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**AUDITED REPORT**  
**FORM X-17A-5** Mail Processing Section  
**PART III**

FEB 28 2017

SEC FILE NUMBER
8-15078

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/16 AND ENDING 12/31/16  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Sentry Equity Services, Inc.  
 ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
 1800 North Point Drive

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)  
 Stevens Point Wisconsin 54481  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
 Dwayne A. Gantz (715) 346-6000  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

KPMG LLP  
(Name - if individual, state last, first, middle name)  
 4200 WF Center; 90 South 7th Street Minneapolis Minnesota 55402  
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, Dwayne A. Gantz, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sentry Equity Services, Inc. of December 31, 2016, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Notary Public



  
Signature  
\_\_\_\_\_  
Treasurer  
\_\_\_\_\_  
Title

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



KPMG LLP  
Suite 1050  
833 East Michigan Street  
Milwaukee, WI 53202-5337

## Report of Independent Registered Public Accounting Firm

The Audit Committee  
Sentry Equity Services, Inc.:

We have audited the accompanying statement of financial condition of Sentry Equity Services, Inc. (the Company) as of December 31, 2016, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sentry Equity Services, Inc. as of December 31, 2016 and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The Company is a member of a group of affiliated companies and, as disclosed in the financial statements, has extensive transactions and relationships with members of the group. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

The supplemental information contained in Schedules I and II has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a 5. In our opinion, the supplemental information contained in Schedules I and II is fairly stated, in all material respects, in relation to the financial statements as a whole.

**KPMG LLP**

Milwaukee, Wisconsin  
February 24, 2017

**SENTRY EQUITY SERVICES, INC.**

Statement of Financial Condition

December 31, 2016

**Assets**

Cash	\$	90,071
Prepaid expenses		22,860
Intercompany tax receivable		991
		<hr/>
Total assets	\$	<u>113,922</u>

**Liabilities and Stockholder's Equity**

Liabilities:

Accounts Payable		1,825
Intercompany payable	\$	<u>53,174</u>
		<hr/>
Total liabilities		54,999

Stockholder's equity:

Common stock, \$10 par value. Authorized 1,000 shares; issued and outstanding 720 shares		7,200
Additional paid-in capital		752,800
Accumulated deficit		<u>(701,077)</u>
		<hr/>
Total stockholder's equity		58,923
		<hr/>
Total liabilities and stockholder's equity	\$	<u>113,922</u>

See accompanying notes to financial statements.

**SENTRY EQUITY SERVICES, INC.**

Statement of Operations

Year ended December 31, 2016

Income:		
Management fees	\$	120,000
Distribution fees		5,365
Interest		83
Total income		<u>125,448</u>
Expenses:		
Employee compensation and benefits		35,963
Regulatory		74,453
Other		13,512
Total expenses		<u>123,928</u>
Income before federal income tax		1,520
Federal income tax		<u>(532)</u>
Net Income	\$	<u><u>988</u></u>

See accompanying notes to financial statements.

**SENTRY EQUITY SERVICES, INC.**  
Statement of Changes in Stockholder's Equity  
Year ended December 31, 2016

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total stockholder's equity</u>
Balance, December 31, 2015	\$ 7,200	752,800	(702,065)	57,935
Net Income	—	—	988	988
Balance, December 31, 2016	<u>\$ 7,200</u>	<u>752,800</u>	<u>(701,077)</u>	<u>58,923</u>

See accompanying notes to financial statements.

**SENTRY EQUITY SERVICES, INC.**

Statement of Cash Flows

Year ended December 31, 2016

Cash flows from operating activities:	
Net Income	\$ 988
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase in prepaid expenses	(5,138)
Increase in accounts payable	1,825
Increase in intercompany payable	10,085
Decrease in intercompany tax receivable	<u>3,470</u>
Net cash provided by operating activities	11,230
Cash, beginning of year	<u>78,841</u>
Cash, end of year	<u>\$ 90,071</u>

See accompanying notes to financial statements.

## SENTRY EQUITY SERVICES, INC.

### Notes to Financial Statements

December 31, 2016

#### (1) Nature of Business

Sentry Equity Services, Inc. (the Company) is a wholly owned subsidiary of Sentry Insurance a Mutual Company (SIAMCO) and is a registered broker and dealer in securities under the Securities Exchange Act of 1934. The Company's securities operations are limited to the underwriting of, interests in, or participations in SIAMCO's life insurance subsidiary separate accounts. Sales of new separate account contracts ended on December 1, 2004 for variable annuities and on October 13, 2003 for variable life annuities. Management of the Company has determined that there is no justification for substantial doubt regarding the entity's ability to continue as a going concern.

#### (2) Significant Accounting Policies

Management fees, distribution fees and interest income are recorded when earned. Expenses are accrued and recorded when incurred. Cash represents an amount on deposit with a bank.

The Company participates in an Expense Allocation Agreement as a wholly owned subsidiary of SIAMCO. Allocated expense of \$49,648 for the year ended December 31, 2016 were based on time and usage studies that are updated at least annually by the Company and SIAMCO. Direct expense (not allocated) totaled \$74,280 for the year ended December 31, 2016.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### (3) Income Taxes

The Company files a consolidated federal income tax return with SIAMCO. In accordance with the intercompany tax allocation policy, the Company pays to or receives from SIAMCO amounts equivalent to the federal income tax provision or benefit based on its taxable income or loss included in this return. As settlement under the intercompany Tax Allocation Agreement, the Company received \$2,938 during the year ended December 31, 2016. The only differences between the basis of assets and liabilities for financial and tax reporting purposes relate to state net operating loss carryforwards, for which there is a full valuation allowance.

#### (4) Capital Requirements

Pursuant to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1 (the Rule), the Company is required to maintain minimum net capital and an acceptable ratio of aggregate indebtedness to net capital (net capital ratio), both as defined, under such rule. At December 31, 2016, the Company had net capital of \$35,072, which was \$30,072 in excess of the required net capital of \$5,000. The Company's net capital ratio was 1.57 to 1 at December 31, 2016, which did not exceed the 15 to 1 limit under the Rule.

#### (5) Related-Party Transactions

As exclusive underwriter and broker-dealer for the sale of variable annuities and variable universal life policies for SIAMCO affiliates, the Company received \$5,365 in distribution fees from variable annuity policy contributions for the year ended December 31, 2016.

The Company receives management fees from an affiliate of SIAMCO for which it provides underwriting and broker-dealer services according to a dealer agreement with that affiliate. The management fee is structured to reimburse the Company for expenses incurred in excess of all other revenue in order to maintain desired levels of stockholder's equity. Per this agreement, management fees of \$120,000 are included in Company income for the year ended December 31, 2016. This same affiliate of SIAMCO is required to provide the Company with funds sufficient to maintain minimum net capital at all times.

The Company has no direct employees. It utilizes services provided by employees of SIAMCO. The Company participates in an Expense Allocation Agreement with certain affiliated companies.

Because of these aforementioned relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties. See also paragraph two of note 2.

**(6) Subsequent Events**

In connection with the preparation of the financial statements, the Company evaluated subsequent events after the balance sheet date of December 31, 2016 through February 24, 2017 which was the date the financial statements were issued. No significant subsequent events were identified.

## SENTRY EQUITY SERVICES, INC.

Computation of Net Capital, Aggregate Indebtedness, and Ratio of Aggregate Indebtedness  
to Net Capital under Rule 15c3-1 of the Securities and Exchange Commission

December 31, 2016

Stockholder's equity	\$	58,923
Less nonallowable assets:		
Prepaid expense		22,860
Intercompany tax receivable		991
Net capital		<u>35,072</u>
Less net capital requirement		<u>5,000</u>
Net capital in excess of required amount	\$	<u><u>30,072</u></u>
Aggregate indebtedness:		
Total liabilities	\$	<u>54,999</u>
Aggregate indebtedness	\$	<u><u>54,999</u></u>
Percentage of aggregate indebtedness to net capital		156.82%

## Reconciliation under Rule 17a-5(d)(4):

No differences exist between the preceding computation of net capital and the unaudited Focus Report IIA of Form X-17A-5 as of December 31, 2016.

See accompanying report of independent registered public accounting firm.

**SENTRY EQUITY SERVICES, INC.**

Statement for Determination of Reserve  
Requirement and Information Relating to  
Possession or Control Requirements under Rule 15c3-3  
of the Securities and Exchange Commission

December 31, 2016

The Company claims exemption from the provisions of Rule 15c3-3 of the Securities Exchange Act of 1934 under Section (k)1 of that rule.

See accompanying report of independent registered public accounting firm.





# Sentry Equity Services, Inc.

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## Sentry Equity Services, Inc. CRD# 5069 (BD SEC# 8-15078) Annual Exemption Report

Sentry Equity Services, Inc. is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, “reports to be made by certain brokers and dealers”). This Exemption Report was prepared as required by 17 C.F.R. §240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

The Company claims an exemption from 17 C.F.R §240.15c3-3(k), section (1), as Sentry Equity Services, Inc.’s transactions are limited to the distribution of redeemable securities of registered investment company shares and variable contracts participating in insurance company separate accounts.

The Company met the exemption provision throughout the most recent fiscal year January 1, 2016 to December 31, 2016 without exception.

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Sentry Equity Services, Inc.

By: Wendy S. We

Title: Director of Privacy and Compliance

Date: 2/24/2017

SIPC-3 2016

Securities Investor Protection Corporation  
1667 K Street NW, Ste 10000  
Washington, DC 20006-1620

Forwarding and Address Correction Requested

Check appropriate boxes.

(i) its principal business, in the determination of SIPC, taking into account business of affiliated entities, is conducted outside the United States and its territories and possessions;\*

(ii) its business as a broker-dealer is expected to consist exclusively of:

(I) the distribution of shares of registered open end investment companies or unit investment trusts;

(II) the sale of variable annuities;

(III) the business of insurance;

(IV) the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts;

(iii) it is registered pursuant to 15 U.S.C. 78o(b)(11)(A) as a broker-dealer with respect to transactions in securities futures products.

Pursuant to the terms of this form (detailed below).

x [Signature] Chief Compliance Officer 1/5/16  
Authorized Signature Title Date

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8-015078 FINRA DEC 12/30/1970  
SENTRY EQUITY SERVICES INC  
1800 NORTHPOINT DR  
STEVENS POINT, WI 54481

Securities Investor Protection Corporation  
1667 K Street NW, Ste 10000  
Washington, DC 20006-1620

### Form SIPC-3

FY 2016\_

#### Certification of Exclusion From Membership.

TO BE FILED BY A BROKER-DEALER WHO CLAIMS EXCLUSION FROM MEMBERSHIP IN THE SECURITIES INVESTOR PROTECTION CORPORATION ("SIPC") UNDER SECTION 78ccc(a)(2)(A) OF THE SECURITIES INVESTOR PROTECTION ACT OF 1970 ("SIPA").

The above broker-dealer certifies that during the year ending December 31, 2016 its business as a broker-dealer is expected to consist exclusively of one or more of the following (check appropriate boxes):

- (i) its principal business, in the determination of SIPC, taking into account business of affiliated entities, is conducted outside the United States and its territories and possessions;\*
- (ii) its business as a broker-dealer is expected to consist exclusively of:
  - (I) the distribution of shares of registered open end investment companies or unit investment trusts;
  - (II) the sale of variable annuities;
  - (III) the business of insurance;
  - (IV) the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts;
- (iii) it is registered pursuant to 15 U.S.C. 78o(b)(11)(A) as a broker-dealer with respect to transactions in securities futures products;

and that, therefore, under section 78ccc(a)(2)(A) of SIPA it is excluded from membership in SIPC.

\*If you have any questions concerning the foreign exclusion provision please contact SIPC via telephone at 202-371-8300 or e-mail at [asksipc@sipc.org](mailto:asksipc@sipc.org) to request a foreign exclusion questionnaire.

The following bylaw was adopted by the Board of Directors:

Interest on Assessments.

... If any broker or dealer has incorrectly filed a claim for exclusion from membership in the Corporation, such broker or dealer shall pay, in addition to all assessments due, interest at the rate of 20% per annum of the unpaid assessment for each day it has not been paid since the date on which it should have been paid.

In the event of any subsequent change in the business of the undersigned broker-dealer that would terminate such broker-dealer's exclusion from membership in SIPC pursuant to section 78ccc(a)(2)(A) of the SIPA, the undersigned broker-dealer will immediately give SIPC written notice thereof and make payment of all assessments thereafter required under section 78ddd(c) of the SIPA.

Sign, date and return this form no later than 30 days after the beginning of the year, using the enclosed return envelope.

Retain a copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

Change of Address. If the Broker-Dealer's principal place of business has changed, please make the necessary corrections.

\_\_\_\_\_  
Legal Name

\_\_\_\_\_  
Doing Business As (d/b/a)

\_\_\_\_\_  
Business Address

\_\_\_\_\_  
Mailing Address

\_\_\_\_\_  
Business Address continued

\_\_\_\_\_  
Mailing Address continued

\_\_\_\_\_  
Business City/State/Zip

\_\_\_\_\_  
Mailing City/State/Zip

\_\_\_\_\_  
Phone Number

\_\_\_\_\_  
Alternate Phone Number

\_\_\_\_\_  
Fax Number

\_\_\_\_\_  
Primary Contact

\_\_\_\_\_  
Email Address

SEC  
Mail Processing  
Section  
FEB 28 2017  
Washington DC  
415

**SENTRY EQUITY SERVICES, INC.**

Financial Statements and Schedules

December 31, 2016

(With Report of Independent Registered Public Accounting Firm)