction giving consent for unrestricted access by Staff of the Commission to communicate with the Consultant regarding the Consultant's work and Sentry's progress with respect to the implementation of the Plan or any or its specific recommendations.

Schedule “B”

Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

IN THE MATTER OF SENTRY INVESTMENTS INC. and SEAN DRISCOLL

**ORDER
(Subsections 127(1) and 127.1)**

WHEREAS:

1. on March 31, 2017, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing pursuant to subsections 127(1) and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”), in connection with the allegations as set out in the Statement of Allegations of Staff of the Commission (“Staff”) dated March 31, 2017 (the “Statement of Allegations”), to consider whether it is in the public interest to make orders, as specified therein, against and in respect of Sentry Investments Inc. (“Sentry”) and Sean Driscoll (“Driscoll”) (collectively the “Respondents”);
2. the Respondents and Staff entered into a Settlement Agreement dated March 31, 2017 (the “Settlement Agreement”);
3. prior to the Settlement Agreement, Sentry signed an undertaking on February 2nd, 2017 which is attached to this Order as Schedule “A” (the “Undertaking”) in order to begin taking immediate corrective action in relation to certain compliance issues;

4. pursuant to the Undertaking, Sentry entered into an agreement (the “Agreement”) with a consultant (the “Consultant”), namely, PricewaterhouseCoopers LLP, that was approved by a Manager in the CRR Branch of the Commission (the “OSC Manager”), to examine, among other areas, Sentry’s sales practice system, with a view to making recommendations to be included in a plan to be submitted to the OSC Manager no later than 90 days from the date of the Undertaking for review and approval by the OSC Manager (the “Plan”);
5. Sentry Investments Corp. (“SIC”) owns all of the voting shares of Sentry, all of the voting shares of SIC are owned by Petro Assets Inc., whose shares are owned by the Driscoll family, and the Respondents have represented to the Commission that Petro Assets Inc. has no direct involvement in the supervision or daily operations of Sentry or SIC;
6. the individual who controls the voting of all the shares of Petro Assets Inc. has signed an undertaking to the Commission that for so long as he exercises direct or indirect control over at least 51% of the voting shares of SIC, he shall ensure that a majority of the directors of SIC are independent of management of Sentry and not members of the Driscoll family;
7. Sentry has confirmed receipt of a reparation payment of \$100,000 from Driscoll;
8. this Order may form the basis for parallel orders in other jurisdictions in Canada;
9. the Commission has reviewed the Settlement Agreement, the Notice of Hearing, and the Statement of Allegations, and heard submissions from counsel for the Respondents and from Staff; and
10. the Commission is of the opinion that it is in the public interest to make this Order;

IT IS ORDERED THAT:

- a. the Settlement Agreement is approved;
- b. the Respondents are reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;
- c. Sentry shall
 - i. continue to submit to a review of its practices and procedures in accordance with the terms set out in the Undertaking attached hereto as Schedule "A" and shall refrain from hosting a Mutual Fund Sponsored Conference until the OSC Manager has communicated to Sentry that the OSC Manager is satisfied that the conclusions expressed in the Attestation Letter by the Consultant described in Schedule "A" are valid, pursuant to paragraph 4 of subsection 127(1) of the Act;
 - ii. pay an administrative penalty in the amount of \$1,500,000 to the Commission which amount shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act, pursuant to paragraph 9 of subsection 127(1) of the Act; and
 - iii. pay costs of the Commission's investigation in the amount of \$150,000 pursuant to section 127.1 of the Act; and
- d. Driscoll
 - i. shall resign all positions that he holds as a director or officer of any investment fund manager ("IFM") or other registrant and as a director of any affiliate of Sentry, pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act;
 - ii. is prohibited from becoming or acting as a director or officer of SIC or of any IFM or other registrant or as a director of any affiliate of Sentry for a period of 2 years commencing on the date of the Commission's order

approving this Settlement Agreement, pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act;

- iii. is prohibited from becoming or acting as a UDP or CCO of any IFM or other registrant for a period of 5 years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraphs 8.2 and 8.4 of subsection 127(1) of the Act;
- iv. shall successfully complete the PDO Exam and Chief Compliance Officers Qualifying Exam referred to in section 3.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103") as a condition of becoming an officer or director of SIC or of any IFM or other registrant and as a condition for future registration as a UDP; and
- v. shall successfully complete the PDO Exam and Chief Compliance Officers Qualifying Exam referred to in section 3.1 of NI 31-103 and the Osgoode Certificate in Regulatory Compliance and Legal Risk Management for Financial Institutions offered by Osgoode Professional Development as a condition for future registration as a CCO.

DATED at Toronto, this day of April, 2017.
